

A. Standard Association Insurance. The Association, through its Board, shall maintain the following insurance coverages:

(1) Fire and casualty insurance covering all Common Area improvements owned by the Association (excepting land, foundation, excavation and other items customarily excluded from coverage), including all fixtures and building service equipment which are a part of the Common Area, and common personal property and supplies. The policy shall protect at least against the following: loss or damage by fire and other perils normally covered by the standard extended coverage endorsement; and, all other perils which are customarily covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement, if such is available. The policy shall be in an amount equal to 100% of current replacement cost of the items required by this paragraph to be insured, without deduction for depreciation, and shall contain an Agreed Amount and Inflation Guard Endorsement, or its equivalent, if available.

Construction Code Endorsements (such as a Demolition Cost Endorsement, a Contingent Liability from Operation of Building Laws Endorsement and an Increased Cost of Construction Endorsement) shall be obtained if the Common Area now or at some time in the future becomes subject to a construction code provision which would become operative and require changes to undamaged portions of any building, thereby imposing significant costs in the event of partial destruction of the Development by an insured peril.

(2) Flood insurance, if the Development is located within an area which has special flood hazards and for which flood insurance has been made available under the National Flood Insurance Program (NFIP). The policy shall cover the same property as that required to be insured under Section 5.05, paragraph A(1), and shall be in no less an amount than the lesser of the following: the maximum coverage available under the NFIP for all buildings and other insurable property within any portion of the Common Areas located within a designated flood hazard area; or 100% of current "replacement cost" of all such buildings and other insurable property.

(3) Comprehensive general liability insurance coverage insuring the Association, any manager, the Declarant and the Owners and occupants of the Lots, and their respective family members, guests, invitees, and the agents and employees of each, against any liability incident to the ownership or use of the Common Areas, public ways of the Development, commercial spaces, if any, owned by the Association, whether or not they are leased to some third party. Coverage limits shall be in amounts generally required by private institutional mortgage investors for projects similar in construction, location and use. However, such coverage shall be for at least \$3 million for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the Common Areas, legal liability arising out of law suits related to employment contracts of the Association, and such other risks as are customarily covered with respect to developments similar in construction, location and use (i.e., contractual and all-written contract insurance, employers liability insurance, comprehensive automobile liability insurance, etc.).

(4) Fidelity bond coverage for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of or administered by the Association. If the Association has delegated some or all of the responsibility for the handling of funds to a Manager, such bonds shall also cover the officers, employees and agents of such Manager who are handling or responsible for funds of, or administered on behalf of, the Association. The total amount of coverage shall be based upon best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the Manager, as the case may be, at any given time during the term of each bond.

However, in no event may the aggregate amount of such bonds be less than a sum equal to three months' aggregate assessments on all Residence Units plus reserve funds.

Fidelity bonds shall name the Association as an obligee. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. The premiums on fidelity bonds maintained by a Manager for its officers, employees and agents may be paid by such Manager instead of the Association.

(5) Worker's Compensation Insurance and other liability insurance as it may deem desirable, insuring each Owner, the Association, the Board and Manager, if any, from liability in connection with the Common Area.

All insurance and bond coverage required by Section 5.05, paragraph A, shall provide that it may not be cancelled or substantially modified (including cancellation for nonpayment of premium) by any party, without at least 10 days' prior written notice to the Association.

B. Optional Association Insurance. In addition, the Board may, but shall not be required to, purchase a blanket policy of insurance covering the residential improvements within the Development. If the Board decides to purchase such a policy, the amount of insurance shall be equal to the estimated cost of replacing the improvements substantially in accordance with the original basic plan, including only such interior finishing and equipment as is provided by the Declarant to the original Owner for the base price of the Residence and excluding items of personal property, furnishings and decor which are added by the Owner. In addition, if such a blanket policy is purchased, it shall comply with the requirements of all Institutional Mortgagees holding Mortgages within the Development.

C. Loss Payee. All policies of insurance shall be carried in the name of the Board as trustee for the Association and for all Owners and Mortgagees as their interests may appear. In case of loss, proceeds shall be payable to the Board or to a bank or trust company designated by the Board for custody and disposition in accordance with this Article. All casualty insurance proceeds may be paid to a trustee, to be held and expended for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear. Said trustee shall be the Association or a commercial bank in the County, that agrees in writing to accept such trust. If repair or reconstruction is authorized, the Board shall have the duty to contract for such work as provided for in this Declaration.

D. Notification to Owners. The Board shall, upon issuance, renewal or modification of insurance, notify Owners as to the amount and type of insurance carried by the Association providing the summary of policies described in the "Records and Reports" article of the Bylaws. The Board shall accompany this notification with statements to the effect that the Association is or is not insured to the levels specified in Section 5.05, paragraph A, subparagraph (3), and that if not so insured, Owners may be individually liable for the entire amount of a judgment, and if the Association is insured to the levels specified in that subparagraph (3), then Owners may be individually liable only for their proportional share of assessments levied to pay the amount of any judgment which exceeds the limits of the Association's insurance. If the Board carries a policy of insurance on the residential improvements owned by the Owners, such policy shall not prejudice the right of an Owner to insure his property for his own benefit. Nothing herein shall be construed as creating responsibility of the Association for repair or replacement of the improvements on any Lot if the damage is caused by any uninsured risk, or if the Association decides not to carry insurance on the residential improvements.

E. Board Authority. Subject to any restrictions imposed by any Mortgagees, the Board shall have the power and right to deviate from the insurance requirements contained in this Section 5.05 in any manner that the Board, in its discretion, considers to be in the best interests of the Association. If the Board elects to materially reduce the coverage from the coverage required in this Section 5.05, the Board shall make all reasonable efforts to notify the Members of the reduction in coverage and the reasons therefor at least 30 days before the effective date of the reduction. The Association and its directors and officers shall have no liability to any Owner or Mortgagee if, after a good faith effort, (1) the Association is unable to obtain any insurance required hereunder because the

insurance is no longer available, (2) if available, the insurance can be obtained only at a cost that the Board, in its sole discretion, determines is unreasonable under the circumstances, or (3) the Members fail to approve any assessment increase needed to fund the insurance premiums.

The Board is authorized to negotiate and agree on the value and extent of any loss under any policy carried by the Association, including, but not limited to, the right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

Each Owner, by acceptance of a deed to a Lot, irrevocably appoints the Association as that Owner's attorney-in-fact for purposes of procuring, negotiating, accepting, compromising, releasing, settling, distributing and taking other related actions in connection with any insurance policy maintained by the Association and any losses or claims related thereto and agrees to be bound by the actions so taken as if the Owner had personally taken the action.

F. Periodic Insurance Review. The Board periodically (and not less than once every three years) shall review the Association's insurance policies and make such adjustments to the policies' terms and conditions as the Board considers to be in the best interests of the Association. The review shall include an appraisal by a qualified appraiser of the current replacement costs of all covered property under the Association's policy unless the Board is satisfied that the current dollar limit of the property policy, coupled with the amount of actual reserves on hand, is equal to or greater than the current replacement costs.

5.06. Replacement or Repair. In the event of damage to or destruction of the Development by causes insured against by the Association, the Association shall repair or replace the same from the insurance proceeds payable to it or to the trustee designated by the Board. If damage or destruction occurs to the Common Area and the insurance proceeds are insufficient to cover the costs of repair or replacement thereof, the Association may make a Special Assessment upon all Owners (as provided in Section 7.03) to cover the additional costs of repair or replacement not covered by insurance proceeds. If the Association carries insurance on individual residential improvements and if damage or destruction occurs to improvements on individual Lots, the Owners of such Lots shall be obligated to contribute such funds as shall be necessary to pay their proportionate share of the cost of rebuilding or reconstruction, over and above the available insurance proceeds. The proportionate share of each such Owner or Owners shall be the amount by which the cost of repair or replacement on his Lot exceeds that Owner's share of the total insurance proceeds payable by reason of the damage or destruction having occurred. If any Owner fails to pay his proportionate share, the Association may levy a Special Assessment especially allocated to the Lot or such Owner (as provided in Section 7.06, paragraph B), which may be enforced under the lien provisions contained in Article 7 or in any other manner provided in this Declaration.

ARTICLE 6. ARCHITECTURAL CONTROL.

6.01. Committee Approval. Declarant and any Builder shall be responsible for observing the Underlying Covenants in connection with the initial development of the homes and related improvements. No approval of any Declarant's initial home construction and subdivision improvement work shall be required from the Committee created under this Declaration so long as approval is sought and obtained pursuant to the Underlying Covenants. After initial development, it is intended that the Development be maintained in the same condition and appearance as originally developed by Declarant or any Builder. No building, fence, awning, exterior window covering, sign, house numbers or other exterior addition to or change or alteration of the improvements shall be made by or on behalf of any person, and none of the things requiring prior consent, as provided in Article 4, shall be done until a proposal therefor has been submitted to and approved by the Architectural Control Committee. The proposal shall not be deemed submitted until all plans, specifications, samples and other materials necessary to adequately describe and depict the proposal have been delivered to the Committee. The request for approval and relevant materials shall be deemed submitted as of the date when they are personally delivered or mailed to the Committee with postage fully prepaid. The address of the initial Committee referred to below is: Woodcreek Oaks Community Association, c/o Winncrest Homes, 9985 Folsom Boulevard, Sacramento, California 95827.

6.02. Composition of Committee. The Committee shall have five members. The initial members of the Committee appointed by the Declarant shall be: Sherman Haggerty, Doug Mull, Gary Parker, Mark Ketchersid and Tom Winn (or any other person appointed by Declarant to replace them until the first anniversary of the issuance of the original public report for the first Phase of the Development). Following the first anniversary, USH and Renown shall each have the power to appoint one member and Winncrest shall have the power to appoint two members of the Committee until the earlier of: (a) the fifth anniversary of the final public report issued for the first Phase of the Development, or (b) the date when 90% of the Lots in the Development have been sold. So long as any of the corporations which comprise Declarant has the power to appoint four members of the Committee, the Board shall appoint the fifth member; thereafter, the Board shall have the power to appoint all five Committee members. Members of the Board may serve as members of the Committee and if the Board ever fails or ceases to appoint members to the Committee, the Board itself shall act as the Committee. Only those members of the Committee who are appointed by the Board need be Members of the Association.

6.03. Meetings. The Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of the Committee members shall constitute the action of the Committee and the Committee shall keep and maintain a written record of all actions taken.

6.04. Architectural Guidelines. The Architectural Committee may, from time to time and with approval of the Board, adopt, amend and repeal rules and regulations to be known as "Architectural Guidelines." The Architectural Guidelines shall interpret and implement the provisions hereof by setting forth: (a) the standards and procedures for Architectural Committee review, including the required content of improvement plans and specifications; (b) guidelines for architectural design, placement of any work of improvement or color schemes, exterior finishes and materials and similar features which are recommended or required for use in connection with particular improvement projects within the Development; and (c) the criteria and procedures for requesting variances from any property use restrictions that would otherwise apply to the proposed improvement under the Governing Documents. Notwithstanding the foregoing, no Architectural Guideline shall be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Architectural Guidelines and this Declaration, the provisions of the Declaration shall prevail.

6.05. Limitation on Liability. Neither the Association, nor the Board or the Architectural Committee or any member thereof, shall be liable to any Owner for any damage, loss or prejudice suffered or claimed on account of any mistakes in judgment, negligence or nonfeasance arising out of: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; or (b) the construction or performance of any improvement project, whether or not pursuant to approved plans, drawings or specifications; provided, however, that such member has acted in good faith on the basis of such information as he possessed at the time the act or omission occurred.

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

6.07. Inspection. The Committee at any time may inspect any improvement for which approval of plans is required under this Declaration; provided, however, that the Committee's right of inspection shall terminate 60 days after the work of improvement shall have been completed and the respective Owners have given written notice to the Committee of such completion. If, as a result of such inspection, the Committee finds that such improvement was done without obtaining the approval of the plans therefor or was not done in substantial compliance with the plans approved by the Committee, it shall notify the Owner in writing of the failure to comply with the Declaration within 60 days from the inspection, specifying the particulars of noncompliance. The Committee shall have the authority to require the Owner to take such actions as may be necessary to remedy the noncompliance.

6.08. Committee Enforcement. In addition to other enforcement provisions set forth in Article 8, the Architectural Control Committee shall have enforcement rights with respect to matters required to be submitted to and approved by it and shall have the authority to order an abatement of any construction, alteration or other matter for which approval is required, to the extent that it has not been

approved by the Committee or that it does not conform to the plans and specifications submitted to the Committee. No work for which approval is required shall be deemed to be approved simply because it has been completed without a complaint, notice of violation or commencement of a suit to enjoin such work.

6.09. Approval Provisions for Builders. Unless and until the Committee elected or appointed pursuant to the Underlying Covenants either delegates its review functions with respect to the Development to the Architectural Control Committee created pursuant to this Declaration or ceases to function, any Builder intending to construct or reconstruct a home on any Lot within the Development shall first observe, comply with and obtain approval as required by the Underlying Covenants. When such approval is no longer required or is duly obtained, then Builders shall obtain approval in accordance with the provisions of this Article 6 of the plans and specifications for each home that such Builder plans to build on any Lot. In its application for approval of each home, the Builder shall submit, for approval by the Committee, a list of all Lots owned by such Builder upon which the Builder may place such home (the "List"). The Builder may include a Lot on more than one List and may subsequently construct on such Lot any home for which the Lot was included in the approved List.

ARTICLE 7. ASSESSMENTS AND DISCIPLINARY CHARGES.

7.01. Agreement to Pay and Assessments Generally. The Declarant, for each Lot owned by it in the Development, covenants and agrees, and each purchaser of a Lot by his acceptance of a deed, whether or not it shall be so expressed in such deed, covenants and agrees, for each Lot owned, to pay to the Association Regular Assessments and Special Assessments. All Assessments shall be for the purpose of paying for the immediate or future expense of the Association in performing its obligations under the Governing Documents and generally acting in the best interests of the Development and the Members. Each and every Assessment levied as provided herein is declared and agreed to be a reasonable Assessment. Assessments shall be established, collected, maintained and enforced as provided in this Article. Each Owner shall also be liable for Disciplinary Charges as described in Section 7.05.

A. Owner's Personal Obligation. All Assessments, together with late charges, interest and reasonable costs (including reasonable attorneys' fees) for the collection thereof, and any duly imposed Disciplinary Charges, shall be a debt and a personal obligation of the person who is the Owner of the Lot at the time the Assessment is levied or the Disciplinary Charge is imposed. Each Owner who acquires title to a Lot (whether by conventional conveyance, at judicial sale, trustee's sales or otherwise) shall be personally liable only for Assessments attributable to the Lot which become due and payable after the date that the person acquires title. Accordingly, when a person acquires title to a Lot, he shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability. However, if the acquired Lot is conveyed subject to a valid lien for delinquent Assessments (and related costs of collection), the Association may continue to exercise its foreclosure remedies against the Lot, regardless of the change of ownership, and/or the Association may pursue its collection remedies against the prior Owner, individually.

B. Creation of Assessment Lien. All Assessments, together with late charges, interest and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which such Assessment is made. Any lien for unpaid Assessments created pursuant to the provisions of this Article may be subject to foreclosure as provided in Section 7.10 hereof.

C. No Avoidance of Assessment Obligations. No Owner may exempt himself from personal liability for Assessments duly levied by the Association, or release the Lot or other property owned by him from the liens and charges hereof, by waiver of the use and enjoyment of the Common Area or any facilities thereon or by abandonment or nonuse of his Lot or any other portion of the Properties.

D. Assessment Roll. An Assessment roll shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member. The Assessment roll (which may be maintained in the form of a computer printout) shall show, for each Lot, the name and address of the Owner of record, all Regular and Special Assessments and any Disciplinary Charges levied against each Owner and his Lot, and the amount of such obligations

which have been paid or remain unpaid. The delinquency statement required by Section 3.04, paragraph C, hereof, shall be conclusive upon the Association and the Owner of such Lot as to the amount of such indebtedness appearing on the Association's Assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

7.02. Regular Assessments. Regular Assessments shall be established in accordance with a budget and assessed as follows:

A. **Preparation of Annual Budget; Establishment of Regular Assessments.** Not less than 45 days nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Area or portions of the Lots which the Association is obligated to maintain) by preparing and distributing to all Members a budget satisfying the requirements of the Bylaws. If the Board fails to distribute the budget for any fiscal year within the time period specified in the first sentence of this subparagraph, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the Members' approval in accordance with Section 7.04 below.

B. **Establishment of Regular Assessment by Board/Membership Approval Requirements.** The total annual expenses estimated in the Association's budget (less projected income from sources other than Assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year. The Board may not increase the amount of the Regular Assessment for any fiscal year by more than 20% above the amount of the prior year's Regular Assessment without the Members' prior approval in accordance with Section 7.04 below.

C. **Allocation of Regular Assessment.** The amount of the Regular Assessments shall be the same for all Lots.

D. **Mailing Notice of Assessment.** Within the time requirements specified in Section 7.02, paragraph A, above, the Board shall mail to each Owner, at the street address of the Owner's Lot, or at such other address as the Owner from time to time may designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year.

E. **Failure to Make Estimate.** If, for any reason, the Board fails to make an estimate of the Association's expenses for any fiscal year, then the Regular Assessment made for the preceding year, together with any Special Assessment made for capital improvements for that year, shall be assessed against each Owner and his Lot for the then current fiscal year, and installment payments based upon such automatic Assessment shall be payable on the then established regular payment dates.

F. **Installment Payment of Assessments.** The Regular Assessment levied against each Owner and his Lot shall be due and payable in advance to the Association in equal monthly installments on the first day of each month or on such other date or dates as may be established from time to time by the Board. Installments of Regular Assessments shall be delinquent if not paid within 15 days following the due date as established by the Board. The Regular Assessments for each Phase shall commence on the first day of the calendar month following the date of the first conveyance of a Lot to a purchaser in that Phase (the "Initiation Date") and shall continue through December 31 of the year in which the initial conveyance is made and shall equal one-twelfth of the annual Regular Assessment amount for each month within such partial year.

7.03. Special Assessments. Subject to the membership approval requirements set forth in paragraph B below, the Board shall have the authority to levy Special Assessments against the Owners and their Lots for the following purposes:

(i) **Regular Assessment Insufficient.** If, at any time, the Regular Assessment for any fiscal year is insufficient in amount due to extraordinary expenses not contemplated in the budget prepared for that fiscal year, then the Board shall levy and collect a Special Assessment, applicable to the remainder of such year only, for the purpose of defraying, in whole or in part, any deficit which the Association may incur in

the performance of its duties and the discharge of its obligations hereunder. The Board's assessment authority pursuant to this paragraph shall be subject to membership approval requirements under the circumstances described in this Article.

(ii) Capital Improvements. If it became necessary or appropriate to make additional capital improvements within the Common Area (i.e., improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Area improvements), the Board could levy a Special Assessment for the cost thereof. The Special Assessment power conferred hereunder is not intended to diminish the Board's obligation to plan and budget for normal maintenance, and replacement or repair of the Common Area or existing facilities therein through Regular Assessments (including the funding of reasonable reserves) and to maintain adequate insurance on the Common Area in accordance with Section 5.04.

A. When Membership Approval is Required. The following Special Assessments require prior membership approval in accordance with Section 7.04 below: (1) any Special Assessments which, in the aggregate, exceed 5% of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied; and (2) any Special Assessments imposed pursuant to subparagraph (i) above when the Board has failed to distribute a budget to the Members within the time specified in Section 7.02, paragraph A. The foregoing Member approval requirements shall not apply, however, to any Special Assessment imposed to address any "emergency situation" as defined in Section 7.06.

B. Allocation of Special Assessments. When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against and charged to each Owner and his Lot in the same manner prescribed for the allocation of Regular Assessments pursuant to Section 7.02, paragraph C, above. The Special Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner, by first-class mail, not less than 30 nor more than 60 days prior to the increased Assessment becoming due.

C. Payment Schedule. Special Assessments for purposes described in subparagraph (i) of this section shall be due as a separate debt of the Owner and a lien against his Lot, and shall be payable to the Association in equal monthly installments during the remainder of the then current fiscal year. Special Assessments for purposes described in subparagraph (ii) shall be due as a separate debt of the Owner and a lien against his Lot, and shall be payable in full to the Association within 30 days after the mailing of such notice or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment.

7.04. Member Approval Pursuant to Sections 7.02 and 7.03. If Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 7.02 and 7.03 of this Article, the Board must comply with the financial reporting requirements set forth in Section 7.08, paragraph A, of the Bylaws and the affirmative vote required to approve the increase shall be a majority of a quorum of the Members. The quorum required for such membership action shall be a majority of the Members. Any meeting of the Association for purposes of approval of Assessment increases shall be conducted in accordance with Article 3 of the Bylaws.

7.05. Disciplinary Charges. The Board may impose Special Individual Assessments against an Owner in any of the circumstances described in paragraphs A and B below; provided, however, that no Special Individual Assessments may be imposed against an Owner pursuant to this section until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Article 8, Section 8.09 hereof, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

A. Damage to Common Area. If any damage to, or destruction of, any portion of the Common Area, or any property which the Association is obligated to repair and maintain, is caused by the willful misconduct or negligent act or omission of any Owner, any member of his family, or any of his tenants, guests, servants, employees, licensees or invitees, the Board shall cause the same to be

repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

B. Expenses Incurred in Gaining Member Compliance. If the Association incurs any costs or expenses to: (1) perform any repair, maintenance or replacement to any portion of the Development that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion; or (2) otherwise bring the Owner and/or his Lot into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties imposed hereunder, title company fees, accounting fees, court costs and reasonable attorneys' fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

C. Payment: Enforcement. Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed in the first paragraph of this section, such Special Individual Assessment shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to the affected Owner. The Special Individual Assessment shall thereafter be due as a separate debt of the Owner, payable in full to the Association within 30 days after the mailing of notice to the Assessment. Such Special Individual Assessment may be sued upon in Small Claims Court or other forum appropriate for collection of a debt, but may not be enforceable as a lien giving rise to foreclosure action under Sections 2924, 2924(b) and 2924(c) of the California Civil Code.

7.06. Special Exceptions or Exemptions. The following special circumstances create exceptions to the general provisions regarding Assessments and Assessment procedures:

A. Assessments to Address Emergency Situations. The requirement of a membership vote to approve: (1) Regular Assessment increases in excess of 20% of the previous year's Regular Assessment; or (2) Special Assessments which, in the aggregate, exceed 5% of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied, shall not apply to Assessments which are necessary to address emergency situations. For purposes of this section, an emergency situation is any of the following:

- (1) An extraordinary expense required by an order of a court.
- (2) An extraordinary expense necessary to repair or maintain the Common Areas or facilities therein or any portion of the Lots which the Association is obligated to maintain where a threat to personal safety is discovered.
- (3) An extraordinary expense necessary to repair or maintain the Common Areas or any portion of the Lots which the Association is obligated to maintain that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to Section 7.02; provided, however, that prior to the imposition or collection of an Assessment under this subparagraph (3), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of Assessment.
- (4) An extraordinary expense in making the first payment of the earthquake insurance surcharge under California Insurance Code Section 5003.

B. Special Assessment for Special Repair. If the Association carries casualty insurance with respect to individual Residence Units but proceeds thereof are insufficient to cover any repair to or replacement of the individual Residence Unit(s) damaged (see Section 5.06 hereof), the Association shall levy a Special Assessment in the amount of the deficiency identifiable to the Lot(s) damaged. The same circumstance may arise with respect to a condemnation event as described in Section 10.02, paragraph A. In either such case, the Board shall adopt a resolution as described in

subparagraph (3) of paragraph A above, shall fix the amount of the Special Assessment and shall allocate the same only to the Lot(s) affected rather than to all Lots in the Development.

C. Exemption of Certain of the Properties from Assessments. The following real property subject to this Declaration shall, unless devoted to the use as a Residence Unit, be exempt from the Assessments and the lien thereof:

- (1) Any portion of the Properties dedicated and accepted by a local public authority;
- (2) The Common Area; and
- (3) Any Lot owned by the Association.

7.07. Maintenance of Assessment Funds.

A. Bank Accounts. All sums received or collected by the Association from Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more insured checking, savings or money market accounts in a bank or savings and loan association selected by the Board which has offices located within the County. In addition, the Board shall be entitled to make prudent investment of reserve funds in insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees. The Board and such officers or agents of the Association as the Board shall designate shall have exclusive control of the account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof. To preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one or more accounts and need not be deposited in separate accounts so long as the separate accounting records described herein are maintained. Any interest received on such deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Association as provided in subparagraph B below.

B. Separate Accounting; Commingling of Funds. Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Despite the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments. If the proceeds of any Special Assessment exceed the amount required to accomplish the purpose for which such Assessment was levied, such surplus may, in the Board's discretion, be: (1) returned proportionately to the contributors thereof; (2) reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, underfunded; or (3) credited proportionately on account of the Owners' future Regular Assessment obligations.

For purposes of accounting, but without requiring any physical segregation of assets, the Association shall maintain a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made therefrom; provided, however, that receipts and disbursements of Special Assessments made pursuant to Section 7.03 shall be accounted for together with the receipts and disbursements of Regular Assessments, and a separate accounting shall be maintained for each capital improvement for which reserve funds for replacement are allocated.

Unless the Association is exempt from federal or state taxes, all sums allocated to capital replacement funds shall be accounted for as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in any other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board that will prevent such funds from being taxed as income of the Association.

C. Reserve Fund Expenditure. The Board shall not expend funds designated as reserve funds for any purpose other than the following:

(1) The repair, restoration, replacement or maintenance of major components for which the Association is obligated and for which the reserve fund was established, or litigation involving the use of reserve funds for such purposes.

(2) Despite subparagraph (1) above, the Board may authorize the temporary transfer of money from the reserve account to meet short-term cash flow requirements or other expenses subject to the following:

(a) The Board shall make a written finding, recorded in the Board's minutes, regarding the transfer which shall include a statement about how and when the reserve fund will be replenished, which shall ordinarily be in not more than one year of the date of the initial transfer. The Board may, however, upon making a documented finding that a temporary delay of restoration of the funds would be in the best interests of the Development, temporarily delay the restoration until such time it reasonably determines to be necessary.

(b) Prudent fiscal management shall be exercised in delaying restoration of the transferred funds to the reserve account and the Board shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits specified above. Any such Special Assessment shall be subject to the 5% increase limitation specified in Section 7.03, paragraph A.

(c) The Board may, at its discretion, extend the date the payment on which 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.

7.08. Estoppel Certificate. The Board or Manager shall, on not less than 10 days' prior written request, execute, acknowledge and deliver to any Owner making such request a statement in writing stating whether or not, to the knowledge of the Association, the Owner is in default as to his Lot under the provisions of this Declaration, the Articles, Bylaws or Association Rules; the amount of Regular and Special Assessments, including installment payments, paid by the Owner during the fiscal year the request is received; and the amount of any delinquent assessments, penalties, interest, attorneys' fees and other charges on the Owner's Lot. The Board or Manager may charge the Owner a fee to recover its reasonable costs in preparing the statement. Any such certificate delivered pursuant to this section may be relied upon by any prospective purchaser or Mortgagee of the Lot, but such reliance may not extend to any default involving the payment of assessments of which the signer had no actual knowledge.

7.09. Delinquent Assessments. If any installment payment of a Regular Assessment or lump sum or installment payment of any Special Assessment assessed to any Owner is not paid within 15 days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing 30 days after the due date until the same is paid. In addition to the accrual of interest, the Board is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code Sections 1366(c) and 1366.1 or comparable successor statutes. Any interest or late charge related to a delinquent Regular Assessment or Special Assessment shall be added thereto, with collection and enforcement being subject to the Association's lien rights. Interest or late charges related to a Disciplinary Charge shall be collectible as part of the individual obligation on which Association may sue.

7.10. Effect of Delinquent Assessments.

A. **Creation and Imposition of Lien.** As more particularly provided in Section 1367 of the California Civil Code or comparable successor statute, the amount of any delinquent Regular or Special, or Special Individual Assessment, together with any late charges, interest and costs (including reasonable attorneys' fees) attributable thereto or incurred in the collection thereof, shall become a lien upon the Lot of the Owner so assessed only when the Association Records a Notice of Delinquent Assessment executed by an authorized representative of the Association, setting forth: (i) the amount of the delinquent Assessment(s) and other sums duly imposed pursuant to this Article and Section 1366 of the California Civil Code; (ii) the legal description of the Owner's Lot against which the Assessments and

other sums are levied; (iii) the name of the Owner of record of such Lot; (iv) the name and address of the Association; and (v) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Association to enforce the lien by sale. Upon payment in full of the sums specified in the Notice of Delinquent Assessment, the Association shall Record a further notice stating the satisfaction and release of the lien thereof.

B. Remedies Available to the Association to Collect Assessments. The Association may initiate a legal action against the Owner personally obligated to pay the delinquent Assessment, foreclose its lien against the Owner's Lot or accept a deed in lieu of foreclosure. Foreclosure by the Association of its lien may be by judicial foreclosure or by nonjudicial foreclosure by the trustee designated in the Notice of Delinquent Assessment or by a trustee substituted pursuant to California Civil Code Section 2934a. Any sale of a Lot by a trustee acting pursuant to this section shall be conducted in accordance with Sections 2924, 2924b and 2924c of the California Civil Code applicable to the exercise of powers of sale in mortgages or deeds of trust.

C. Nonjudicial Foreclosure. Nonjudicial foreclosure shall be commenced by the Association by Recording a Notice of Default, which notice shall state: (i) all amounts which have become delinquent with respect to the Owner's Lot and the costs (including attorneys' fees), penalties and interest that have accrued thereon; (ii) the amount of any Assessment which is due and payable although not delinquent; (iii) a legal description of the property with respect to which the delinquent Assessment is owed; and (iv) the name of the Owner of record or reputed Owner thereof. The Notice of Default shall also state the election of the Association to sell the Lot or other property to which the amounts relate and shall otherwise conform with the requirements for a notice of default under Section 2924c of the California Civil Code, or comparable successor statute.

The Association shall have the rights conferred by Section 2934a of the Civil Code to assign its rights and obligations as trustee in any nonjudicial foreclosure proceedings to the same extent as a trustee designated under a deed of trust, and for purposes of Section 2934a, the Association shall be deemed to be the sole beneficiary of the delinquent Assessment obligation. Furthermore, in lieu of an assignment of trusteeship, the Association shall be entitled to employ the services of a title insurance company or other responsible person authorized to serve as a trustee in nonjudicial foreclosure proceedings to act as an agent on behalf of the Association in commencing and prosecuting any nonjudicial foreclosure hereunder.

D. Actions for Money Judgment. In the event of a default in payment of any Assessment, the Association, in its name but acting for and on behalf of all other Owners, may initiate legal action, in addition to any other remedy provided herein or by law, to recover a money judgment or judgments for unpaid Assessments, costs and attorneys' fees without foreclosure or waiver of the lien securing same.

7.11. Transfer of Lot by Sale or Foreclosure. The following rules shall govern the right of the Association to enforce its Assessment collection remedies following the sale or foreclosure of a Lot:

(1) Except as provided in subparagraph (2) below, the sale or transfer of any Lot shall not affect any Assessment lien which has been duly Recorded against the Lot prior to the sale or transfer, and the Association can continue to foreclose its lien in spite of the change in ownership.

(2) The Association's Assessment lien shall be extinguished as to all delinquent sums, late charges, interest and costs of collection incurred prior to the sale or transfer of a Lot pursuant to a foreclosure or exercise of a power of sale by the holder of a prior encumbrance (but not pursuant to a deed-in-lieu of foreclosure). A "prior encumbrance" means any first Mortgage or other Mortgage or lien Recorded against the Lot at any time prior to Recordation of the Associations' Assessment lien (see Section 7.12, below).

(3) No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale, or otherwise, shall relieve the new Owner of such Lot (whether it be the former beneficiary of the first Mortgage or other prior encumbrance or a third party acquiring an interest in the Lot) from

liability for any Assessments which thereafter become due with respect to the Lot or from the lien thereof.

(4) Any Assessments, late charges, interest and associated costs of collection which are lost as a result of a sale or transfer of a Lot covered by subparagraph (2) above, shall be deemed to be a Common Expense collectible from the Owners of all of the Lots, including the person who acquires the Lot and his successors and assigns.

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

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

7.13. Assignment of Rents. By acceptance of the deed to his Lot, each Owner assigns to the Association, absolutely and regardless of possession of the property, all rents and other monies now due or hereafter to become due under any lease or agreement for the use or occupation of any or all parts of any Lot owned by the Owner, now existing or hereafter made for the purpose of collecting all Assessments due the Association pursuant to this Declaration which are in default. The Association hereby confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable; provided, however, that the Association, at its sole discretion, may revoke such authority at any time, upon written notice to the Owner of a default in the payment of any Assessment due hereunder. Upon revocation of such authority, the Association may, pursuant to court order or by court appointed receiver, collect and retain such monies, whether past due and unpaid or current. The Association's rights under this section shall be subordinate to the rights of any first Mortgage.

7.14. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article, the benefit of any homestead or exemption law of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed against the Owner's Lot.

ARTICLE 8. ASSOCIATION ENFORCEMENT; REMEDIES.

8.01. Right of Enforcement. The Association in its own name and on its own behalf, or on behalf of all Owners, can commence and maintain actions for damages or to restrain and enjoin any actual or threatened breach of any provisions of the Governing Documents, can suspend the voting rights or can assess monetary penalties against any Owner or other person entitled to exercise such rights or privileges for any violation of the Governing Documents, all as more specifically provided in this Article or otherwise permitted by law. The decision of whether it is appropriate or necessary for the Association to take enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Board or its duly authorized enforcement committee. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement as exist by virtue of Section 1354 of the California Civil Code or otherwise by law.

8.02. Fines and Penalties. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for illegally parked vehicles). A late charge for delinquent Assessments or costs of collection may be added to an Owner's total Assessment obligation and may be enforced by Association lien rights under Article 7.

8.03. Definition of "Violation". A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for

additional days, discipline imposed by the Board may include one component of the violation and, according to the Board's discretion, a per-diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Association shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Area at the cost of the responsible Owner.

8.04. Remedy at Law Inadequate. Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration is inadequate and that the failure of any Owner, tenant, occupant or user of any Lot, or any portion of the Common Area, to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

8.05. Nuisance. Without limiting the generality of the foregoing Section 8.04, the result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

8.06. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure by any Owner or others to perform or observe any provision of this Declaration.

8.07. Costs and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party hereto under this Declaration, the court may award to the prevailing party in such action such attorneys' fees and other costs as it may deem just and reasonable.

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

8.09. Limitations on Disciplinary Rights.

A. **Loss of Rights: Forfeitures.** The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his Lot due to the failure by the Owner (or his family members, tenants, guests or invitees) to comply with any provision of the Governing Documents or of any duly enacted Association Rule except where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction, a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Association's actions satisfy the due process requirements in paragraph B below.

B. **Hearings.** No penalty or temporary suspension of rights shall be imposed pursuant to this Article unless the Owner alleged to be in violation is given at least 15 days' prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Board or appropriate committee established by the Board with respect to the alleged violation(s) at a hearing conducted at least 5 days before the effective date of the proposed disciplinary action.

Despite the foregoing, under circumstances involving conduct that constitutes: (i) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (ii) a traffic or fire hazard; (iii) a threat of material damage to, or destruction of, the Common Area; or (iv) a violation of the Governing Documents that is of such a nature that there is no

material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations), the Board, or its duly authorized agents, may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Association, in writing, within five days following the Association's disciplinary action), or on its own initiative, conduct a hearing as soon thereafter as reasonably possible.

If the Association acts on its own initiative to schedule a hearing, notice of the date, time and location of the hearing shall accompany the notice of disciplinary action. If the accused Owner desires a hearing, a written request therefor shall be delivered to the Association no later than five days following the date when the fine is levied. The hearing shall be held no more than 15 days following the date of the disciplinary action or 15 days following receipt of the accused Owner's request for a hearing, whichever is later. Under such circumstances, any fine or other disciplinary action shall be held in abeyance and shall only become effective if affirmed at the hearing.

At the hearing, the accused shall be given the opportunity to be heard, including the right to present evidence and to present or question witnesses. The Board shall notify the accused Owner, in writing, of the Board's decision within five business days following conclusion of the hearing. In no event shall the effective date of any disciplinary action commence sooner than five days following conclusion of the hearing unless: (i) the hearing merely affirms summary disciplinary action initiated pursuant to the immediately preceding paragraph; or (ii) earlier commencement is necessary to preserve the quiet enjoyment of other residents or to prevent further damage to, or destruction of, the Development or any portion thereof.

C. Rules Regarding Disciplinary Proceedings. The Board shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Association Rules.

8.10. Notices. Any notice required by this Article shall, at a minimum, set forth the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation of the Governing Documents and a reference to the specific Governing Document provision alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice; provided, however, that if notice is given by mail it shall be sent by first-class or certified mail, sent to the last address of the Member shown on the records of the Association.

8.11. Alternative Dispute Resolution. The Board shall not be required to submit civil claims of any kind to binding or nonbinding alternative dispute resolution procedures. However, the Board shall comply with Section 1354(b) of the California Civil Code, which provides generally that the Board is authorized, subject to certain limitations, to endeavor to resolve any civil claim or action through alternative dispute resolution proceedings such as mediation, binding arbitration or nonbinding arbitration proceedings. In that connection, the Board may, but shall not be required to, do the following:

(1) Give, or in good faith attempt to give, 120 days' advance notice of the Board's intent to initiate the prosecution of any civil action and of the nature and basis of the claim to all Members and to every entity or person who is a prospective party to the civil action, provided that notice can be given (a) more than 120 days prior to the expiration of any pertinent statute of limitations, and (b) without prejudice to the Association's right to enforce this Declaration or other governing documents, and further provided that no such notice need be given before filing an action in small claims court of an action solely to enforce assessment obligations.

(2) Before initiating the prosecution of a civil action solely for declaratory relief or injunctive relief to enforce the governing documents or for such relief in conjunction with a claim for monetary damages not exceeding \$5,000, endeavor to submit the matter to alternative dispute resolution in compliance with the provisions of Civil Code 1354(b).

(3) Immediately after initiating the prosecution or defense of any civil action, make a reasonable effort, in good faith, to meet and confer with every person who is a party concerning appropriate processes for resolving the civil action, including available alternative dispute resolution proceedings and for avoiding or reducing costs or losses by the parties associated with the action; providing an opportunity to cure any alleged defect in Common Areas or facilities which

is the basis for the action; and providing for the scope of discovery, if any, to be conducted prior to the inception of any alternative dispute resolution procedure.

(4) Consider diverting the prosecution or defense of any civil action to alternative dispute resolution proceedings.

(5) Agree to participate and participate fully and in good faith in resolving any civil action through any alternative dispute resolution proceedings and paying costs reasonably incurred by the Association on account of those alternative dispute proceedings.

8.12. Limitation on Action Against Declarant. If the Board contemplates a civil action against Declarant or any Builder with respect to certain improvements as described in this section, the Board must first give at least 30 days' notice to all Members as described in this section. The prior notice requirement applies with respect to any civil action against the Declarant or other Builder for damage to the Common Area, alleged damage to the Residence Units that the Association is obligated to maintain or repair, or alleged damage to Residence Units that arises out of or is integrally related to damage to Common Area of Units that the Association is obligated to maintain or repair. The notice shall specify: (a) that a meeting will be held to discuss problems that may lead to the filing of a civil action; (b) the options, including civil action, that are available to address the problems; and (c) the time and place of this meeting. Despite the foregoing, if the Board has reason to believe that the applicable statute of limitations will expire before the Association files the civil action, the Board may give the notice described herein within 30 days after filing the action.

If the Board contemplates filing an action against Declarant or other Builder based on a claim for defects in the design or construction of the Development, certain detailed requirements apply regarding notice to the Declarant or Builder in question and allowing time periods and establishing procedures for attempting to settle the dispute as particularly set forth in Civil Code Section 1375. The Board shall carefully review and follow the procedure set forth in that Section 1375, as the same may hereafter be amended before commencing any action based on alleged design or construction defects.

ARTICLE 9. PROTECTION OF MORTGAGEES.

9.01. Mortgage Permitted. Any Owner may encumber his Lot with a Mortgage.

9.02. Priority of Mortgages. Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of any first Mortgage that encumbers all or a portion of the Development, or any Lot, made in good faith and for value, and no such lien shall in any way defeat, invalidate or impair the obligation or priority of such Mortgage unless the Mortgagee expressly subordinates his interest, in writing, to such lien. No breach of the covenants, conditions or restrictions herein contained, nor the enforcement of any lien provisions herein shall affect, impair, defeat or render invalid the lien or charge of any first Mortgage made in good faith and for value encumbering any Lot. But all covenants, conditions and restrictions of this Declaration shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Lot.

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

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

9.05. Relationship with Assessment Liens.

A. **Assessment Lien Subordinate.** The liens created under Article 7 hereof shall be subordinate to the lien of any first Mortgage which was recorded prior to the date any such assessment becomes due.

B. Effect of Foreclosure. If any Lot subject to a monetary lien created by any provision hereof shall be subject to the lien of a first Mortgage: (1) the foreclosure of any lien created by anything set forth in this Declaration shall not operate to affect or impair the lien of such Mortgage; and (2) the foreclosure of the lien of said Mortgage or sale under a power of sale included in such Mortgage (such events being hereinafter referred to as "Events of Foreclosure") shall not operate to affect or impair the lien hereof, except that any persons who obtain an interest through any of the Events of Foreclosure shall take title free of the lien hereof for all such charges as shall have accrued up to the time of any of the Events of Foreclosure, but subject to the lien hereof for all of said charges that shall accrue subsequent to the Events of Foreclosure.

C. Title Following Foreclosure. Any Mortgagee who obtains title to a Lot by reason of any of the Events of Foreclosure, or any purchaser at a private or judicial foreclosure sale, shall take title to such Lot free of any lien or claim for unpaid assessments against such Lot which accrue prior to the time such Mortgagee or purchaser comes into possession of the Lot, except for liens or claims for a share of such assessments resulting from a reallocation of such assessments.

D. No Release. Nothing in this section shall be construed to release any Owner from his obligation to pay for any assessment levied pursuant to this Declaration.

9.06. Notice to First Mortgagees Upon Request. Upon written request to the Association, identifying the name and address of the holder, insurer or guarantor and the Lot number or address, the holder of any first Mortgage or the insurer or guarantor of a first Mortgage will be entitled to timely written notice of:

(1) Any condemnation loss or any casualty loss which affects a material portion of the Development or any Lot on which there is a first Mortgage held, insured or guaranteed by such Mortgage Holder, insurer or guarantor;

(2) Any delinquency in the payment of assessments or charges owed by an Owner of a Lot subject to a first Mortgage held, insured or guaranteed by such holder, insurer or guarantor, which remains uncured for a period of 60 days; and

(3) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

9.07. Rights to Inspect, Receive Statements, Attend Meetings.

A. Records. All lenders, and all holders, insurers or guarantors of any first Mortgage shall be entitled to inspect current copies of the Governing Documents and the books, records and financial statements of the Association. Such inspection shall be upon request, during normal business hours or under other reasonable circumstances.

B. Audited Statement. All holders, insurers or guarantors of a first Mortgage shall be entitled, upon written request, to have an audited financial statement for the immediately preceding fiscal year of the Association, free of charge to the party so requesting. Such financial statement shall be furnished within a reasonable time following such request.

C. Meeting Notice. Any first Mortgagee shall, upon written request to the Association, be entitled to receive written notice of all annual and special meetings of the members of the Board, and first Mortgagees shall further be entitled to designate a representative to attend all such meetings in order to, among other things, draw attention to violations of this Declaration which have not been corrected or made the subject of remedial action by the Association; provided, however, nothing contained in this section shall give a first Mortgagee the right to call a meeting of the Board or of the Members for any purpose or to vote at any such meeting.

9.08. Right of First Refusal. The right of an Owner to sell, transfer or otherwise convey his Lot is not subject to any "right of first refusal" or any similar restriction in favor of the Association. In the event this Declaration is amended to provide for any right of first refusal in the Association, a Mortgagee

who comes into possession of a Lot pursuant to a judicial foreclosure, a deed in lieu of foreclosure or a trustee's sale shall be exempt therefrom.

9.09. Mortgagees' Right to Cure Defaults. 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 all or a portion of any Common Area of the Development and may pay overdue premiums on hazard insurance policies, for such common property, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

9.10. Conflicts. In the event of any conflict between any of the provisions of this Article and any of the other provisions of this Declaration, the provisions of this Article shall control.

9.11. Distribution Rights. No provision of the Governing Documents shall be deemed to give an Owner, or any other party, priority over any rights of first Mortgagees of a Lot pursuant to their Mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of Lots.

ARTICLE 10. CONDEMNATION.

10.01. Common Area. If part or all of the Development is taken by any authority having the power of eminent domain, the Association shall represent the Owners in any condemnation proceedings or in any negotiations, settlements and agreements with the condemning authority for acquisition of the Common Areas, or part thereof, or in litigation of the issues with respect to the compensation to be paid. Each Owner hereby designates the Association as his attorney-in-fact for such purposes. All compensation and damages, exclusive of that paid for individual Lots, shall be payable to the Association as trustee for all Owners and Mortgagees as their interests may appear. Upon receipt of the award the Association shall determine, upon the vote or written consent of 75% of the Members, whether the award is sufficient to repair and restore the Development and whether it is practicable to do so. If the Association determines to rebuild, the Board shall levy a Special Assessment to cover any reconstruction costs not compensated by the award. If the Association determines not to rebuild, the Board shall prepare a new subdivision map for the remainder of the Development and shall distribute the award to the Owners and Mortgagees as their interests appear.

10.02. Lots. If the taking involves individual Lots, the Owner directly affected shall represent and negotiate for himself with respect to the damages and compensation for such taking.

ARTICLE 11. LIMITATION OF RESTRICTIONS ON DECLARANT.

11.01. Completion and Sale of the Development. Declarant and any Builders are undertaking the work of constructing residential dwellings and incidental improvements upon the Development. The completion of that work and the sale or other disposal of the Lots is essential to the establishment and welfare of the Development. In order that such work may be completed as rapidly as possible, and notwithstanding any provision in this Declaration which is or which appears to be to the contrary:

A. **Additional Facilities.** Declarant and each Builder, but only with the consent of Declarant, shall be entitled to place, construct, locate, and maintain such facilities as Declarant in its sole opinion believes to be reasonably required, convenient or incidental to the construction and sale of houses upon the Lots. These facilities may include, but shall not be limited to such things as business offices, storage areas, construction trailers, temporary buildings, construction yards, construction materials, and construction equipment of every kind, model homes, sales offices and signs identifying Declarant or the Builder and advertising the homes for sale. Each Declarant entity shall be entitled to install, at each entry to the Development, signs that are comparable in size and quality as the signage used by any other Declarant, subject to applicable Signage Guidelines and municipal regulations. Declarant and each Builder, but only with the consent of Declarant, shall have the right to move all or any portion of its facilities from one location to another at any time and from time to time, as Declarant sees fit. In any event, however, each party's facilities shall be located entirely upon a Lot or Lots owned by that party.

B. **No Nuisance.** Normal and customary construction activity shall not be deemed a nuisance or other violation of this Declaration.

C. Termination of Exemptions. Those provisions of this Declaration which provide special privileges and/or exemptions to the Declarant and to Builders shall automatically terminate as to the Lots owned by the Declarant or Builder, as appropriate, on a Lot by Lot basis as of the time such Lot is conveyed to an individual home buyer. Prior to their termination in accordance with this Section 11.01, paragraph C, however, such provisions may not be amended without the written consent of the affected Builder, or in the case of Lots owned by the Declarant, without the written consent of the Declarant.

The exemption granted by this section shall automatically expire upon the conveyance to an Owner of the last Lot in the Development owned by Declarant or three years following the most recent issuance by the California Department of Real Estate of a public report for the Development, whichever occurs first.

11.02. Creation of Easements. Declarant shall have the right at any time prior to acquisition of title by a grantee to establish additional easements, reservations and rights-of-way to itself, its successors and assigns in any conveyance of the Development or any portion thereof. Declarant or the organization for whose benefit easements, reservations and rights-of-way have been established shall have the right at any time to cut and remove any trees or branches or any other unauthorized object from such easements, reservations and rights-of-way.

11.03. Reservation of Easements. Declarant reserves for itself, and each of the individual corporations which are now or hereafter is within the definition of Declarant and each entity which holds the Annexation Property for development, a nonexclusive easement over the Development, including specifically all the private roadways within the Development, for common driveway purposes, for drainage and encroachment purposes, and for ingress to and egress from the Common Area for the purpose of entry onto and completion of development and construction within the Development and any and all of the Annexation Property described in Exhibit C. These easements are temporary in nature, but shall remain in effect and available for use until completion of home-building and other initial development and initial marketing activity within all of the Development and the Annexation Property. If any damage to the private driveways or any other feature of the Common Area occurs because of the exercise of these access easements by any Declarant entity, Builder, or holder of Annexation Property then the party who causes such damage or whose development activity triggers such damage shall be responsible for repairing the damage at its sole cost and expense and shall be liable to the Association for any repairs or repair costs not promptly made or discharged by such party.

11.04. Assignment of Rights. The rights of Declarant in this Declaration may be assigned by Declarant to any successor (to all or any part of Declarant's interest in the Development as developer) by an express assignment incorporated in a recorded deed that transfers an interest to such successor.

ARTICLE 12. MISCELLANEOUS PROVISIONS.

12.01. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

12.02. Term. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of 20 years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of 10 years.

12.03. Amendment. After the issuance of the final subdivision public report pertaining to the Development, this Declaration may be amended or revoked in any respect by the vote or written consent of the holders of not less than 51% of the voting rights of each class of Members. After Class B membership has ceased, at least a simple majority of the votes of Members other than Declarant shall also be required for adoption of any amendment. However, if any provision of this Declaration requires a greater or lesser percentage of the voting rights of any class of Members in order to take affirmative or negative action under such provision, the same percentage of such class or classes of Members shall be required to amend or revoke such provision. Similarly, if the consent or approval of any governmental authority, Mortgagee or other person, firm, agency or entity is required under this Declaration with respect to any amendment or revocation of any provision of this Declaration, no such amendment or revocation shall become effective against such governmental authority, Mortgagee or other person, firm, agency or entity, or their successors, unless such consent or approval is obtained. Any amendment or revocation subsequent to the close of the first Lot sale shall be evidenced by an instrument certified by the secretary

or other duly authorized officer of the Association and shall make appropriate reference to this Declaration and its amendments and shall be acknowledged and recorded in the office of the Recorder of the County.

12.04. Mergers and Consolidations. To the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit associations organized for the same purposes as this Association, provided that any such merger or consolidation shall have the written consent of all of the Members or the assent by vote of two-thirds of each class of Members voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be given to all Members at least 30 days in advance.

12.05. Financing Improvement of the Common Area. Subject to any limitations in Article 9 of this Declaration, the Association, through its Board, shall have the right, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and to Mortgage said Common Area. The right of such Mortgage in the Common Area shall be subordinate to the right of the Owners hereunder.

12.06. Enforcement of Bonded Obligations. With regard to any Common Area improvements which are to be completed by Declarant but which are not completed prior to the issuance of the public report pertaining to the Development, the Association may be named as obligee under a bond or other arrangement securing performance of the Declarant's commitment to complete such improvements. In the event that the Association is so named in such bond, then the following provisions shall apply relative to the initiation of action to enforce the obligations of the Declarant and the surety under such bond:

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

(2) If the Board, through the consideration and vote referred to above, decides not to initiate an action to enforce the obligations under the bond, or fails to consider and vote on the question, then there may be a special meeting of the Members to consider the matter or to consider overriding the decision of the Board. Such special meeting shall be held if there is presented to the Board a petition therefor, signed by Members representing at least 5% of the total voting power of the Association. Upon receipt of such petition the special meeting shall be scheduled for a date not less than 35 days or more than 45 days thereafter. If, during such special meeting, a majority of the entire Class A voting power other than Declarant votes in favor of initiating an action to enforce the obligations under the bond, such vote shall be deemed to be the decision of the Association, and the Board shall thereafter implement that decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE 13. ANNEXATION.

13.01. Phase 1. The real property which is described in Exhibit A and which shall initially be subject to this Declaration is referred to herein as Phase 1. The Phase 1 property consists of a portion of Woodcreek Oaks Unit 1 ("Unit 1") being developed by Winncrest and all of Woodcreek Oaks Unit 3 ("Unit 3") being developed by USH.

13.02. Additions. It is contemplated that Winncrest will develop, or cause to be developed, the remainder of Unit 1. Winncrest and USH each plan, and the City of Roseville requires, that the remainder of Unit 1 be annexed to Phase 1 and that all of Woodcreek Oaks Unit 2 ("Unit 2") which lies between Unit 1 and Unit 3 will also be annexed to the Development, with the interconnecting private streets within all of Unit 1, Unit 2 and Unit 3 becoming Common Area of the Woodcreek Community Association and subject to this Declaration. Accordingly, any or all of the real property described in Exhibit C (the "Annexation Property") may be annexed to and become subject to this Declaration by any of the methods hereinafter set forth, but in no event shall the number of Residence Units annexed exceed 178.

13.03. Additions by Declarant. If Winncrest or Renown, the present owner of Unit 2, shall develop or cause to be developed any of the Annexation Property, Winncrest or Renown shall have the right to annex the same to Phase 1 and to bring such real property within the general plan and scheme of this Declaration without the approval of the Association, its Board or Members; provided, that the annexation is in substantial conformance with a detailed plan of phased development submitted to the Department of Real Estate in connection with the application for a public report on Phase 1. Such right of unilateral annexation shall also apply in favor of a successor Declarant to Winncrest and to any successor of Renown which acquires five or more undeveloped Lots from it for the purpose of development and sale, but such right shall terminate three years from the date of the issuance of the original public report for the immediately preceding Phase of the Development.

13.04. Other Additions. In addition to the provision for annexation specified in Section 13.03 above, additional real property may be annexed to the Development and brought within the general plan and scheme of this Declaration upon the approval by vote or written consent of Members entitled to exercise not less than two-thirds of the voting powers of each class of membership of the Association. After Class B membership has ceased, at least two-thirds of the voting power of Members other than the Declarant shall also be required. Upon obtaining the requisite approval pursuant to this Section 13.04, the Owner of any real property who desires to annex it to the Development and add it to the general plan and scheme of this Declaration and subject it to the jurisdiction of the Association shall file of record a supplemental Declaration as more particularly described in Section 13.06 below.

13.05. Conveyances of Common Area. Prior to the conveyance of any Lot within any property to be annexed, to the purchaser thereof for residential purposes, Declarant's title to any Common Area within such annexed real property, if any, shall be conveyed to the Association, free and clear of any and all encumbrances and liens, except current real property taxes, which taxes shall be prorated to the date of transfer, and reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Declaration.

13.06. Supplemental Declaration. The additions authorized under Sections 13.03 and 13.04 hereof shall be made by filing of record a supplemental Declaration, declaration of annexation or other similar instrument, with respect to the additional real property which shall be executed by Declarant or the Owner thereof and shall extend the general plan and scheme of this Declaration to such real property. The filing of record of such instrument shall constitute and effectuate the annexation of the additional real property described therein, and thereupon said real property shall become and constitute a part of the Development, become subject to this Declaration and encompassed within the general plan and scheme of the covenants, conditions and restrictions contained herein, and become subject to assessment by the Association and to the functions, powers and jurisdiction of the Association, and the Owners of Lots in said real property shall automatically become Members of the Association. Such instrument may contain such additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added real property, or as Declarant may deem appropriate in the development of such real property, and as are not inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such instrument revoke, modify or add to the covenants, conditions and restrictions established by this Declaration as the same pertain to Phase 1, except as hereinafter may be provided.

13.07. Taxes and Assessments. All taxes and other assessments relating to the Development in Phases authorized under Sections 13.03 and 13.04 hereof, covering any period prior to the additions of such property, shall be paid or otherwise satisfactorily provided for by the Declarant.

13.08. Improvements. All intended improvements in Phases authorized under Sections 13.03 and 13.04 hereof shall be substantially completed prior to annexation and shall be consistent with the initial improvements of Phase I in terms of quality of construction.

13.09. Agreement to Pay Reserves. From and after the annexation of a particular Phase, Declarant shall comply with the terms and provisions of the Commitment attached hereto and incorporated herein as Exhibit D.

13.10. Intended Beneficiaries. Renown and Winncrest, as owners of the Annexation Property, and any successor Declarant of either of them with respect to a portion of the Annexation

Property are parties to which the benefits and burdens of this Declaration shall inure, including, without limitation, the provisions of this Article 13.

ARTICLE 14. TERMINATION OF ANY RESPONSIBILITY OF DECLARANT.

In the event Declarant shall convey all of its rights, title and interest to any partnership, individual or individuals, corporation or corporations, in and to the real property described herein, 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. This Article shall not terminate any responsibility of Declarant for acts or omissions occurring prior to the conveyance to such partnership, individual or individuals, corporation or corporations. However, this shall not limit Declarant's right to enter into a contract or agreement dealing with such acts or omissions providing the contract or agreement is enforced by Declarant, if necessary.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set his hand and seal this 12 day of SEPT, 1996

U.S. HOME CORPORATION, a Delaware corporation

By [Signature]

Title REGIONAL VICE PRESIDENT

By [Signature]

Title DIVISION PRESIDENT

WINNCREST HOMES II, a California corporation

By [Signature]

Title PRESIDENT

By _____

Title _____

AND, for the purposes of acknowledging the provisions of this Declaration, including especially, but without limitation, the provisions of Section 3.01 and Article 13 above, RENOWN is joining in the execution hereof.

RENOWN ENTERPRISES, INC., a Japanese corporation

By: RENOWN ENTERPRISES, INC., a California corporation, its authorized agent

By [Signature]

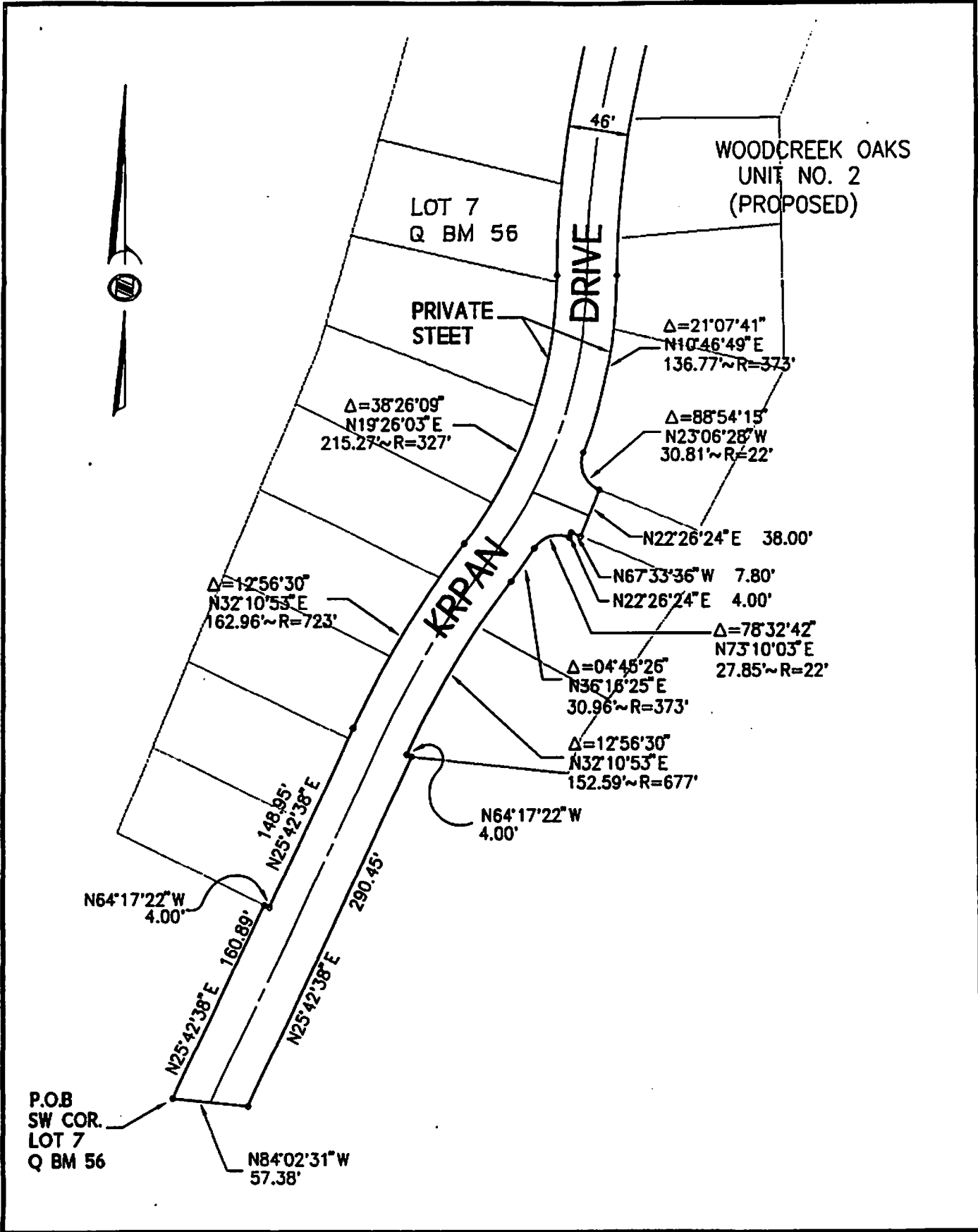
Title Vice President

By [Signature]

Title President

**EXHIBIT A TO DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR WOODCREEK OAKS COMMUNITY ASSOCIATION**

Lots 234 through 316, inclusive, and Lots A, L, M, O and P, all as shown on the official plat of "Woodcreek Oaks Unit No. 3," recorded in the office of the County Recorder of Placer County on October 10, 1996, in Book T of Maps, Map No. 67; and Lots 2 through 39, inclusive, and 44, 45, 48 through 67, inclusive, and D, G, H and K, all as shown on the official plat of "Woodcreek Oaks Unit No. 1, Phase A," recorded in the office of the County Recorder of Placer County on October 10, 1996, in Book T of Maps, Map No. 67; and a right-of-way and easement for private roadway purposes over that portion of Krpan Drive described in pages 2 and 3 of this Exhibit A.

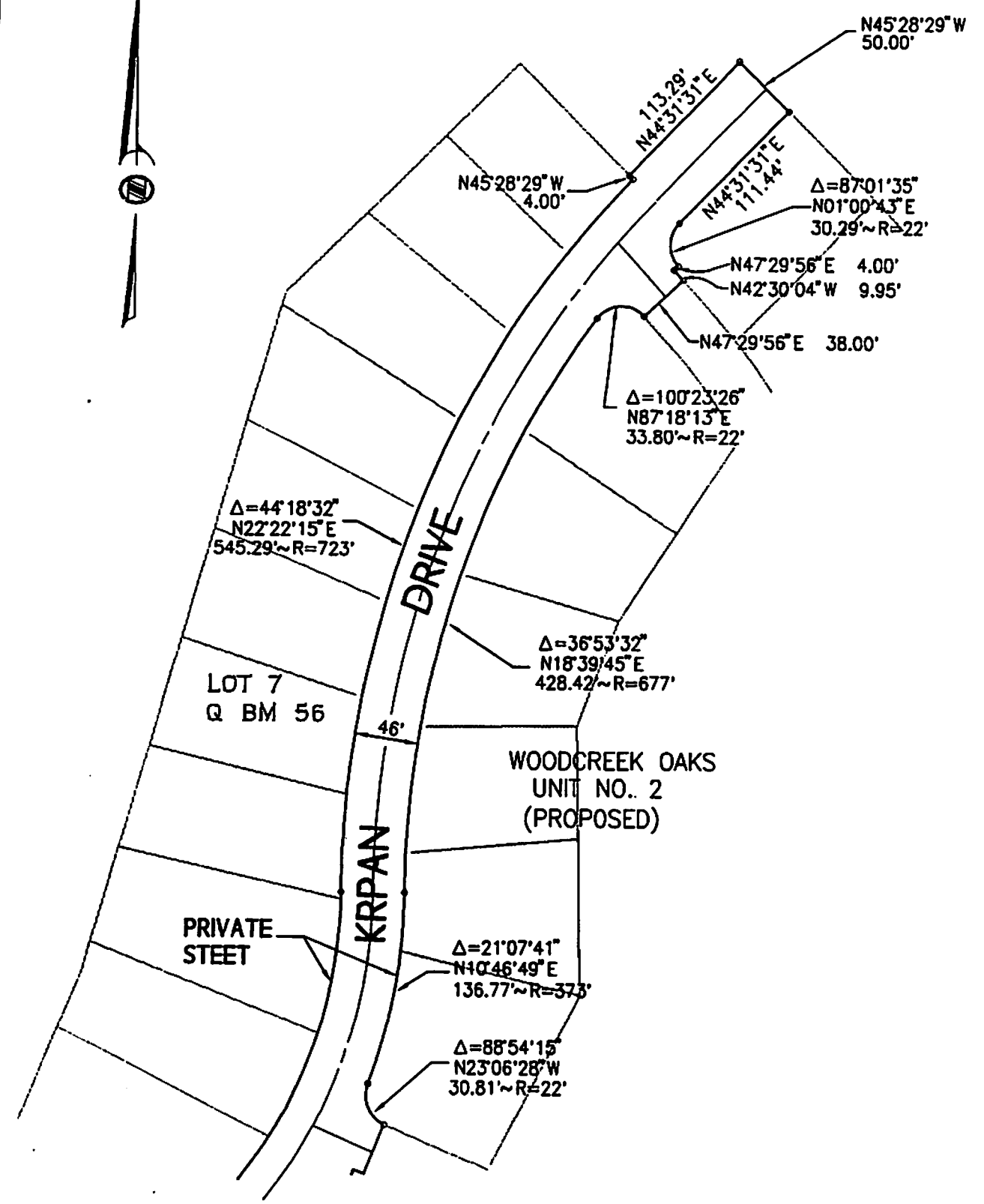


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mmp **MORTON & PITALO, INC.**
 CIVIL ENGINEERING - PLANNING - SURVEYING

EXHIBIT "A"
PRIVATE STEET EASEMENT
WOODCREEK OAKS UNIT NO. 2
 (PORTION LOT 7 ~ Q BM 56)
 ROSEVILLE CALIFORNIA

DATE: MAY 1996	JOB NO.: 950163	SHT. 2
SCALE: 1"=100'	DRAWN: LG	OF 3



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mmp **MORTON & PITALO, INC.**
 CIVIL ENGINEERING - PLANNING - SURVEYING

EXHIBIT "A"
 PRIVATE STEET EASEMENT
 WOODCREEK OAKS UNIT NO. 2
 (PORTION LOT 7 ~ Q BM 56)
 ROSEVILLE CALIFORNIA

DATE: MAY 1996	JOB NO.: 950163	SHT. 3
SCALE: 1"=100'	DRAWN: LG	OF 3

EXHIBIT B TO DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR WOODCREEK OAKS COMMUNITY ASSOCIATION
(Common Area)

PARCEL 1

Lots A, L, M, O and P as shown on the official plat of "Woodcreek Oaks Unit No. 3," recorded in the office of the County Recorder of Placer County on October 10, 1996, in Book I of Maps, Map No. 67; and Lots D, G, H and K as shown on the official plat of "Woodcreek Oaks Unit No. 1, Phase A," recorded in the office of the County Recorder of Placer County on October 10, 1996, in Book I of Maps, Map No. 67.

PARCEL 2

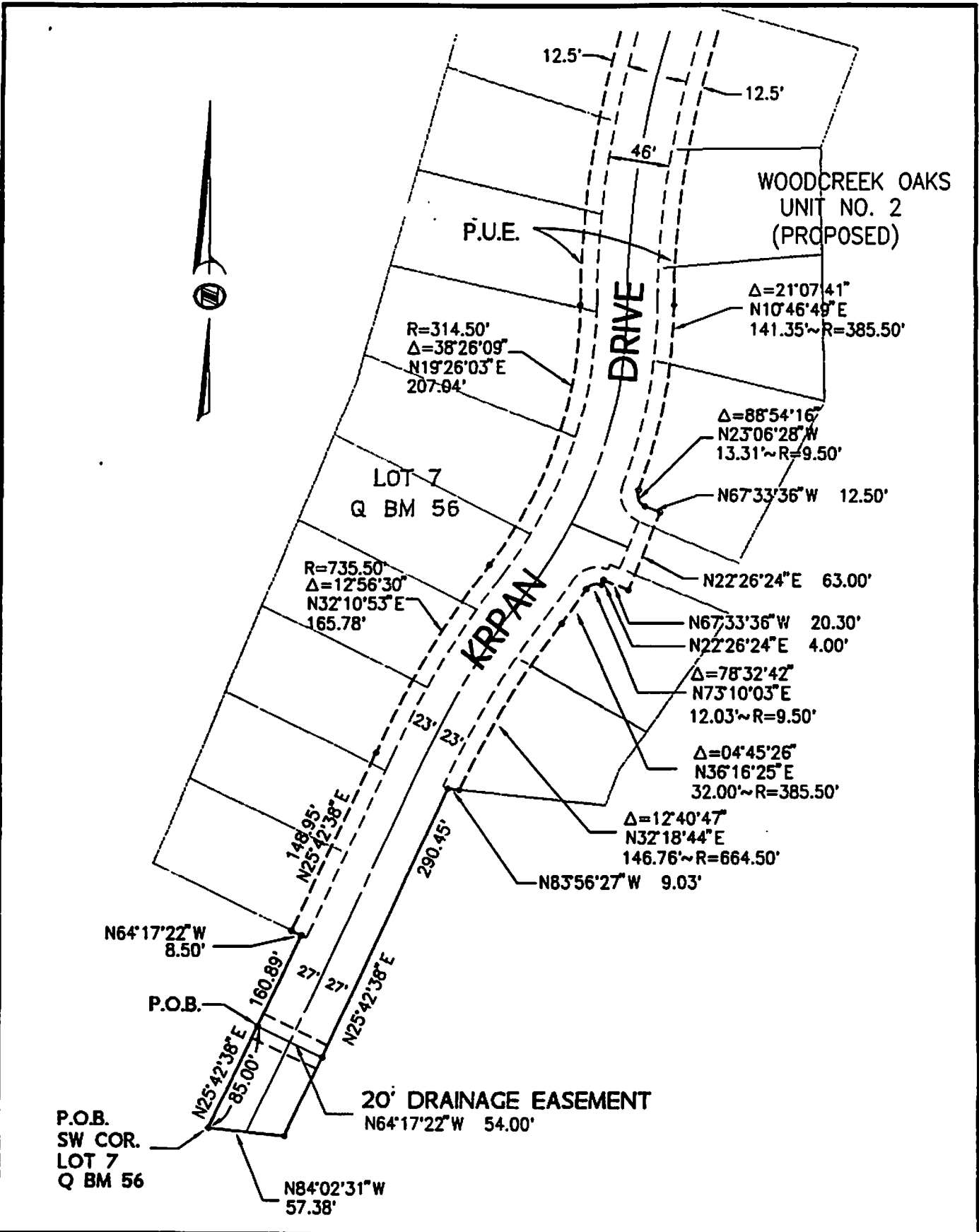
An easement in, to, through and over the following real property described in pages 2 and 3 of this Exhibit B.

**EXHIBIT C TO DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR WOODCREEK OAKS COMMUNITY ASSOCIATION**

The Annexation Property shall be all that certain real property situate in the City of Roseville, County of Placer, State of California, described as follows:

Lot 7 as said lot is shown and so designated on the plat of Northwest Roseville Specific Plan Unit No. 2 in Book Q of Maps, Page 56, Placer County Records; and

Lot 96 as said lot is shown and so designated on the plat of Northwest Roseville Specific Plan Unit No. 2 in Book Q of Maps, Page 56, Placer County Records. EXCEPTING THEREFROM Lots 2 through 39, inclusive, and 44, 45, 48 through 67, inclusive, and D, G, H and K, all as shown on the official plat of Woodcreek Oaks Unit No. 1, Phase A, recorded in Book I of Maps, Map No. 67, Official Records of Placer County.



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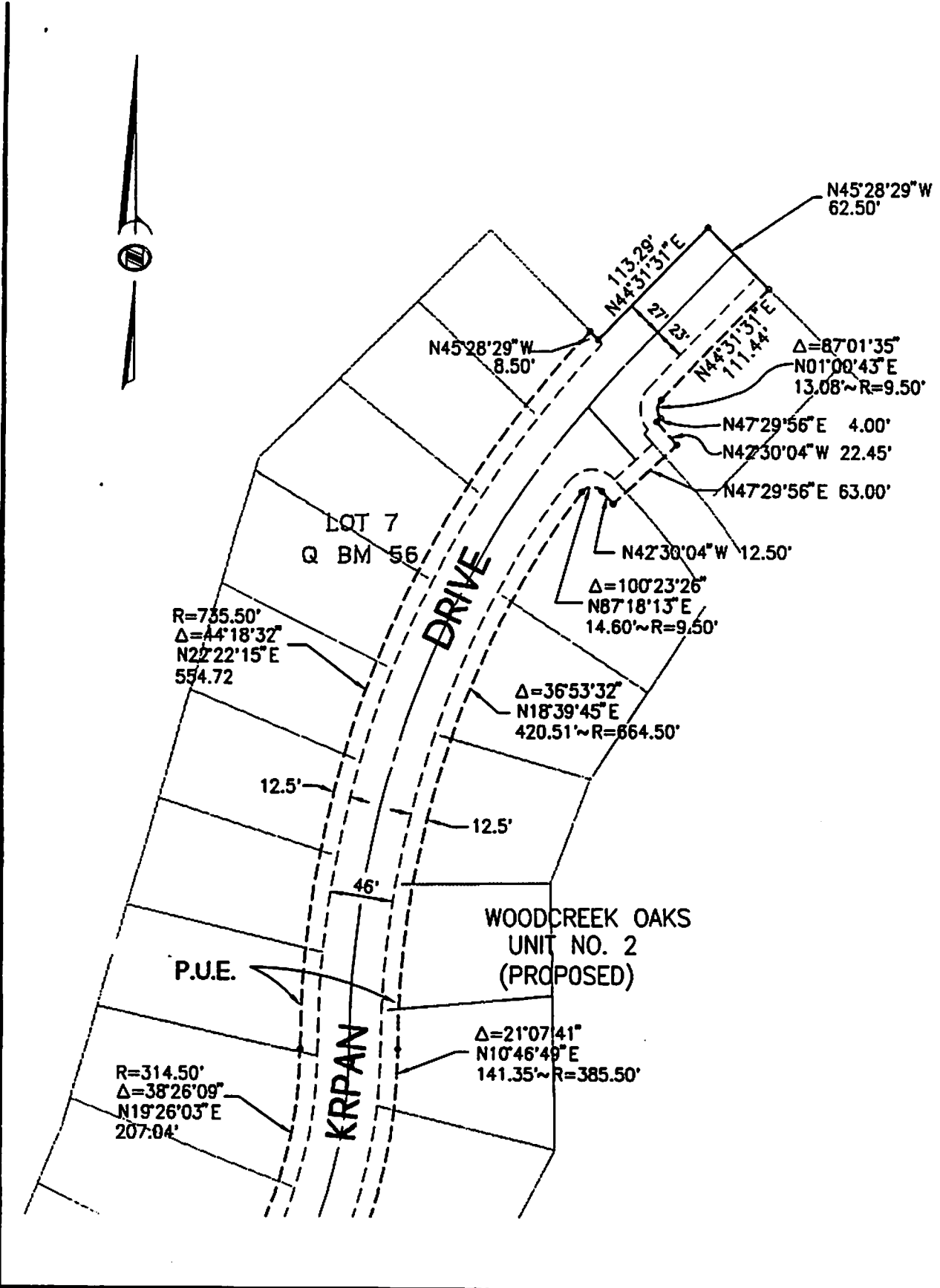


MORTON & PITALO, INC.
CIVIL ENGINEERING - PLANNING - SURVEYING

EXHIBIT 'B'
UTILITY EASEMENTS
WOODCREEK OAKS UNIT 2
(PORTION LOT 7 ~ Q BM 56)
ROSEVILLE CALIFORNIA

DATE: MAY 1996	JOB NO.: 950163	SHT. 2
SCALE: 1"=100'	DRAWN: LG	OF 3

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mp **MORTON & PITALO, INC.**
 CIVIL ENGINEERING - PLANNING - SURVEYING

EXHIBIT "B"
UTILITY EASEMENTS
WOODCREEK OAKS UNIT 2
 (PORTION LOT 7 ~ Q BM 56)
 ROSEVILLE CALIFORNIA

DATE: MAY 1996	JOB NO.: 950163	SHT. 3
SCALE: 1"=100'	DRAWN: LG	OF 3

EXHIBIT D
COMMITMENT

THIS COMMITMENT is made by _____ ("Developer"), to provide as follows:

1. Developer has commenced development of a project in _____ County, California, commonly known as Woodcreek Oaks Community Association, and has subjected that Development to a Declaration of Covenants, Conditions and Restrictions recorded in the office of the County Recorder of Placer County, California ("Declaration"), to which this commitment is an exhibit.

2. Article 13 of the Declaration gives the Developer the right to annex certain additional real property upon specified conditions.

3. The Woodcreek Oaks Community Association ("Association") is charged by the Declaration with certain functions, including among others, the duty to collect reserves for the performance of certain capital improvement, repair and replacement.

4. Pursuant to Regulation No. 2792.27(b)(5), Developer commits to pay to Association, concurrently with the closing of the escrow for the first sale of a Lot in an annexed phase, an amount for reserves for replacement or deferred maintenance of Common Area improvements in that annexed phase. The amount paid shall be equal to those reserves which would have been collected by the Association pursuant to the budget guidelines of the California Department of Real Estate which were in effect at the time the Lots in the annexed phase were completed with Residence Units, and had such Lots been annexed immediately upon such completion. Developer shall be obligated to pay such reserves, however, only where the annexed Lots have been used and occupied under a rental program conducted by Developer for at least one year as of the date of the closing of escrow for the first sale in that Phase.

DATED: _____, 19__.

By _____

By _____

**CONSENT OF LIENHOLDERS
AND
SUBORDINATION OF LIEN**

The undersigned beneficiary under that certain Deed of Trust dated _____, 19__, recorded on _____, 19__, in Book _____, Page _____, of Official Records of _____ County, California, consents to all of the provisions contained in the attached Declaration of Covenants, Conditions and Restrictions and agrees that the lien of the Mortgage shall be junior and subordinate and subject to said Declaration.

DATED: _____, 19__.

_____, a

By _____

By _____

STATE OF CALIFORNIA)
COUNTY OF _____) ss

On _____, before me the undersigned, a notary public, personally appeared _____,

() personally known to me, or
() proved to me on the basis of satisfactory evidence

to be the persons whose names is are subscribed to the within instrument and acknowledged to me that he she they executed the same in his her their authorized capacityies, and that by his her their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

CALIFORNIA



ALL-PURPOSE



ACKNOWLEDGEMENT

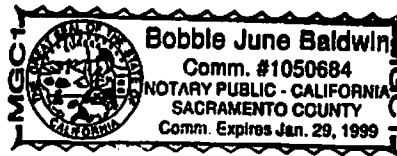
STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO)

On SEPTEMBER 12, 1996 before me, BOBBIE JUNE BALDWIN, NOTARY PUBLIC
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared, SHERMAN HAGGERTY

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Bobbie June Baldwin (SEAL)
NOTARY PUBLIC SIGNATURE



OPTIONAL INFORMATION



TITLE OR TYPE OF DOCUMENT _____

DATE OF DOCUMENT _____ NUMBER OF PAGES _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

CALIFORNIA



ALL-PURPOSE



ACKNOWLEDGEMENT

STATE OF CALIFORNIA)

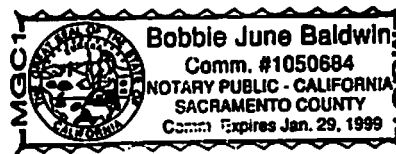
COUNTY OF SACRAMENTO)

On SEPTEMBER 12, 1996 before me, BOBBIE JUNE BALDWIN, NOTARY PUBLIC
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared, MARK KETCHERSID

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

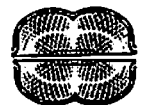
WITNESS my hand and official seal.



Bobbie June Baldwin (SEAL)
NOTARY PUBLIC SIGNATURE



OPTIONAL INFORMATION



TITLE OR TYPE OF DOCUMENT _____

DATE OF DOCUMENT _____ NUMBER OF PAGES _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

CALIFORNIA



ALL-PURPOSE



ACKNOWLEDGEMENT

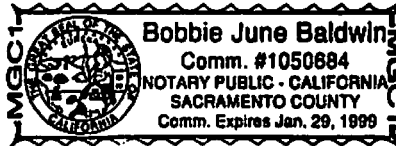
STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO)

On SEPTEMBER 12, 1996 before me, BOBBIE JUNE BALDWIN, NOTARY PUBLIC,
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared, DOUGLAS MULL

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Bobbie June Baldwin (SEAL)
NOTARY PUBLIC SIGNATURE



OPTIONAL INFORMATION



TITLE OR TYPE OF DOCUMENT _____

DATE OF DOCUMENT _____ NUMBER OF PAGES _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

CALIFORNIA



ALL-PURPOSE



ACKNOWLEDGEMENT

STATE OF CALIFORNIA)

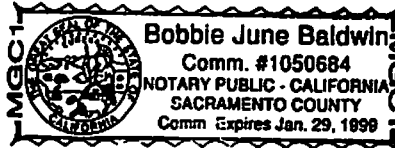
COUNTY OF SACRAMENTO)

On SEPTEMBER 12, 1996 before me, BOBBIE JUNE BALDWIN, NOTARY PUBLIC
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared, JACKSON CHIH

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Bobbie June Baldwin (SEAL)
NOTARY PUBLIC SIGNATURE



OPTIONAL INFORMATION



TITLE OR TYPE OF DOCUMENT _____

DATE OF DOCUMENT _____ NUMBER OF PAGES _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

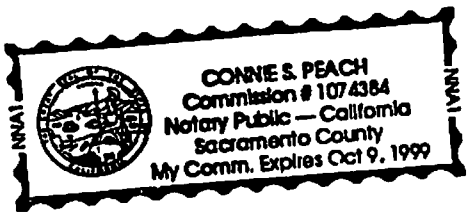
State of California

County of Sacramento

On 9/13/96 before me, the undersigned
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Thomas P. Winn
Name(s) of Signer(s)

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.
Connie S. Peach
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

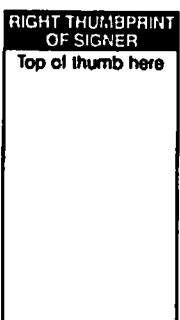
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:

Signer's Name: _____

- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:

52