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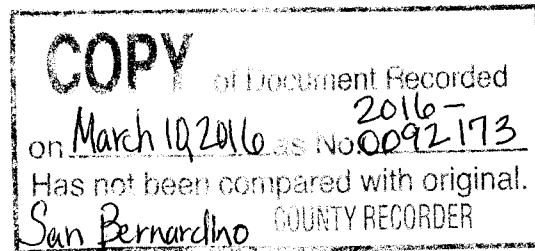
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Richmond American Homes
5171 California Ave., Suite 120
Irvine, CA 92617
Attn: Mr. Edgar Gomez

ORDER NO. 4935428-29



**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS FOR
SERRANO AT GLENROSE RANCH**

(Title of Document)

RECORDING REQUESTED BY:

**Recording Requested By:
First American Title Company
National Homebuilder Services
Subdivision Department**

WHEN RECORDED MAIL TO:

Richmond American Homes
5171 California Avenue
Suite 120
Irvine, California 92617
Attn.: Mr. Edgar Gomez

(Space Above For Recorder's Use)

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

AND RESERVATION OF EASEMENTS

FOR

SERRANO AT GLENROSE RANCH

SECTION 15.11 OF THIS DECLARATION CONTAINS ALTERNATIVE DISPUTE RESOLUTION PROCEDURES WHICH REQUIRE, AMONG OTHER THINGS, THAT CERTAIN DISPUTES (INCLUDING DISPUTES CONCERNING THE DESIGN OR CONSTRUCTION OF THE PROPERTY) BE SUBMITTED TO BINDING ARBITRATION. IF YOU HAVE ANY QUESTIONS CONCERNING THESE ALTERNATIVE DISPUTE RESOLUTION PROCEDURES OR ANY OF THE OTHER PROVISIONS OF THIS DECLARATION, YOU SHOULD SEEK LEGAL ADVICE.

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AND RESERVATION OF EASEMENTS
FOR
SERRANO AT GLENROSE RANCH

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EXHIBIT "A"	LEGAL DESCRIPTION OF ANNEXABLE TERRITORY
EXHIBIT "B"	ASSOCIATION WALLS AND FENCES IN PHASE 1
EXHIBIT "C"	MAP SHOWING LOCATION OF COMMON PROPERTY

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
SERRANO AT GLENROSE RANCH**

THIS DECLARATION is made by RICHMOND AMERICAN HOMES OF MARYLAND, INC., a Maryland corporation ("**Declarant**").

P R E A M B L E:

A. Declarant is the owner of certain real property ("**Phase 1**") in the City of Highland, County of San Bernardino, State of California, described as follows:

Units, Common Area and Association Property as shown and described on the Condominium Plan for Phase 1 of Serrano at Glenrose Ranch recorded concurrently herewith. Said Units, Common Area and Association Property are located on a portion of Lot 1 of Tract No. 17682, as shown on a Map Recorded in Book 343, at Pages 63 to 65, inclusive, of Maps, in the Office of the San Bernardino County Recorder.

B. It is the desire and intention of Declarant to create a "condominium project" as defined in Section 4125 of the California Civil Code, to subdivide the Property (as hereinafter defined) as authorized by Section 66427 of the California Government Code into "condominiums" as defined in Section 783 of the California Civil Code, and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the condominiums created pursuant to the Davis-Stirling Common Interest Development Act.

C. Declarant hereby declares that all of the Property is to be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the limitations, restrictions, reservations, rights, easements, conditions and covenants contained in this Declaration, all of which are declared and agreed to be in furtherance of a plan for the protection, subdivision, maintenance, improvement and sale of the Property for the purpose of enhancing the value, desirability and attractiveness of the Property. All provisions of this Declaration, including without limitation the easements, uses, obligations, covenants, conditions and restrictions hereof, are hereby imposed as equitable servitudes upon the Property. All of the limitations, restrictions, reservations, rights, easements, conditions and covenants herein shall run with and burden the Property and shall be binding on and for the benefit of all of the Property and all Persons having or acquiring any right, title or interest in the Property, or any part thereof, and their successive owners and assigns.

D. Declarant, its successors, assigns and grantees, covenant and agree that the undivided interest in the Common Area, the Membership in the Association, any easements conveyed therewith and the fee title to each respective Unit conveyed therewith shall not be separated or separately conveyed, and each such undivided interest, Membership and easement shall be deemed to be conveyed or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the Unit; provided, however, that this restriction upon the severability of the component interests of the Condominiums shall not extend beyond the period for which the right to partition the Property is suspended in accordance with Section 4610 of the California Civil Code and the provisions of Article X hereof. Any conveyance by an Owner of a Condominium, or any portion thereof, shall be presumed to convey the entire Condominium, together with a membership in the Association.

E. If developed as planned, the Property will ultimately contain one hundred eighteen (118) Craftsman, Cottage and Spanish style detached dwelling units ranging in size from approximately one thousand five hundred sixty six (1,566) square feet to approximately one thousand nine hundred forty five (1,945) square feet, and the Common Property will include a pool, tot lot, shade structure, fire pit, landscaping, private streets and parking areas. There is no guarantee that the Property will be constructed as presently proposed.

ARTICLE I

1. Definitions.

Unless otherwise expressly provided, the following words and phrases when used herein shall have the following specified meanings.

1.1. Annexable Territory.

Annexable Territory shall mean the real property described on Exhibit "A" hereto, all or any portion of which may from time to time be made subject to this Declaration pursuant to Article XVI hereof.

1.2. Annual Assessment.

Annual Assessment shall mean a charge against a particular Owner and his Condominium to be used to satisfy a portion of the Common Expenses, which is to be levied among all Owners and their Condominiums in the Project in the manner and proportions provided herein. The Annual Assessment is a "regular assessment" as described in Section 5600 of the California Civil Code.

1.3. Architectural Committee or Committee.

Architectural Committee or Committee shall mean the Architectural Review Committee created pursuant to Article IV hereof.

1.4. Articles.

Articles shall mean the Articles of Incorporation of the Association, as amended from time to time.

1.5. Association.

Association shall mean SERRANO AT GLENROSE RANCH HOMEOWNERS ASSOCIATION, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns. The Association is an "association" as defined in Section 4080 of the California Civil Code.

1.6. Association Maintenance Funds.

Association Maintenance Funds shall mean the accounts for receipts and disbursements of the Association created pursuant to Article V hereof.

1.7. Association Property.

Association Property shall mean all of the real and personal property and Improvements to which the Association shall hold fee title or over which the Association shall hold an easement for the common use and enjoyment of the Members as provided herein. The Association Property in Phase 1 shall include the property designated as Association Property on the Condominium Plan for Phase 1 of the Project. Additional Association Property may be annexed to the Property pursuant to the provisions of Article XVI hereof.

1.8. Beneficiary.

Beneficiary shall mean a Mortgagee under a Mortgage or a Beneficiary under a Deed of Trust, as the case may be, and the assignees of such Mortgage or Beneficiary.

1.9. Board or Board of Directors.

Board or Board of Directors shall mean the Board of Directors of the Association.

1.10. Budget.

Budget shall mean a written, itemized estimate of the income and Common Expenses of the Association in performing its functions under this Declaration, prepared pursuant to the Bylaws.

1.11. Bylaws.

Bylaws shall mean the Bylaws of the Association, as amended from time to time.

1.12. Cal BRE.

Cal BRE shall mean the Bureau of Real Estate of the California Department of Consumer Affairs and any successors thereto.

1.13. Capital Improvement Assessment.

Capital Improvement Assessment shall mean a charge which the Board may from time to time levy against each Owner and his Condominium, representing a portion of the cost to the

Association for installation or construction of any capital improvements on any of the Common Property. Such charge shall be levied equally among all of the Owners and their Condominiums. Capital Improvement Assessments are "special assessments" as described in Section 5600 of the California Civil Code.

1.14. City.

City shall mean the City of Highland, in the County of San Bernardino, State of California, and its various departments, divisions, employees and representatives.

1.15. Close of Escrow.

Close of Escrow shall mean the date on which a deed is Recorded conveying a Condominium pursuant to a transaction requiring the issuance of a Final Subdivision Public Report by the Cal BRE.

1.16. Common Area.

Common Area shall mean the volumes of airspace described in a Condominium Plan which shall be owned by the Owners of Units covered by such Condominium Plan as tenants-in-common.

1.17. Common Expenses.

Common Expenses shall mean those expenses for which the Association is responsible under this Declaration, including the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Property; unpaid Compliance Assessments, Reconstruction Assessments and Capital Improvement Assessments; the costs of any and all utilities metered to more than one Unit and other commonly metered charges for the Property; the costs of trash collection and removal (as applicable); the costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all gardening, security and other services benefiting the Common Property; the costs of fire, casualty and liability insurance, workers' compensation insurance, errors and omissions and director, officer and agent liability insurance, and other insurance covering the Property and the directors, officers and agents of the Association; the costs of bonding of the members of the Board; taxes paid by the Association, including any blanket tax assessed against the Property; amounts paid by the Association for discharge of any lien or encumbrance levied against the Property or portions thereof; and the cost of any other items incurred by the Association pursuant to this Declaration.

1.18. Common Property.

Common Property shall mean the Common Area and the Association Property. Common Property shall also include (i) the mailboxes in the Property, (ii) certain walls and fences in the Property ("**Association Walls and Fences**"), and (iii) the water sub-meters in the Property. The Association Walls and Fences in Phase 1 are depicted on Exhibit "B" hereto.

1.19. Compliance Assessment.

Compliance Assessment shall mean a charge against a particular Owner, directly attributable to, or reimbursable by, that Owner, equal to the cost incurred by the Association for corrective action performed pursuant to the provisions of the Governing Documents, or a reasonable fine or penalty assessed by the Board, plus interest and other charges on such Compliance Assessment as provided for herein. Compliance Assessments shall not include any late payment penalties, interest charges or costs (including attorneys' fees) incurred by the Association in the collection of Annual, Capital Improvement or Reconstruction Assessments.

1.20. Condominium.

Condominium shall mean an estate in real property as described in California Civil Code Section 4125, and shall consist of an undivided fee simple ownership interest in the Common Area in a Phase of Development, together with a separate ownership interest in fee in a Unit and all easements appurtenant thereto. The undivided fee simple interest in the Common Area in a Phase of Development shall be appurtenant to each Unit in such Phase of Development, shall be a fraction having one (1) as its numerator and the number of Units in that Phase of Development as its denominator, and shall be held by the Owners of Condominiums in that Phase of Development as tenants in common.

1.21. Condominium Plan.

Condominium Plan shall mean the Recorded plan, as amended from time to time, for all or a portion of a Phase of Development, consisting of (1) a description or survey map of the Phase of Development or portion thereof, which shall refer to or show monumentation on the ground, (2) a three-dimensional description of the Phase of Development or portion thereof, one or more dimensions of which may extend for an indefinite distance upwards or downwards in sufficient detail to identify the Common Area, each Separate Interest and the Association Property, and (3) a certificate consenting to the recordation thereof signed and acknowledged by the record owner of fee title to the Phase of Development or portion thereof, and by either the trustee or the Beneficiary of each Recorded Deed of Trust, and the Mortgagee of each recorded Mortgage encumbering the Phase of Development or portion thereof.

1.22. Declarant.

Declarant shall mean RICHMOND AMERICAN HOMES OF MARYLAND, INC., a Maryland corporation, its successors, and any Person to which it shall have assigned any of its rights hereunder by an express written assignment. As used in this Section, "successor" means a Person who acquires Declarant or substantially all of Declarant's assets, or who merges with Declarant by sale, merger, reverse merger, consolidation, sale of stock or assets, operation of law or otherwise. Except as expressly provided to the contrary in this Declaration, Declarant shall determine in its sole discretion the time, place and manner in which it discharges its obligations and exercises its rights under this Declaration.

1.23. Declaration.

Declaration shall mean this instrument as it may be amended from time to time.

1.24. Deed of Trust.

Deed of Trust shall mean a Mortgage as further defined herein.

1.25. Family.

Family shall mean one or more natural persons related to each other by blood, marriage or adoption, or one or more natural persons not all so related, but who maintain a common household in a Residence.

1.26. FHA.

FHA shall mean the Federal Housing Administration of the United States Department of Housing and Urban Development and any department or agency of the United States government which succeeds to the FHA's function of insuring notes secured by Mortgages on residential real estate.

1.27. FHLMC.

FHLMC shall mean the Federal Home Loan Mortgage Corporation created by Title II of the Emergency Home Finance Act of 1970, and any successors to such corporation.

1.28. Fiscal Year.

Fiscal Year shall mean the fiscal accounting and reporting period of the Association selected by the Board from time to time.

1.29. FNMA.

FNMA shall mean the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and any successors to such corporation.

1.30. GNMA.

GNMA shall mean the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and any successor to such association.

1.31. Governing Documents.

Governing Documents shall mean this Declaration, any Notices of Addition, the Articles, the Bylaws and the Rules and Regulations.

1.32. Improvements.

Improvements shall mean all structures and appurtenances thereto of every type and kind, including but not limited to, dwelling units and other buildings, walkways, sprinkler pipes, recreational facilities, roads, driveways, parking areas, fences, walls, awnings, stairs, decks, trees, shrubs and other landscaping, satellite dishes, antennae, windbreaks, the exterior surfaces of any visible structure and the paint on such surfaces, poles, signs, and water softener fixtures or equipment.

1.33. Manager.

Manager shall mean the Person employed by the Association pursuant to and limited by the provisions of this Declaration, and delegated the duties, power or functions of the Association as limited by this Declaration, the Bylaws and the terms of the agreement between the Association and said Person.

1.34. Member, Membership.

Member shall mean any Person holding a membership in the Association, as provided in this Declaration. Membership shall mean the property, voting and other rights and privileges of Members as provided herein, together with the correlative duties and obligations contained in the Restrictions.

1.35. Mortgage.

Mortgage shall mean any Recorded mortgage or deed of trust or other conveyance of one or more Condominiums or other portion of the Property to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance.

1.36. Mortgagee, Mortgagor.

Mortgagee shall mean a Person to whom a Mortgage is made and shall include the Beneficiary of a Deed of Trust. Mortgagor shall mean a Person who mortgages his or its property to another (i.e., the maker of a Mortgage), and shall include the Trustor of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor" and the term "Beneficiary" shall be synonymous with the term "Mortgagee."

1.37. Notice and Hearing.

Notice and Hearing shall mean written notice and a hearing before the Board, at which the Owner concerned shall have an opportunity to be heard in person, or by counsel at the Owner's expense, in the manner further provided in the Bylaws.

1.38. Notice of Addition.

Notice of Addition shall mean an instrument Recorded pursuant to Article XVI hereof to annex all or any portion of the Annexable Territory to the Property.

1.39. Owner.

Owner shall mean the Person or Persons, including Declarant, holding fee simple interest to a Condominium. The term "Owner" shall include a seller under an executory contract of sale but shall exclude Mortgagees.

1.40. Person.

Person shall mean a natural individual or any entity with the legal right to hold title to real property.

1.41. Phase 1.

Phase 1 shall mean all of the real property described in Paragraph A of the Preamble of this Declaration.

1.42. Phase of Development or Phase.

Phase of Development or Phase shall mean both of the following: (a) Phase 1, and (b) all the real property covered by a Notice of Addition Recorded pursuant to Article XVI hereof for which a Final Subdivision Public Report has been issued by the Cal BRE, unless otherwise defined in such Notice of Addition.

1.43. Project or Property.

Project or Property shall mean (a) Phase 1, and (b) each Phase of Development described in a Notice of Addition. The Property is a "common interest development" as defined in Section 4100 of the California Civil Code and a "condominium project" as defined in Section 4125 of the California Civil Code.

1.44. Reconstruction Assessment.

Reconstruction Assessment shall mean a charge which the Board may from time to time levy against a particular Owner and his Condominium, representing a portion of the cost to the Association for reconstruction of any Improvements on any of the Common Property. Such charge shall be levied equally among all of the Owners and their Condominiums. Reconstruction Assessments are "special assessments" as described in Section 5600 of the California Civil Code.

1.45. Record, File, Recordation.

Record, File, or Recordation shall mean, with respect to any document, the recordation or filing of such document in the Office of the San Bernardino County Recorder.

1.46. Residence.

Residence shall mean the residential dwelling portion of a Unit, intended for use by a single Family, together with any garage, driveway, yard(s) and other portions of such Unit.

1.47. Rules and Regulations.

Rules and Regulations shall mean the rules, regulations, architectural standards and guidelines adopted by the Board or the Architectural Committee pursuant to this Declaration or the Bylaws, as such Rules and Regulations may be amended from time to time.

1.48. Separate Interest or Unit.

Separate Interest or Unit shall mean a separate interest in space as described in Section 4125 of the California Civil Code. Each Separate Interest or Unit shall be a separate freehold estate, as separately shown, numbered and designated in the Condominium Plan, and shall consist of the airspace designated on the Condominium Plan, including the dwelling unit, garage, driveway, yard(s) and all other Improvements within such airspace. In interpreting deeds, declarations and plans, the existing physical boundaries of the Unit or a Unit constructed or reconstructed

in substantial accordance with the Condominium Plan and the original plans thereof, if such plans are available, shall be conclusively presumed to be its boundaries, rather than the description expressed in the deed, Condominium Plan, Declaration or Notice of Addition, regardless of settling or lateral movement of the building or other portions of the Unit and regardless of minor variances between boundaries, as shown on the Condominium Plan or defined in the deed, Declaration or Notice of Addition, and the boundaries of a Unit as constructed or reconstructed.

1.49. VA.

VA shall mean the Department of Veterans Affairs of the United States of America and any department or agency of the United States government which succeeds to VA's function of issuing guarantees of notes secured by Mortgages on residential real estate.

ARTICLE II

2. Serrano at Glenrose Ranch Homeowners Association.

2.1. Organization of Association.

The Association is or shall be incorporated under the name of SERRANO AT GLENROSE RANCH HOMEOWNERS ASSOCIATION, as a corporation not for profit under the Nonprofit Mutual Benefit Corporation Law of the State of California.

2.2. Duties and Powers.

The duties and powers of the Association are those set forth in the Declaration, the Articles and Bylaws, together with its general and implied powers of a nonprofit mutual benefit corporation, generally to do any and all things that a corporation organized under the laws of the State of California may lawfully do which are necessary or proper, in operating for the peace, health, comfort, safety and general welfare of its Members, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws and in this Declaration. The Association shall further have the right to install or construct capital Improvements on the Common Property. The Association may at any time, and from time to time reconstruct, replace or refinish any Improvement or portion thereof upon the Common Property in accordance with the original design, finish or standard of construction of such Improvement; replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Property. The Association may employ personnel necessary for the effective operation and maintenance of the Common Property, including the employment of legal, management and accounting services. The Association shall additionally have the power but not the duty to enter into contracts with Owners or other persons to provide services or to maintain and repair Improvements within the Project and elsewhere which the Association is not otherwise required to provide or maintain pursuant to this Declaration; provided, however, that any such contract shall provide for the payment to the Association for the costs of providing such services or maintenance.

The Association shall have the power, but not the duty, to adopt, amend, restate, delete, and create exceptions to, reasonable Rules and Regulations with respect to the Property in accordance with Sections 4340 et seq. of the California Civil Code. The Rules and Regulations may concern use of the Property, signs, parking restrictions, property maintenance and any other matters within the jurisdiction of the Association.

The Association shall also have the power and duty to adopt, amend, restate, delete, and create exceptions to, reasonable Rules and Regulations as required by Section 5105(a) of the California Civil Code.

2.3. Membership.

Every Owner, upon becoming the Owner of a Condominium, shall automatically become a Member of the Association, and shall remain a Member thereof until such time as his ownership ceases, at which time his Membership in the Association shall automatically cease. Ownership of a Condominium shall be the sole qualification for Membership in the Association. Membership in the Association shall not be assignable except to the Person to which title to the Unit has been transferred, and every Membership in the Association shall be appurtenant to and may not be separated from the fee ownership of such Unit. The rights, duties, privileges and obligations of all Members of the Association shall be as provided in the Governing Documents.

2.4. Transfer.

The Membership held by any Owner shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Owner's Condominium, and then only to the purchaser or Mortgagee of such Condominium. A prohibited transfer is void and will not be reflected upon the books and records of the Association. A Class A Member who has sold his Condominium to a contract purchaser under an agreement to purchase shall be entitled to delegate to the contract purchaser his Membership rights in the Association. The delegation shall be in writing and shall be delivered to the Board before the contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to his Condominium until fee title to the Condominium sold is transferred. If the Owner of any Condominium fails or refuses to transfer his Membership to the purchaser of the Condominium upon transfer of fee title thereto, the Board of Directors shall have the right to record the transfer upon the books of the Association. Until satisfactory evidence of such transfer has been presented to the Board, the purchaser shall not be entitled to vote at meetings of the Association. The Association may levy a reasonable transfer fee against a new Owner and his Condominium (which fee shall be added to the Annual Assessment chargeable to such new Owner) to reimburse the Association for the administrative cost of transferring the membership to the new Owner on the records of the Association provided such fee does not exceed the Association's actual cost involved in changing its records of ownership.

2.5. Classes of Membership.

The Association shall have two (2) classes of voting Membership.

Class A. Class A Members shall originally be all Owners except Declarant for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Condominium owned by such Class A Members and subject to assessment. Declarant shall become a Class A Member with regard to Condominiums owned by Declarant upon conversion of Declarant's Class B Membership as provided below. When more than one (1) Person owns any Condominium, all such Persons shall be Members. The vote for such Condominium shall be exercised in accordance with Section 2.6, but in no event shall more than one (1) Class A vote be cast for any Condominium.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Condominium owned by Declarant and subject to assessment. The Class B Membership shall cease and be converted to Class A Membership immediately upon the first to occur of the following events:

(1) The second anniversary of the first Close of Escrow in the most recent Phase of Development; or

(2) The fourth anniversary of the first Close of Escrow in Phase 1.

(3) One hundred twenty (120) days after the date by which seventy five percent (75%) of the total Units planned for the Property have been conveyed to Unit purchasers.

(4) Five (5) years following the Recordation of the most recently recorded Notice of Addition.

In addition, Declarant as the Class B Member shall be entitled to appoint a majority of the members of the Board at the first annual meeting of the Association (**"Declarant's Board Appointment Right"**).

2.6. Voting Rights.

(a) All voting rights shall be subject to the Governing Documents. Except as provided in Section 14.2 of this Declaration and Section 4.8 of the Bylaws, as long as there exists a Class B Membership, any provision of this Declaration, the Articles or Bylaws which expressly requires the vote or written consent of a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the voting power of the Association before action may be undertaken shall require the approval of such specified percentage of the voting power of each class of Membership. Except as provided in Section 14.2 of this Declaration and Section 4.8 of the Bylaws, upon termination of the Class B Membership, any provision of this Declaration, the Articles or Bylaws which expressly requires the vote or written consent of Owners representing a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the voting power of the Association before action may be undertaken shall then require the vote or

written consent of Owners representing such specified percentage of both the total voting power of the Association and the voting power of the Association residing in Owners other than Declarant.

(b) Class A Members shall be entitled to one (1) vote for each Condominium in which they hold the interest required for Membership. When more than one (1) Person holds such interest or interests in any Condominium ("co-owners"), all such co-owners shall be Members and may attend any meeting of the Association, but only one (1) such co-owner shall be entitled to exercise the single vote to which the Condominium is entitled. Co-owners owning the majority interests in a Condominium shall from time to time designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Condominium shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if the designation has been revoked, the vote for the Condominium shall be exercised as the co-owners owning the majority interests in the Condominium mutually agree. Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the corresponding voting co-owner is acting with the consent of his co-owners. No vote shall be cast for any Condominium if the co-owners present in person or by proxy owning the majority interests in such Condominium cannot agree to said vote or other action. The nonvoting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly-owned Condominium and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the Bylaws of the Association, shall be deemed to be binding on all Owners, their successors and assigns.

2.7. Repair and Maintenance by the Association.

(a) Maintenance Items. No improvement, excavation or work which in any way alters the Common Property shall be made or done by any person other than the Association or its authorized agents after the completion of the construction or installation of the Improvements thereto by Declarant. Subject to the provisions of Section 2.9 hereof concerning the obligation of an Owner to maintain the interior surface of any Association Walls and Fences located on or adjacent to such Owner's Unit, upon commencement of Annual Assessments on the Condominiums in a Phase of Development the Association shall maintain, repair, replace and restore the Common Property and all Improvements thereon in such Phase, including without limitation, (i) maintaining, repairing and replacing all portions of any Association Walls and Fences which are not located on or adjacent to a Unit, and (ii) maintaining, repairing and replacing the exterior and top surfaces and the structural integrity of the Association Walls and Fences located on or adjacent to a Unit which do not consist of wrought iron or tubular steel and maintaining, repairing and replacing all portions of such Association Walls and Fences which consist of wrought iron or tubular steel, in a safe, sanitary and attractive condition, and in good order and repair. The location of the Common Property when all Phases of Development have become subject to assessment is generally depicted on Exhibit "C" hereto. The Association shall be entitled to add or remove any landscaping Improvements to or from the Common Property and shall ensure that the landscaping on the

Common Property is maintained free of weeds and disease. Any such removal or addition of landscaping and any such maintenance of landscaping shall comply with all requirements of the City. In performing its maintenance obligations hereunder, the Association shall follow all maintenance and preventative maintenance recommendations and schedules promulgated by Declarant and any applicable product manufacturers, as well as commonly accepted maintenance practices. Notwithstanding the foregoing, the Association shall not be responsible for the maintenance of any portions of the Common Property which have been dedicated to and accepted for maintenance by a governmental or quasi-governmental agency or entity.

The Association must accept ownership of and maintenance responsibility for each portion of the Common Property when title (whether in fee simple, by easement or otherwise) and maintenance responsibility are tendered by Declarant. The Association shall execute each deed and any accompanying escrow instructions related thereto if requested to do so by Declarant, and the Association shall execute any bond (or other security) exonerations related thereto when presented if the obligations secured by the bond are satisfied.

The Association shall also be responsible for the maintenance, repair and replacement of any additional areas or Improvements designated for Association maintenance by a majority of the voting power of the Association. Any such property shall be deemed to be a portion of the Common Property.

(b) Charges to Owners. All such costs of maintenance, repairs and replacements for the Property shall be paid for as Common Expenses out of the Association Maintenance Funds as provided in this Declaration. The cost of any maintenance, repairs or replacements by the Association which is not the responsibility of the Association or which arises out of, or is caused by, the act of an Owner or such Owner's Family, tenants, guests, invitees, or agents shall, after Notice and Hearing, be levied by the Board as a Compliance Assessment against such Owner.

2.8. Unsegregated Real Property Taxes.

To the extent not assessed to or paid by the Owners, the Association shall pay all real and personal property taxes and assessments levied upon any portion of the Property. In addition, if all of the Units in a Phase of Development are taxed under a blanket tax bill, each Owner shall pay his proportionate share of any installment due under the blanket tax bill to the Association at least ten (10) days prior to the delinquency date; and the Association shall transmit the taxes to the appropriate tax collection agency on or before the delinquency date. Such blanket taxes shall be allocated among the Owners and their Condominiums based upon the square footage of the residential portions of the Units (i.e., each Unit's share of the blanket tax bill shall be the total amount of the tax bill multiplied by a fraction, the numerator of which is the square footage of the residential portion of such Unit and the denominator of which the total square footage of the residential portions of all Units covered by such blanket tax bill). The Association shall, at least forty-five (45) days prior to the delinquency date of any blanket tax installment, deliver to each affected Owner a copy of the tax bill, along with a written notice setting forth the Owner's obligation to pay his proportionate share of the tax installment

and the potential additional charges to the Owner for failure to comply. The Association shall pay the taxes on behalf of any Owner who does not pay his proportionate share. The Association shall add to the Annual Assessment of a delinquent Owner the amount of any sum advanced, plus interest at the rate of ten percent (10%) per annum (but in no event more than the maximum rate permitted by law) and any amount necessary to reimburse the Association for any penalty or late charge actually assessed in connection with the blanket tax, which late charge results from the failure of the delinquent Owner to make timely payment of his proportionate share of the taxes. Until the Close of Escrow for the sale of ninety percent (90%) of the Condominiums in the Project, the foregoing provisions relating to the collection of taxes in connection with a blanket tax bill on all or any portion of the Project may not be amended without the express written consent of Declarant.

2.9. Repair and Maintenance by Owners.

Subject to the provisions of Section 2.10 below and the provisions of this Declaration requiring Architectural Committee approval, each Owner, at his sole expense, shall maintain, repair, replace and restore his Unit and all Improvements therein in a neat, sanitary and attractive condition, except for those portions of the Unit, if any, which constitute Common Property. In addition, each Owner, at his sole expense, subject to the provisions of this Declaration requiring Architectural Committee approval, shall maintain the interior surface (i.e., the surface facing such Owner's Unit) of any Association Walls and Fences (as defined in Section 1.18 hereof) located on or adjacent to such Owner's Unit except to the extent such Association Walls and Fences consist of wrought iron or tubular steel, in which case such Owner shall have no maintenance responsibility with respect thereto. In performing his maintenance obligations hereunder, each Owner shall follow all maintenance and preventative maintenance recommendations and schedules promulgated by Declarant and the manufacturers of any manufactured products or appliances, as well as commonly accepted maintenance practices. If any Owner shall permit any Improvement, the maintenance of which is the responsibility of such Owner, to fall into disrepair or to become unsafe, unsightly or unattractive, or to otherwise violate this Declaration, the Association shall have the right to seek any remedies at law or in equity which it may have. In addition, the Association shall have the right, but not the duty, after Notice and Hearing, to enter upon such Owner's Unit to make such repairs or to perform such maintenance and to charge the cost thereof to the Owner. Said cost shall be a Compliance Assessment enforceable as set forth in this Declaration.

2.10. Party Walls.

(a) General Rules of Law to Apply. Each wall and fence ("**Party Wall**") which is built as a part of the original construction of the Residences by Declarant and which is located on the Unit line or which serves as the effective boundary between two (2) or more Units (other than a wall which is part of the dwelling or garage in a Benefited Unit as defined in Section 2.11 below) shall be deemed to be and shall be treated in the same manner as a party wall. To the extent not inconsistent with the provisions of this Section 2.10, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts

or omissions (including without limitation California Civil Code Section 841) shall apply thereto.

(b) Sharing of Repair and Maintenance. The cost of reasonable structural repair and maintenance of a Party Wall shall be shared equally by the Owners of the Units sharing such Party Wall. However, each Owner shall be solely responsible for maintaining and painting the side of any Party Wall which faces such Owner's Unit.

(c) Destruction by Fire or Other Casualty. If a Party Wall is destroyed or damaged by fire or other casualty, any Owner whose Unit is affected thereby may restore it, and the Owner(s) of any other Unit(s) which is/are affected thereby shall contribute equally to the cost of restoration thereof without prejudice, however, to the right of any such Owner to call for a larger contribution from the other(s) under any rule of law regarding liability for negligent or willful acts or omissions.

(d) Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner for work performed under this Section 2.10 shall be appurtenant to and shall run with the land and shall be binding upon the Owners and their successors, assigns and grantees. Notwithstanding the foregoing, the obligation to pay contribution for work already performed shall not run with the land and be binding upon (i) any "first Mortgagee" (as defined in Article XII below) who obtains title to a Unit pursuant to foreclosure of its Mortgage or by deed in lieu of foreclosure, and (ii) any purchaser at a foreclosure sale of a first Mortgage.

2.11. Zero Unit Lines.

As presently planned, certain Residences will be located on or near the common property line (Unit boundary) with an adjoining Unit. Consequently, the Owner of the Unit containing such Residence ("**Benefited Unit**") must occasionally enter the yard of the adjoining Unit ("**Burdened Unit**") in order to paint, maintain, repair and reconstruct the exterior surface of the Residence in the Benefited Unit ("**Benefited Residence**"). Declarant hereby reserves a nonexclusive easement ("**Entry Easement**") appurtenant to each Benefited Unit over the adjacent yard of the Burdened Unit ("**Entry Easement Area**") for access, ingress and egress as reasonably necessary to paint, maintain, repair and reconstruct the Benefited Residence. Except in the event of an emergency, the Owner of the Benefited Unit ("**Benefited Owner**") shall give the Owner of the Burdened Unit ("**Burdened Owner**") at least seventy-two (72) hours' notice of the intention of the Benefited Owner to enter the Entry Easement Area, and the Benefited Owner shall perform all necessary work during reasonable daylight hours. In the event of an emergency, such entry into the Entry Easement Area may be made at any time and without prior notice. Under all circumstances, the Benefited Owner and the Burdened Owner shall cooperate to minimize the duration of the work and inconvenience to the Burdened Owner. In exercising the Entry Easement, the Benefited Owner shall utilize reasonable care to minimize damage to any landscaping and other Improvements in the Entry Easement Area. The Benefited Owner shall, at his sole cost and expense, promptly repair any

damage to the Burdened Unit and the Improvements therein that occur in connection with the Benefited Owner's exercise of the Entry Easement.

A Burdened Owner may plant landscaping, install an irrigation system and build, erect or install other Improvements approved by the Architectural Committee in the Entry Easement Area, but such Burdened Owner shall not (i) drive any nails, screws or bolts into the wall of the Benefited Residence or attach any object of any kind (e.g., a trellis) to the wall of the Benefited Residence; (ii) attach any vine directly to the wall of the Benefited Residence (including attachment by silicon ties); (iii) alter the grading in the Burdened Unit unless proper drainage is maintained by drainage devices approved by the Architectural Committee, (iv) plant any tree or any shrub that can grow to a height in excess of three (3) feet unless such tree or shrub is approved by the Architectural Committee and the Burdened Owner takes appropriate precautions (e.g., installs a root barrier) to prevent root intrusion which may cause damage to the Benefited Residence, hardscape or other Improvements within the Benefited Unit; (v) cause irrigation sprinklers to directly spray onto the Benefited Residence; and (vi) otherwise erect, plant or install any Improvement in the Entry Easement Area which may unreasonably threaten the structural integrity of the Benefited Residence or which would unreasonably impede the right of the Benefited Owner to enter the Entry Easement Area as provided herein.

2.12. NPDES Requirements.

The Property is subject to any applicable Federal, State and local requirements of the National Pollutant Discharge Elimination System ("**NPDES**") adopted pursuant to the Federal Clean Water Act, including without limitation any Storm Water Pollution Prevention Plan, Water Quality Management Plan or similar plan for the Property ("**Water Management Plan**") which identifies certain Best Management Practices ("**BMPs**") to reduce the discharge of pollutants to storm water facilities before, during and after construction on the Property is completed. The Association and the Owners, as applicable, shall comply with all BMPs and perform all maintenance imposed by the Water Management Plan and all other governmental requirements, including the Water Quality Management Plan and Stormwater BMP Transfer, Access and Maintenance Agreement Recorded on December 18, 2014 as Instrument No. 2014-0483758 in the Official Records of San Bernardino County, California, as amended. Any costs incurred by the Association in connection with the foregoing shall be Common Expenses.

2.13. Damage to Residences – Reconstruction.

If all or any portion of any Unit or Residence is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of such Unit to rebuild, repair or reconstruct the Unit and the Residence on such Unit in a manner which will restore them substantially to their appearance and condition immediately prior to the casualty or as otherwise approved by the Architectural Committee. The Owner of any damaged Unit or Residence and the Architectural Committee shall be obligated to proceed with all due diligence hereunder, and such Owner shall cause reconstruction to commence within six (6) months after the damage occurs and to be completed within one (1) year after damage occurs, unless prevented by causes beyond his reasonable control. A transferee of title to the Unit which is damaged or upon which is located

a damaged Residence shall commence and complete reconstruction in the respective periods which would have remained for the performance of such obligations if the Owner of the Unit at the time of the damage still held title to the Unit. However, in no event shall such transferee of title be required to commence or complete such reconstruction in less than three (3) months from the date such transferee acquired title to the Unit. Notwithstanding any of the foregoing, the provisions of this Section 2.13 shall not require an Owner to repair or reconstruct any portion of his Unit which constitutes Common Property which is required to be repaired or reconstructed by the Association pursuant to Article X of this Declaration.

2.14. Use of Agent.

The Board of Directors, on behalf of the Association, may contract with a Manager for the performance of maintenance and repair and for conducting other activities on behalf of the Association, as may be determined by the Board. The maximum term of any such contract ("**Management Contract**") shall be one (1) year, unless a longer term is approved either by vote or written assent of a majority of the voting power of the Association or by VA or FHA, in which case the maximum term of the Management Contract shall be three (3) years. The maximum term of any contract providing for Declarant's services to the Association or the Project shall also be three (3) years. Each such contract for Declarant's services and each Management Contract shall provide for its termination by either party thereto with cause upon no more than thirty (30) days' written notice to the other party, and without cause and without payment of a termination fee upon no more than ninety (90) days' written notice to the other party.

ARTICLE III

3. Rights in Common Property.

3.1. Association Easement.

The Association shall have an easement over the Common Property for performing its duties and exercising its powers described in this Declaration. The Association's obligation to maintain the Common Property in any Phase of Development shall commence on the date Annual Assessments commence on Condominiums in such Phase. Until commencement of Annual Assessments on Condominiums in any Phase, the Common Property in such Phase shall be maintained by Declarant.

3.2. Partition.

Except as provided in this Declaration, there shall be no judicial partition of the Common Area, or any part thereof, for the term of the Project, nor shall Declarant, any Owner or any other Person acquiring any interest in any Condominium in the Project seek any such judicial partition.

3.3. Members' Easements in Common Property.

Subject to the provisions of this Declaration, every Member of the Association shall have, for himself, his Family, his tenants and guests, a nonexclusive easement of access, ingress, egress,

use and enjoyment of, in and to the Common Property, and such easements shall be appurtenant to and shall pass with title to every Condominium in the Project.

3.4. Extent of Members' Easements.

The rights and easements of use and enjoyment of the Common Property created by this Declaration shall be subject to the Governing Documents, which include, without limitation, the following:

(a) The right of the Board to suspend the rights and easements of any Member, and the Persons deriving such rights and easements from any Member, for use and enjoyment of any recreation facilities located on the Common Property, for any period during which the payment of any Annual, Compliance, Capital Improvement or Reconstruction Assessment against the Member and his Condominium remains delinquent, and after Notice and Hearing, to suspend such rights and easements for the period set forth in the Bylaws for any violation of the Governing Documents, it being understood that any suspension for either nonpayment of any Assessment or breach of the Governing Documents shall not constitute a waiver or discharge of the Member's obligation to pay assessments as provided in this Declaration;

(b) The right of the Association to consent to or otherwise cause the construction of additional Improvements on the Common Property and to consent to or otherwise cause the alteration or removal of any existing Improvements on the Common Property for the benefit of the Members of the Association;

(c) The right of the Association, acting through the Board, to grant, consent to or join in the grant or conveyance of easements, licenses or rights-of-way in, on or over the Common Property for purposes not inconsistent with the intended use of the Property as a residential Condominium project, and to execute amendments to the Condominium Plan to the extent necessary to conform the Condominium Plan to the as-built Improvements in the Property;

(d) The rights and reservations of Declarant as set forth in this Declaration;

(e) The right of the Association, acting through the Board, to reasonably restrict access to maintenance and landscaped areas and similar areas of the Property;

(f) Subject to the provisions of Section 4510 of the California Civil Code, the right of the Association to reasonably limit the number of guests and tenants of the Owners using the Common Property; and

(g) The right of the Association, acting through the Board, to establish uniform Rules and Regulations for the use of the Common Property.

3.5. Waiver of Use.

No Owner may exempt himself from personal liability for assessments duly levied by the Association, or effect the release of his Condominium from the liens and charges thereof, by waiving use and enjoyment of the Common Property or by abandoning his Condominium.

3.6. Damage by Member.

To the extent permitted by California law, each Member shall be liable to the Association for any damage to the Common Property not fully reimbursed to the Association by insurance if the damage is sustained because of the negligence, willful misconduct or unauthorized or improper installation or maintenance of any Improvement by the Member, his guests, tenants or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Common Property from the Member, or his or their respective Family and guests, both minor and adult. However, the Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Association, and the Association further reserves the right, after Notice and Hearing, to levy a Compliance Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Member or the Person for whom the Member may be liable as described above. In the case of joint ownership of a Condominium, the liability of the owners shall be joint and several, except to the extent that the Association shall have previously contracted in writing with the joint owners to the contrary. After Notice and Hearing, the cost of correcting the damage to the extent not reimbursed to the Association by insurance shall be a Compliance Assessment against such Member's Condominium, and may be enforced as provided herein.

ARTICLE IV

4. Architectural Review Committee.

4.1. Members of Committee.

The Architectural Review Committee of the Association, sometimes referred to herein as the "**Architectural Committee**" or the "**Committee**," shall be comprised of three (3) members. The initial members of the Committee shall be appointees of Declarant until one (1) year after the original issuance of the Final Subdivision Public Report ("**Public Report**") for Phase 1 ("**First Anniversary**"). After the First Anniversary the Board may appoint and remove one (1) member of the Committee, and Declarant shall have the right and power at all times to appoint and remove a majority of the members of the Committee or to fill any vacancy of such majority until the earlier to occur of (i) Close of Escrow for the sale of ninety percent (90%) of all the subdivision interests in the Property and the Annexable Territory, or (ii) expiration of five (5) years following the date of original issuance of the Public Report for Phase 1, after which the Board shall have the power to appoint and remove all of the members of the Committee. The Committee shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article in order to ensure that the proposed plans conform harmoniously to the exterior design and existing materials of the buildings in the Property. Board members may also serve as Committee members.

4.2. Review of Plans and Specifications.

The Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Committee. No construction, alteration, removal, relocation, demolishing, repainting, addition, installation, modification, decoration, redecoration or reconstruction of an outdoor Improvement in the Property or other Improvement within the jurisdiction of the Committee under the Governing Documents shall be commenced or maintained, until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the Committee and approved in writing by the Committee; provided, however, that any Improvement may be repainted without Committee approval so long as the Improvement is repainted the identical color which it was last painted. Without limiting the generality of the foregoing, the provisions of this Article IV apply to the construction, installation and alteration of solar energy systems as defined in Section 801.5 of the California Civil Code, subject to the provisions of California Civil Code Sections 714 and 714.1, the applicable building code, zoning regulations and other laws. The Committee may consider the impact of the construction or installation of the proposed Improvement as well as the impact of the completed Improvement on (1) the safety of the Owners and the public, (2) the noise heard beyond the Residence on which the Improvement will be located, (3) fire safety, and (4) the Common Property. The Owner submitting the plans and specifications ("**Applicant**") shall obtain a written, dated receipt therefor from an authorized agent of the ARC. Until changed by the Board, the address for submission of such plans and specifications shall be the principal office of the Association. The Committee shall approve plans and specifications submitted for its approval only if it determines that (a) the installation, construction or alteration of the Improvements in the locations indicated will not be detrimental to the appearance of the surrounding area of the Property as a whole, (b) the appearance of the proposed Improvements will be in harmony with the existing Improvements and the overall design theme in the Property, (c) the installation, construction or alteration of the proposed Improvements will not detract from the beauty, wholesomeness and attractiveness of the Common Property or the enjoyment thereof by the Owners, (d) maintenance of the proposed Improvements will not become a burden on the Association, and (e) the proposed Improvements are consistent with the Governing Documents. Declarant and any Person to which Declarant may assign all or a portion of its exemption hereunder need not seek or obtain Committee approval of any Improvements constructed on the Property by Declarant or such Person, as the case may be.

The Committee may condition its approval of proposals or plans and specifications for any Improvement on any one (1) or more of the following: (1) upon the Applicant's furnishing the Association with security acceptable to the Association against any mechanic's lien or other encumbrance which may be Recorded against any portion of the Property as a result of such work, (2) such changes therein as the Committee deems appropriate, (3) the Applicant's agreement to grant appropriate easements as are made reasonably necessary by the existence of the Improvement to the Association or other Owners, (4) the Applicant's agreement to install water, gas, electrical or other utility meters to measure any increased utility consumption, (5)

the Applicant's agreement to reimburse the Association for the cost of maintaining the Improvement (if the Association agrees to accept maintenance responsibility for the Improvement), or (6) upon the Applicant's agreement to complete the proposed work within a stated period of time, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The Committee may hire architects, contractors and other professionals to assist the Committee in its decisions. The Committee may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee and/or a "security deposit" to accompany each application for approval, or stating additional factors which it will take into consideration in reviewing submissions. The Committee may provide that the amount of such fee or security deposit shall be uniform, or that it be determined in any other reasonable manner. The Committee may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, landscape plans, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the Committee of any required plans and specifications, the Committee may postpone review of any plans submitted for approval. Decisions of the Committee shall be transmitted in writing by the Committee to the Applicant at the address set forth in the application to the Committee within forty-five (45) days after receipt by the Committee of all materials required by the Committee. If the decision of the Committee includes the disapproval of any item, the decision shall include an explanation of the reasons for the disapproval and a description of the procedure for reconsideration of the decision by the Board as described in Section 4.9 below. Any application submitted pursuant to this Section 4.2 shall be deemed approved unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the Applicant within forty-five (45) days after the date of receipt by the Committee of all required materials. The Applicant shall meet any review or permit requirements of the City prior to performing any work permitted hereunder. In this regard, the City may review the proposed plans and specifications for compliance with the City's Municipal Code and Planned Development standards applicable to the Property, and the proposed work may require the approval of the City Planning Department and the issuance of building permits by the City.

4.3. Meetings of the Committee.

The Committee shall meet from time to time as necessary to perform its duties hereunder. The Committee may from time to time, by resolution unanimously adopted in writing, designate a Committee Representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the Committee, except the granting of variances pursuant to Section 4.8. In the absence of such designation, the vote or written consent of a majority of the Committee shall constitute an act of the Committee.

4.4. No Waiver of Future Approvals.

The approval of the Committee of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Committee, shall not be deemed to constitute a waiver of any right to withhold

approval or consent to any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval or consent.

4.5. Compensation of Members.

The members of the Committee shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder.

4.6. Inspection of Work.

The Committee or its duly authorized representative may at any time inspect any work for which approval of plans is required under this Article IV ("**Work**"), which right to inspect shall include the right to require any Owner to take such action as may be necessary to remedy any noncompliance with the Committee-approved plans for the Work or with the requirements of this Declaration ("**Noncompliance**").

(a) Time Limit. The Committee's right to inspect the Work and notify the responsible Owner of any Noncompliance shall terminate sixty (60) days after the latest to occur of the following events: (i) submittal of the plans for the Work to the Committee for its approval as provided in this Article IV; (ii) completion of the Work as provided in the Committee-approved plans; and (iii) written notice from the Owner to the Committee that the Work has been completed. If the Committee fails to send a notice of Noncompliance to an Owner before this time limit expires, the Work shall be deemed to comply with the approved plans.

(b) Remedy. If an Owner fails to remedy any Noncompliance within sixty (60) days from the date of notification from the Committee, the Committee shall notify the Board in writing of such failure. Upon Notice and Hearing, as provided in the Bylaws, the Board shall determine whether there is a Noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a Noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within that period, the Board, at its option, may Record a Notice of Noncompliance and/or commence a lawsuit for damages or injunctive relief, as appropriate, to remedy the Noncompliance.

4.7. Scope of Review.

The Committee's decisions shall be based solely on the considerations set forth in this Article IV, and the Committee's approval of any Improvement does not constitute a finding or warranty by the Committee that the Improvement (i) incorporates good engineering practices, (ii) complies with applicable laws, ordinances, codes or regulations, including without limitation zoning laws, building and safety codes and fire codes, (iii) complies with the requirements of any utility provider, or (iv) is permissible under the terms of any easement, license, permit, Mortgage or other recorded or unrecorded document (other than the Governing Documents).

4.8. Variances.

The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration, including without limitation restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by a majority of the Committee, and shall become effective upon Recordation. After Declarant has lost the right to appoint a majority of the members of the Committee, the Board must approve any variance recommended by the Committee before any such variance shall become effective. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the use of his Residence. Any such variance must also be approved by the City, which may require that the variance be consistent with the City's Municipal Code and Planned Development standards applicable to the Property.

4.9. Reconsideration by the Board.

An Applicant shall have the right to appeal Committee decisions to the Board for reconsideration as required by Section 4765(a)(5) of the California Civil Code. In order to exercise such right, the Applicant must notify the Board in writing that the Applicant is electing to appeal within thirty (30) days following the Applicant's receipt of the decision of the Committee. The appeal shall be heard by the Board no later than sixty (60) days following the Board's receipt of the Applicant's notice of appeal. The decision of the Board shall be transmitted in writing to the Applicant at the address set forth in the Applicant's application to the Committee within forty-five (45) days following the Board's hearing of the appeal. The Board shall have the right, but not the obligation, to adopt additional policies and procedures related to such appeals.

4.10. Notice to Owners.

The Association shall annually provide each Owner with the notice required by Section 4765(c) of the California Civil Code.

ARTICLE V

5. Association Maintenance Funds and Assessments.

5.1. Personal Obligation of Assessments.

Declarant, for each Condominium owned by it, hereby covenants and agrees to pay, and each Owner, by acceptance of a deed to a Condominium whether or not it shall be so expressed in

such deed, is deemed to covenant and agree to pay to the Association (1) Annual Assessments for Common Expenses, (2) Compliance Assessments, (3) Reconstruction Assessments and (4) Capital Improvement Assessments; such assessments to be established and collected as provided herein. The Association shall not levy or collect any Annual Assessment, Capital Improvement Assessment, Compliance Assessment or Reconstruction Assessment that exceeds the amount necessary for the purpose for which it is levied. Except as provided in this Section 5.1, all such assessments (other than Compliance Assessments), together with interest, costs, and reasonable attorneys' fees for the collection thereof, shall be a charge on the Condominium against which such assessment is made. Each such assessment (including Compliance Assessments), together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Person who was the Owner of the Condominium at the time when the assessment fell due. This personal obligation cannot be avoided by abandonment of the Condominium or by an offer to waive use of the Common Property. The personal obligation for delinquent assessments shall not pass to any new Owner ("**Purchaser**") unless expressly assumed by the Purchaser.

5.2. Maintenance Funds of Association.

The Board of Directors shall establish no fewer than two (2) separate Association Maintenance Fund accounts, into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration. The Association Maintenance Funds may be established as trust accounts at a banking or savings institution and shall include: (1) an Operating Fund for current Common Expenses of the Association, (2) an adequate Reserve Fund for capital Improvements, replacements, painting and repairs of the Common Property (which cannot normally be expected to occur on an annual or more frequent basis), and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts assessed to, deposited into, and disbursed from any such Fund are earmarked for specified purposes authorized by this Declaration.

5.3. Purpose of Assessments.

The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners, for the operation, replacement, improvement and maintenance of the Common Property, and to discharge any other obligations of the Association under this Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Owners for purposes authorized by this Declaration. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Disbursements from the Reserve Fund shall be made by the Board of Directors only for the purposes specified in this Article V. The Board shall not expend funds designated as Reserve Funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement or

maintenance of, major components that the Association is obligated to repair, restore, replace or maintain and for which the Reserve Fund was established. However, the Board may authorize the temporary transfer of moneys from the Reserve Fund to the Operating Fund to meet short-term cash-flow requirements or other expenses to the extent permitted by Section 5515 of the California Civil Code. The Board shall exercise prudent fiscal management in maintaining the integrity of the Reserve Fund, and shall, if necessary, levy a supplemental Annual Assessment to recover the full amount of the expended funds within the time limits required by Section 5515(d) of the California Civil Code. This supplemental Annual Assessment is subject to the limitations imposed by Section 5.4 of this Declaration. The Board may, at its discretion, extend the date the payment on the supplemental Annual Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid supplemental Annual Assessment. When the decision is made to use Reserve Funds or to temporarily transfer money from the Reserve Fund to pay for litigation, the Association shall provide the Members with general notice pursuant to Section 4045 of the California Civil Code of that decision, and of the availability of an accounting of those expenses. Unless the Governing Documents impose more stringent standards, the Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's office. Nothing in this Declaration shall be construed in such a way as to permit the use of Association assessments or funds to abate any annoyance or nuisance emanating from outside the boundaries of the Property. Annual Assessments shall be used to satisfy Common Expenses of the Association, as provided herein and in the Bylaws.

5.4. Limitations on Annual Assessment Increases.

The Board shall levy Annual Assessments in accordance with the following provisions:

(a) Maximum Authorized Annual Assessment for Initial Year of Operations.

Until the first day of the Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may levy an Annual Assessment per Condominium in an amount which exceeds one hundred twenty percent (120%) of the amount of Annual Assessments disclosed for the Property in the most current Budget filed with and reviewed by Cal BRE at the time Annual Assessments commence only if the Board first obtains the approval of a majority of a quorum of Members pursuant to California Civil Code Section 4070 at a Member meeting or election ("**Increase Election**"). The quorum for an Increase Election shall be more than fifty percent (50%) of the Members ("**Increase Election Quorum**"). Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 5.4(e) or increases in the "Utility Assessment" as defined in Section 5.5.

(b) Maximum Authorized Annual Assessment for Subsequent Fiscal Years.

Starting with the first Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may levy Annual Assessments which exceed the Annual Assessments for the immediately preceding Fiscal Year only as follows:

(1) If the increase in Annual Assessments is less than or equal to twenty percent (20%) of the Annual Assessments for the immediately preceding Fiscal Year, then the Board must either (a) have complied with paragraphs (1), (2), (4), (5), (6), (7) and (8) of subdivision (b) of California Civil Code Section 5300 with respect to the current Fiscal Year, or (b) obtain the approval of a majority of an Increase Election Quorum at an Increase Election;

(2) If the increase in Annual Assessments is greater than twenty percent (20%) of the Annual Assessments for the immediately preceding Fiscal Year, then the Board must obtain the approval of a majority of an Increase Election Quorum at an Increase Election.

Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 5.4(e) or increases in the "Utility Assessment" as defined in Section 5.5.

(c) Supplemental Annual Assessments. If the Board determines that the important and essential functions of the Association may be properly funded by an Annual Assessment in an amount less than the maximum authorized Annual Assessment described above, it may levy such lesser Annual Assessment. If the Board determines that the estimate of total charges for the current year is or will become inadequate to meet all Common Expenses for the Property for any reason, it shall immediately determine the approximate amount of the inadequacy. Subject to the limitations described in Sections 5.4(a) and (b) above and (e) below, the Board shall have the authority to levy a supplemental Annual Assessment reflecting a revision of the total charges to be assessed against each Condominium.

(d) Automatic Assessment Increases. Notwithstanding any other provisions of this Section 5.4, upon Declarant's annexation of any portion of the Annexable Territory pursuant to Article XVI, the Annual Assessment shall be automatically increased by the additional amount, if any, necessary to maintain the Common Property in or abutting such Annexable Territory in accordance with the standards prescribed by the then current Cal BRE Operating Cost Manual, or if the Operating Cost Manual is no longer maintained by the Cal BRE, pursuant to standards prescribed by comparable maintenance cost guidelines prepared in accordance with prudent property management practices. However, such increase shall occur only if (i) the annexation of such Annexable Territory is permitted by the Cal BRE, and (ii) the amount of such increase does not result in the levy of an Annual Assessment which is greater than the maximum potential Annual Assessment disclosed in all Final Subdivision Public Reports for the Property previously issued by the Cal BRE.

(e) Emergency Situations. For purposes of Sections 5.4(a), 5.4(b) and 5.6, an "Emergency Situation" is any one of the following:

(1) An extraordinary expense required by an order of a court;

(2) An extraordinary expense necessary to repair or maintain the Property or any part thereof for which the Association is responsible where a threat to personal safety on the Property is discovered; and

(3) An extraordinary expense necessary to repair or maintain the Property or any part thereof for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the annual Budget report under California Civil Code Section 5300. Prior to the imposition or collection of an assessment pursuant to 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 resolution shall be distributed to the Members with the notice of assessment.

5.5. Annual Assessments/Commencement-Collection.

The Board of Directors shall authorize and levy the amount of the Annual Assessment upon each Condominium, as provided herein, by majority vote of the Board. Annual Assessment shall commence on all Condominiums in a Phase of Development on the first day of the first calendar month following the first Close of Escrow for the sale of a Condominium in such Phase (provided, however, that the Close of Escrow for the sale of a Condominium which is being used by Declarant for model home, sales office, design center, constructions office or similar purposes shall not cause the commencement of Annual Assessments in a Phase until such Condominium is occupied by the Owner thereof).

All Annual Assessments shall be assessed equally against the Owners and their Condominiums based upon the number of Condominiums owned by each Owner except for the portion of the Annual Assessments attributable to water and sewer charges (“**Utility Assessment**”), which shall be determined in accordance with the following: It is intended that water and sewer services will be billed to the Association from the suppliers of such services through a master meter and that the cost of water and sewer services supplied to each Unit will be determined from sub-meters which monitor water consumption from each Unit. In billing the Utility Assessment to each Owner, the Association shall utilize water consumption information from the sub-meters and any other relevant information that is provided by the supplier of the water and sewer services. If the supplier of such services charges penalties for excessive water consumption or late payment or otherwise charges different rates for different levels of consumption, the Association may in any reasonable manner utilize such information in its allocation and determination of the Utility Assessment against each Condominium. The Association shall have the right, but not the obligation, to enter into an agreement with a private meter reading service to do any or all of the following: (i) read the sub-meters, (ii) prepare and send bills of the Utility Assessment to each Owner, (iii) collect sums billed to each Owner on behalf of the Association, and (iv) such other tasks as the Association shall reasonably request. In addition to water and sewer charges, the Utility Assessment may also include other charges, including without limitation sub-meter reading and administration fees and utility taxes. No Owner shall interfere with the reading of such Owner’s sub-meter or in any manner change or disconnect such sub-meter. To the extent a sub-meter is located within

the boundaries of any Unit, the Association shall have an easement for the Association or its agents and contractors to read, repair, realign or replace such sub-meter. If an Owner fails to pay the Utility Assessment, the Association shall have all rights and remedies provided in the Governing Documents and by applicable law, including without limitation shutting off water service to such Owner's Unit.

Annual Assessments for fractions of any month involved shall be prorated. Declarant shall pay its full pro rata share of the Annual Assessments on all unsold Condominiums for which Annual Assessments have commenced. The Board shall fix the amount of the Annual Assessment against each Condominium at least thirty (30) days in advance of each Annual Assessment period. However, unless otherwise established by the Board, the initial Annual Assessments shall be assessed in accordance with the most recent Budget on file with and reviewed by the Cal BRE. Written notice of any change in the amount of any Annual Assessment, Capital Improvement Assessment or Reconstruction Assessment shall be sent via first-class mail to every Owner subject thereto, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. From time to time the Board may determine that all excess funds in the Operating Fund be retained by the Association and used to reduce the following year's Annual Assessments. Upon dissolution of the Association incident to the abandonment or termination of the Property, any amounts remaining in any of the Maintenance Funds shall be distributed to or for the benefit of the Owners in the same proportions as such monies were collected from the Owners.

Notwithstanding any other provisions of this Declaration, until the earlier to occur of (1) the recordation of a notice of completion of an Improvement on the Common Property, or (2) the placement of such Improvement into use, each Owner (including Declarant) shall be exempt from paying that portion of any Annual Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of such Improvement.

Each Owner shall pay to the Association his Annual Assessment in installments at such frequency and in such amounts as established by the Board. Each installment of Annual Assessments may be paid by the Owner to the Association in one check or in separate checks as payments attributable to deposits into specified Association Maintenance Funds. If any installment of an Annual Assessment payment is less than the amount assessed and the payment does not specify the Association Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Owner shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

Notwithstanding any other provisions of this Declaration or the Bylaws regarding the term and termination of contracts with Declarant for providing services to the Association, Declarant may enter into a written maintenance agreement with the Association under which Declarant shall pay all or any portion of the operating Common Expenses and perform all or any portion of the Association's maintenance responsibilities in exchange for a temporary

suspension of Annual Assessments. Such maintenance agreement shall extend for a term and shall be on such conditions as are reviewed by the Cal BRE, and may require Owners to reimburse Declarant, through the Association, for a portion of the costs expended in satisfaction of Common Expenses.

5.6. Capital Improvements.

The Board of Directors of the Association may levy, in any Fiscal Year, a Capital Improvement Assessment or Reconstruction Assessment applicable to that Fiscal Year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital Improvement or other such addition upon the Common Property including fixtures and personal property related thereto; provided that any proposed Capital Improvement Assessments in any Fiscal Year which, if added to the Capital Improvement Assessments already levied during such Fiscal Year, exceeds five percent (5%) of the Budgeted gross expenses of the Association for such Fiscal Year, shall require the approval of a majority of an Increase Election Quorum at an Increase Election.

Notwithstanding the foregoing, the Board may levy in any Fiscal Year, a Capital Improvement Assessment applicable to that Fiscal Year which exceeds five percent (5%) of the Budgeted gross expenses of the Association for such Fiscal Year if such increase is necessary for addressing an Emergency Situation as defined in Section 5.4(e) or relates to the "Utility Assessment" as defined in Section 5.5.

5.7. Delinquency.

Any installment of an assessment provided for in this Declaration shall be delinquent if not paid within fifteen (15) days of the due date as established by the Board of Directors of the Association. The Board shall be authorized to adopt a system pursuant to which any installment of Annual Assessments, Capital Improvement Assessments, Compliance Assessments, or Reconstruction Assessments not paid within thirty (30) days after the due date, plus all reasonable fees and costs of collection (including attorneys' fees) and late charges as provided herein, shall bear interest commencing thirty (30) days from the due date until paid at the rate of up to twelve percent (12%) per annum, but in no event more than the maximum rate permitted by law. The Board may also require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 5650(b).

5.8. Creation and Release of Lien.

All sums other than Compliance Assessments assessed in accordance with the provisions of this Declaration shall constitute a lien on the respective Condominium prior and superior to (a) any declaration of homestead Recorded after the Recordation of this Declaration, and (b) all other liens, except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any "first Mortgage" (as defined in Article XII below) of record made in good faith and for value and Recorded prior to the date on which the "Notice of Delinquent Assessment" (described in this Section) against the respective Condominium was Recorded. No action shall be brought to enforce any assessment lien herein unless at least thirty (30) days has expired following the date a notice of delinquent assessment ("Notice of Delinquent Assessment") is Recorded by the Association. The Notice of

Delinquent Assessment shall state a legal description of the Condominium, the record Owner thereof, the amount of the assessment and other sums imposed and any other items required by California Civil Code Section 5675, and 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, and shall be mailed by certified mail to every Person whose name is shown as an Owner of the Condominium in the Association's records no later than ten (10) days after Recordation. The Notice of Delinquent Assessment shall be signed by any authorized officer or agent of the Association. Recordation of the Notice of Delinquent Assessment shall create a lien on the Condominium as provided in California Civil Code Section 5675(a). The lien shall relate only to the individual Condominium against which the assessment was levied and not to the Property as a whole. At least thirty (30) days prior to Recording the Notice of Delinquent Assessment, the Association shall provide the delinquent Owner in writing by certified mail with all of the items required by Section 5660 of the California Civil Code. The Association shall also comply with all of the applicable provisions of Sections 5655, 5658, 5665, 5670, 5673 and 5705 of the California Civil Code. Within twenty-one (21) days of the payment of the sums specified in the Notice of Delinquent Assessment, the Association shall Record an appropriate lien release or notice of rescission and provide the defaulting Owner with a copy of the same or notice that the delinquent assessment has been satisfied.

5.9. Enforcement of Liens.

It shall be the duty of the Board of Directors to enforce the collection of any amounts due under this Declaration by one (1) or more of the alternative means of relief afforded by this Declaration. An Association lien may be enforced as described in Sections 5700 et seq. of the California Civil Code or in any other manner permitted by law. The Association, through duly authorized agents, shall have the power to bid on the Condominium at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Upon completion of the foreclosure sale, an action may be brought by the Association or the purchaser at the sale in order to secure occupancy of the defaulting Owner's Condominium, and the defaulting Owner shall be required to pay the reasonable rental value of such Condominium during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner.. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving any lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages.

5.10. Priority of Assessment Lien.

The lien of the assessments provided for herein, including interest and costs (including attorneys' fees), shall be subordinate to the lien of any previously Recorded "first Mortgage" (as defined in Article XII below) upon one or more Condominiums. Sale or transfer of any Condominium shall not affect the assessment lien. However, the sale or transfer of any Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Condominium from liens for any assessments thereafter becoming due. When the Beneficiary of a first Mortgage of record or other

purchaser of a Condominium obtains title pursuant to a judicial or nonjudicial foreclosure of the first Mortgage, such Person, his successors and assigns, shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Condominium which became due prior to the acquisition of title to such Condominium by such Person. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from all of the Owners of the Condominiums including such Person, his successors and assigns.

5.11. Assignment of Rents.

In addition to the foreclosure and other remedies granted the Association herein, each Owner, by acceptance of a deed to such Owner's Condominium, hereby conveys to the Association all of such Owner's right, title and interest in all rents, issues and profits derived from and appurtenant to such Condominium, together with the right, power and authority of the Association to collect and apply such rents, issues and profits to any delinquent assessments owed by such Owner, reserving to the Owner the right, prior to any default by the Owner in the payment of assessments, to collect and retain such rents, issues and profits as they may become due and payable. Upon any such default the Association may, upon the expiration of thirty (30) days following the recordation of the Notice of Delinquent Assessment described in Section 5.8 hereof, either in person, by agent or by receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness secured by the lien described herein, (a) enter in or upon and take possession of the Residence or any part thereof, (b) in the Association's name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and (c) apply the same, less allowable expenses of operation, to any delinquencies of the Owner hereunder. The entering upon and taking possession of the Residence, the collection of rents, issues and profits and the application thereof, shall not cure or waive any default, notice of default or Notice of Delinquent Assessment hereunder or invalidate any act done pursuant to any such notice. The assignment of rents, issues and profits to the Association pursuant to this Section shall be subordinate to any assignment of rents, issues or profits in favor of a first Mortgagee.

5.12. Capital Contributions to the Association.

Upon acquisition of record title to a Condominium from Declarant, each Owner of a Condominium in Phase 1 shall contribute to a working capital fund of the Association an amount equal to one-sixth (1/6) of the amount of the then Annual Assessment for that Condominium as determined by the Board. This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association.

ARTICLE VI

6. Project Easements and Rights of Entry.

6.1. Easements.

(a) Access. Declarant expressly reserves for the benefit of the Owners reciprocal, nonexclusive easements for access, ingress and egress over all of the Common Property, including any private streets or driveways currently existing in the Common Property or subsequently added to it. Subject to the provisions of this Declaration governing use and enjoyment thereof, the easements may be used by all Owners and their guests, tenants and invitees residing on or temporarily visiting the Property, for walkways, vehicular access and such other purposes reasonably necessary for use and enjoyment of a Condominium in the Project.

(b) Maintenance and Repair. Declarant expressly reserves for the benefit of the Association, nonexclusive easements over the Common Property as necessary to maintain and repair the Common Property, and to perform all other tasks in accordance with the provisions of this Declaration.

(c) Utilities. Declarant hereby reserves and covenants for itself and all future Owners within the Property, easements for public and private utility purposes, including but not limited to, the right of any public utility or water district of ingress or egress over the Common Property for purposes of reading and maintaining meters, and using and maintaining fire hydrants located on the Common Property. Whenever sanitary sewer, storm drain, water, gas, electricity, telephone, cable television or other utility lines, cables or facilities in the Property serve more than one (1) Unit, the Owner of each Unit served thereby shall be entitled to the full use and enjoyment thereof to the extent necessary for the same to serve his Unit. Declarant hereby reserves for the benefit of each such Owner and his Unit, an easement to enter upon such other Units or to have the utility companies enter upon such other Units to maintain, repair and replace said utility lines, cables and facilities, provided that such Owner shall promptly repair any damage to such other Units caused by such entry.

(d) Encroachments. Declarant hereby reserves for the benefit of each Unit and the Common Property an easement over any adjoining Unit or Common Property for the encroachment by any Improvement as originally constructed by Declarant and for the encroachment by any Improvement resulting from subsequent settling, shifting or other movement of such Improvement. No portion of the Common Property, including without limitation parking spaces and other amenities contemplated as a part of the Property, are proposed to be leased by Declarant to the Owners or to the Association.

(e) Completion of Improvements. Declarant expressly reserves for its benefit the right and easement to enter the Property to complete any Improvement which Declarant deems desirable to implement Declarant's development plan.

(f) Mailboxes. Declarant hereby reserves for the benefit of the United States Postal Service easements over the Common Property and the Units for the delivery and deposit of mail. To the extent there are any mailboxes located within a Unit that are "clustered" or otherwise serve Units other than the Unit on which such mailboxes are located, Declarant hereby reserves for the benefit of such other Units easements over the Unit containing such mailboxes for the retrieval of mail.

(g) Telecommunications. Declarant expressly reserves easements ("**Telecommunications Easements**") over the Property for access and for purposes of constructing, installing, locating, altering, operating, maintaining, inspecting, upgrading, removing and enhancing Telecommunications Facilities (as defined below) for the benefit of Declarant and the Property. Such easements are freely transferable by Declarant to any other party. All Telecommunications Facilities shall be owned, leased or licensed by Declarant as determined by Declarant in its sole and absolute discretion. Transfer of the Property or any portion thereof does not imply transfer of any Telecommunications Easements or Telecommunications Facilities. Any exercise of the Telecommunications Easements shall not unreasonably interfere with the reasonable use and enjoyment of the Property by the Owners. If the exercise of any Telecommunications Easement results in damage to the Property, the holder of the Telecommunications Easement shall repair such damage within a reasonable period of time.

As used herein, "**Telecommunications Facilities**" means (1) improvements, equipment and facilities for (i) telecommunications, (ii) transfer of audio, video and data signals, (iii) transfer of any other signals used for transmission of information by electrical, light wave, wireless frequencies or radio frequencies, and (iv) any other methods of communication and information transfer; (2) all associated improvements, equipment and facilities, including but not limited to antennas, towers, broadcasting and receiving devices, conduits, junction boxes, wires, cables, fiber optics, and any other necessary or appropriate enclosures and connections; and (3) power generation serving the improvements, equipment and facilities described in subparts (1) and (2) of this sentence. The term "Telecommunications Facilities" shall be interpreted as broadly as possible and to include relocated facilities, expansion of facilities, and/or facilities used for any and all new technology that replaces the Telecommunications Facilities that are used when this Declaration is Recorded. If there is a doubt as to whether an item fits within the definition of Telecommunications Facilities, the term is to be interpreted to include that item.

(h) Easement for Declarant over Common Property. For so long as Declarant owns any Unit in the Property or any portion of the Annexable Territory, Declarant hereby expressly reserves for its benefit, for the benefit of its agents, employees and contractors, and for the benefit of its successors and assigns, a nonexclusive easement appurtenant to the Annexable Territory, in, to, and over the Common Property for access, ingress, egress, use and enjoyment, in order to show the

Property or Annexable Territory to its prospective purchasers, or to develop, market, sell, lease or otherwise dispose of the Property or the Annexable Territory.

(i) Private Street Access. Declarant expressly reserves for the benefit of the Association and the Owner of each Condominium in the Property, nonexclusive easements for pedestrian and vehicular access, ingress and egress over the private streets in Tract No. 17682 that have not yet been conveyed to the Association to the extent necessary to provide access to such Condominiums.

6.2. Rights of Entry.

The Association shall have a limited right of entry in and upon the Common Property and the interior of all Units (including the garages) for the purpose of inspecting the Project, and taking whatever corrective action may be deemed necessary or proper by the Association, consistent with the provisions of this Declaration. However, such entry upon the interior of a Unit shall be made, except to effect emergency repairs or other emergency measures, only after three (3) days prior written notice to the Owner of such Unit and after authorization of two-thirds (2/3) of the Board of Directors. Nothing herein shall be construed to impose any obligation upon the Association to maintain or repair any property or Improvements required to be maintained or repaired by the Owners. Nothing in this Article VI shall in any manner limit the right of the Owner to exclusive occupancy and control over the interior of his Unit. However, an Owner shall permit a right of entry to the Board of Directors or any other person authorized by the Board of Directors, as reasonably necessary, such as in case of any emergency originating in or threatening his Unit, whether the Owner is present or not. Any damage caused to a Unit by such entry by the Board of Directors or by any person authorized by the Board of Directors shall be repaired by the Association as a Common Expense of the Association. Furthermore, an Owner shall permit other Owners, or their representatives, to enter his Residence for the purpose of performing required installations, alterations or repairs to the mechanical or electrical services to a Residence, provided that such requests for entry are made in advance and entry is made at a time reasonably convenient to the Owner whose Unit is to be entered; and provided further, that the entered Unit is left in substantially the same condition as existed immediately preceding such entry. In case of an emergency, such right of entry shall be immediate. Any damage caused to a Unit by such entry by an Owner or its representative shall be repaired by such Owner.

6.3. Conveyance of Easements.

All easements in favor of or reserved for the benefit of the Association in this Declaration or a Notice of Addition are hereby granted to the Association effective as to each Phase of Development upon the first Close of Escrow for the sale of a Condominium in such Phase of Development.

ARTICLE VII

7. Declarant's Rights and Reservations.

Nothing in the Governing Documents shall limit, and no Owner or the Association shall do anything to interfere with, the right of Declarant to subdivide or resubdivide any portion of the Property, or to complete Improvements to and on the Common Property or any portion of the Property owned solely or partially by Declarant, or to alter the foregoing or its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of the Property so long as any Condominium in the Project remains unsold. The rights of Declarant hereunder shall include, but shall not be limited to, the right to install and maintain such structures, displays, signs, billboards, flags and sales offices as may be reasonably necessary for the conduct of its business of completing the work and disposing of the Condominiums by sale, resale, lease or otherwise. Declarant has the right to develop the Annexable Territory with Improvements that may be different in design, size, character, style and price from those in Phase 1 or any other Phase. Each Owner by accepting a deed to a Condominium hereby acknowledges that the activities of Declarant may constitute an inconvenience or nuisance to the Owners, and hereby consents to such inconvenience or nuisance. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title to a Condominium in the Project by a purchaser from Declarant to establish on that Condominium additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Property. Declarant may use any Condominiums owned by Declarant in the Project as model home complexes or real estate sales or leasing offices. Declarant need not seek or obtain Architectural Committee approval of any Improvement constructed or placed on any portion of the Property by Declarant. The rights of Declarant hereunder and elsewhere in the Governing Documents may be assigned by Declarant to any successor in interest to any portion of Declarant's interest in any portion of the Property by a written assignment. Notwithstanding any other provision of this Declaration, the prior written approval of Declarant, as developer of the Property, will be required before any amendment to this Article shall be effective. Each Owner hereby grants, upon acceptance of his deed to his Unit, an irrevocable, special power of attorney to Declarant to execute and Record all documents and maps necessary to allow Declarant to exercise its rights under this Article. Declarant and its prospective purchasers of Condominiums shall be entitled to the nonexclusive use of the Common Property without further cost for access, ingress, egress, use or enjoyment, in order to show the Property to its prospective purchasers, to dispose of the Property as provided herein, and to develop and sell the Annexable Territory. Declarant, its successors and tenants, shall also be entitled to the nonexclusive use of any portions of the Property which comprise private streets, drives and walkways for the purpose of ingress, egress and accommodating vehicular and pedestrian traffic to and from the Property and the Annexable Territory. The use of the Common Property by Declarant shall not unreasonably interfere with the use thereof by the other Members.

Without in any way limiting the foregoing, there is hereby reserved to Declarant, together with the right to grant and transfer same:

(a) Easements (i) over the Common Property for the purpose of constructing, erecting, operating and maintaining thereon, therein or thereunder roads, streets, walks, driveways and parkways, and (ii) over the Property for the installation and maintenance of electric, telephone, cable television, water, gas, irrigation, sanitary sewer and drainage lines and facilities; and

(b) The right to place on, under or across the Property transmission lines and other facilities for a cable television or a community antenna television system and the right to enter upon the Property to service, maintain, repair, reconstruct and replace said lines and facilities.

ARTICLE VIII

8. Residence and Use Restrictions.

All of the Property shall be held, used and enjoyed subject to the following limitations and restrictions and the exemptions of Declarant set forth in this Declaration.

8.1. Single Family Residences.

The residential portion of the Unit shall be used as a residence for a single Family and for no other purpose. An Owner may rent his Unit to a single Family provided that the Unit is rented pursuant to a lease or rental agreement which is (a) in writing, and (b) subject to all of the provisions of the Governing Documents. Upon the renting of a Unit, the Owner shall be deemed to have assigned all of the Owner's rights to use the Common Property to the lessee or tenant except that the Owner shall continue to have a right of access, ingress and egress through the private streets in the Property. The Owner shall at all times be responsible for his tenant's or lessee's compliance with all of the provisions of the Governing Documents. A lessee or tenant shall have no obligation to the Association to pay assessments imposed by the Association, nor shall any lessee or tenant have any voting rights in the Association. Copies of the Governing Documents shall be provided to each tenant or lessee by the Owner of the Unit. None of the foregoing shall prevent an Owner from renting his Unit to Declarant for use as a sales office, model home, parking area or for other residential or non-residential purposes.

8.2. Parking and Vehicular Restrictions.

(a) Prohibited Vehicles. The following vehicles are Prohibited Vehicles: recreational vehicles (e.g., motorhomes, travel trailers, camper vans, boats, etc.), commercial-type vehicles (e.g., stakebed trucks, tank trucks, dump trucks, step vans, concrete trucks, etc.), buses or vans designed to accommodate more than ten (10) people, vehicles having more than two (2) axles, trailers, inoperable vehicles or parts of vehicles, aircraft, other similar vehicles or any vehicle or vehicular equipment deemed a nuisance by the Board. Prohibited Vehicles shall not be parked, stored or kept within the Property. The foregoing shall not preclude (i) the parking of commercial-type vehicles, buses or vans owned by third parties for purposes of loading or unloading or completing their intended tasks, and (ii) the parking of

recreational vehicles for purposes of loading or unloading for periods not to exceed four (4) hours in any twenty four (24) hour period. The Association has the power to identify additional vehicles as Prohibited Vehicles and to adapt the foregoing restrictions to other types of vehicles that are not listed above.

(b) General Restrictions. Subject to the restriction on Prohibited Vehicles, all vehicles owned or operated by or within the control of an Owner or a resident of an Owner's Unit and kept within the Property shall be parked in the garage of that Owner to the extent of the space available; provided that each Owner shall ensure that any such garage accommodates at least the number of vehicles for which it was originally constructed by Declarant. No repair, maintenance or restoration of any vehicle shall be conducted on the Property except within an enclosed garage when the garage door is closed (with proper ventilation to prevent the dangerous build-up of toxic fumes), provided such activity is not undertaken as a business, and provided that such activity may be prohibited entirely by the Board if the Board determines that it constitutes a nuisance.

(c) Parking Regulations. The Board may establish additional regulations as it deems appropriate in its sole discretion with regard to any of the parking areas not assigned to individual Units, including without limitation designating "parking," "guest parking," and "no parking" areas thereon; and shall have the power to enforce all parking and vehicle use regulations applicable to the Property, including the power to remove violating vehicles from any of the Property pursuant to California Vehicle Code Section 22658 or other applicable laws. If the Association fails to enforce any of the parking or vehicle use regulations, the City may, but need not, enforce such regulations in accordance with state and local laws and ordinances.

8.3. Nuisances.

No noxious or offensive activities shall be carried on upon the Property or on any public street abutting or visible from the Property. No horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Residence and its contents and reasonable speakers (including exterior speakers) for home entertainment sound systems, shall be placed or used in any such Residence. Noisy or smoky vehicles, large power equipment and large power tools (excluding lawn mowers and other equipment utilized in connection with ordinary landscape maintenance), off-road motor vehicles or items which may unreasonably interfere with television or radio reception of any Owner in the Project, and objects which create or emit loud noises or noxious odors shall not be located, used or placed on any portion of the Property or on any public street abutting or visible from the Property. No unreasonable noise levels from a barking dog or other animal are permitted (e.g., chronic daily barking by a dog over extended periods of time). The Board shall have the right to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner shall permit or cause anything to be done or kept upon the Property or on any public street abutting or visible from the Property which may increase the rate of insurance on Units or on the Property, or result in the cancellation of such insurance, or which will obstruct or interfere with the rights of other Owners, nor commit or permit any nuisance thereon or violate any

law. Each Owner shall comply with all of the requirements of the local or state health authorities and with all other governmental authorities with respect to the occupancy and use of a Residence. Each Owner shall be accountable to the Association and other Owners for the conduct and behavior of children and other Family members or persons residing in or visiting his Unit. Any damage to the Common Property, personal property of the Association, or property of another Owner, caused by such children or other Family members shall be repaired at the sole expense of the Owner of the Unit where such children or other Family members or persons are residing or visiting.

8.4. Signs.

Subject to the provisions of Sections 712, 713 and 4710 of the California Civil Code, no sign, poster, display, billboard or other advertising device of any kind shall be displayed to the public view on any portion of the Property or on any public street abutting or visible from the Property, or shown or displayed from any Residence, without the prior written consent of the Architectural Committee; provided, however, that the restrictions of this Section shall not apply to any sign or notice of customary and reasonable dimension which states that the Residence is for rent or sale, so long as it is consistent with the standards promulgated by the Architectural Committee in accordance with Section 4.2 hereof. This Section shall not apply to any signs used by Declarant or its agents in connection with the sale of Condominiums or the construction or alteration of the Units or Common Property, traffic and visitor parking signs installed by Declarant, and traffic and parking control signs installed with the consent of the Board. Notwithstanding the foregoing, nothing contained in this Section shall be construed in such manner as to permit the maintenance of any sign which is not in conformance with any ordinance of the City.

8.5. Antennae.

No radio station or shortwave operators of any kind shall operate from any Unit or any other portion of the Property unless approved by the Architectural Committee. With the exception of any master antenna maintained by the Association and subject to the provisions of Section 4725 of the California Civil Code and any rules or regulations adopted by the Federal Communications Commission pursuant to the Telecommunications Act of 1996, no exterior radio antenna, "C.B." antenna, television antenna, earth receiving station, satellite dish or other antenna of any type shall be erected or maintained anywhere in the Property unless approved by the Architectural Committee.

8.6. Outside Installations.

No radio station or shortwave operators of any kind shall operate from any Unit or Residence unless approved by the Architectural Committee. Subject to the provisions of Section 4725 of the California Civil Code and any rules or regulations adopted by the Federal Communications Commission pursuant to the Telecommunications Act of 1996, no exterior radio antenna, "C.B." antenna, television antenna, earth receiving station, satellite dish or other antenna of any type shall be erected or maintained in the Property unless approved by the Architectural Committee. However, a master antenna or antennae or cable television antenna or antennae may, but need not, be provided by Declarant for the use of all Owners, and Declarant may

grant easements for such purposes. No basketball backboard or other sports apparatus shall be constructed or maintained in the Property without the prior approval of the Architectural Committee. No patio cover, wiring, or air conditioning fixture, water softeners, or other devices shall be installed on the exterior of a Residence or be allowed to protrude through the walls or roof of the Residence (with the exception of those items installed during the original construction of the Residence) unless the prior written approval of the Architectural Committee is obtained. No Owner shall cause or permit any mechanic's lien to be filed against any portion of the Property for labor or materials alleged to have been furnished or delivered to the Property or Unit for such Owner, and any Owner who does so shall immediately cause the lien to be discharged within five (5) days after notice to the Owner from the Board. If any Owner fails to remove such mechanic's lien, the Board may discharge the lien and charge the Owner a Compliance Assessment for such cost of discharge.

8.7. Animal Regulations.

No livestock, reptiles, insects, poultry or other animals of any kind shall be raised, bred or kept in any Residence except that usual and ordinary domestic dogs, cats, fish, and birds inside bird cages may be kept as household pets within any Residence provided that they are not kept, bred or raised therein for commercial purposes or in unreasonable quantities or sizes. As used in this Declaration, "**unreasonable quantities**" shall mean more than two (2) dogs, cats or combination thereof per household. Small household pets such as fish and caged birds may also be kept in reasonable quantities so long as there is no external evidence of their presence in the Property. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Property must be either kept within an enclosure or on a leash held by a person capable of controlling the animal. Furthermore, any Owner shall be liable to each and all remaining Owners, their Families, guests and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Property by such Owner or by members of his family, his tenants or his guests. It shall be the duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Property or on any public street abutting or visible from the Property. In addition to the foregoing, any Owner who maintains any animal within the Property, whether in compliance with or in violation of this Declaration, shall indemnify, defend and hold the Association and its officers, directors, agents and employees free and harmless from any and all claims, demands and causes of action (including without limitation attorneys' fees) brought by any party against the Association or its officers, directors, agents or employees for any personal injury, property damage or other damage caused by such animal.

8.8. Business or Commercial Activity.

No part of the Property shall ever be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including without limitation any activity for which the provider is compensated in any way or receives any form of consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license; except Declarant, its successors and assigns may use any portion of the Property for a model home site and display and sales offices in accordance with Article VII hereof. The provisions

of this Section 8.8 shall not preclude any of the above-described activities without external evidence thereof, provided that all of the following conditions are fulfilled: (a) such activities are conducted in conformance with all applicable governmental ordinances; (b) the patrons or clientele of such activities do not visit the Unit or park automobiles or other vehicles within the Property; (c) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside of the boundaries of the Unit; (d) no such activity increases the liability or casualty insurance obligation or premium of the Association; and (e) such activities are consistent with the residential character of the Property and conform with the provisions of this Declaration.

8.9. Rubbish Removal/Unsightly Items.

No rubbish, trash or garbage or other waste material shall be kept or permitted upon any Unit, the Common Property or on any public street abutting or visible from the Property, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Property, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Units only from 5:00 p.m. the day before the trash collection to 10:00 p.m. the day of trash collection. There shall be no exterior fires whatsoever except barbecue fires contained within receptacles therefor and fire pits in enclosed areas and designed in such a manner that they do not create a fire hazard. No clothing, household fabrics or other unsightly articles shall be hung, dried or aired on or over any Unit in such a way as to be visible from any other Unit, and no lumber, grass, shrub or tree clippings or plant waste, metals, bulk material, scrap, refuse or trash shall be kept, stored or allowed to accumulate on any portion of the Property except within an enclosed structure or if appropriately screened from view. No plants or seeds infected with noxious insects or plant diseases shall be brought upon, grown or maintained upon the Property.

8.10. Further Subdivision.

Except as otherwise provided herein, no Owner shall physically or legally subdivide his Condominium in any manner, including without limitation any division of his Condominium into time-share estates or time-share uses; provided, however, that this provision shall not be construed to limit the right of an Owner (1) to rent or lease all of his Condominium by means of a written lease or rental agreement subject to the restrictions of this Declaration; (2) to sell his Condominium; or (3) to transfer or sell any Condominium to more than one Person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property. Any failure by the lessee of the Condominium to comply with the terms of this Declaration, the Bylaws of the Association or the Rules and Regulations shall constitute a default under the lease or rental agreement. Notwithstanding the foregoing, no Condominium may be partitioned or subdivided without the prior written approval of the Beneficiary of any Mortgage on that Condominium.

8.11. Drainage.

There shall be no interference with or alteration of the established surface and subsurface drainage patterns over any Unit within the Property unless an adequate alternative provision is made for proper drainage with the prior written approval of the Architectural Committee. For the purpose hereof, "**established**" drainage is defined as the drainage which exists at the time that such Unit is conveyed to a purchaser from Declarant or as shown on any plan subsequently approved by the Architectural Committee, and shall include drainage from the Units onto the Common Property and from the Common Property onto the Units. The "**established drainage pattern**" may include roof mounted gutters and downspouts and "cross unit drainage" whereby water from a Unit drains across one (1) or more adjoining Units or the Common Property or whereby water from the Common Property drains across one (1) or more adjoining Units by means which include surface sheet flow, subsurface drain lines, bench drains, "v" ditches or other drainage facilities. Each Owner of a Unit affected by such cross unit drainage shall permit free access by the Association and/or other applicable Owners to all drainage facilities located on his Unit which affect the Common Property or adjoining Units when such access is essential for the maintenance or permanent stabilization of slopes or the maintenance of such drainage facilities. Each Owner shall keep all such drainage facilities on his Unit in proper working order and free from dirt, debris and other obstructions. Declarant expressly reserves for the benefit of each Owner and his Unit and for the Common Property, reciprocal nonexclusive easements over the Units and the Common Property for the drainage of water in accordance with the foregoing.

8.12. Water Supply System.

No individual water supply or water softener system shall be permitted in any Unit unless such system is designed, located, constructed and equipped in accordance with the requirements, standards, and recommendations of any applicable water district, the City, and all other applicable governmental authorities. Any sewage disposal system shall be installed only after approval by the Architectural Committee and any governmental health authority having jurisdiction.

8.13. View Obstructions.

Each Owner, by accepting title to a Condominium, hereby acknowledges that (a) there are no protected views within the Property, and no Condominium is assured the existence or unobstructed continuation of any particular view, and (b) any construction, landscaping or other installation of Improvements by Declarant, other Owners or others may impair the view from any Condominium, and the Owners hereby consent to such view impairment.

8.14. Rights of Handicapped.

Subject to the provisions of Article IV of this Declaration and Section 4760 of the California Civil Code, each Owner shall have the right to modify his Residence and the route over the Common Property leading to the front door of his Residence, at his sole cost and expense, in order to facilitate access to his Residence by persons who are blind, visually handicapped, deaf or physically disabled, or to alter conditions which could be hazardous to such persons.

8.15. Window Coverings.

No window in any Residence shall be covered, in whole or in part, inside or outside, with sheets, aluminum foil, newspaper, paint, reflective tint or any other material reasonably deemed inappropriate for such use by the Architectural Committee; provided, however, that an Owner may use plain white sheets to cover windows for a period not to exceed three (3) months from the Close of Escrow or initial occupancy of the Residence, whichever occurs first, pending the installation of drapes, curtains, shutters or other appropriate interior window coverings.

8.16. Hazardous Materials.

All Hazardous Materials shall be used and disposed of within the Property in compliance with applicable law and any program established by the Association with respect thereto. Toxic chemicals or hydrocarbon compounds such as gasoline, motor oil, anti-freeze, solvents, paints, paint thinners, wood preservatives and other such fluids shall not be discharged into any street or any storm drain or storm water conveyance system within the Property. Use and disposal of pesticides, fungicides, herbicides, insecticides, fertilizers and other such chemical treatments shall comply with all applicable laws. As used herein, "**Hazardous Materials**" means any waste, substance, chemical or material which is or becomes subject to any federal, state or local law (including any regulation or ordinance) concerning toxic or hazardous substances, health, industrial hygiene or the environment.

8.17. Solar Energy Systems.

(a) System Described. Some or all of the Residences in the Property may be improved with roof-mounted residential solar energy systems (each, including any modifications or replacements, a "**System**"). Each system may include some or all of the following components:

- (i) roof-mounted frames and brackets;
- (ii) roof-integrated photovoltaic roof tiles, roof-mounted or roof-inserted solar panels, or other roof-mounted devices or structures or part of a device or structure used to collect and transform solar energy into thermal, chemical or electrical energy for any or all of (i) water heating, (ii) space heating or cooling, or (iii) power generation (each a "**Solar Array**");
- (iii) electrical wiring;
- (iv) an inverter that converts DC electricity generated by the Solar Array to AC electricity for home use;
- (v) a bi-directional electric meter compatible with solar energy generation; and

(vi) a web-based solar energy monitoring system.

(b) Other System Requirements. To be subject to the protections of this Declaration, a Solar Array must be located on the roof, comply with the building codes and other applicable regulations of the local governmental agencies having jurisdiction over the Property, and must be no less than ten (10) feet above the Grade Plane of the Unit on which the Solar Array is located. As used herein, “**Grade Plane**” means a reference plane representing the average of the finished ground level adjoining the Residence along the exterior walls nearest the Solar Array. Where the finished ground level slopes away from the exterior walls, the Grade Plane shall be established by the lowest points within the area between the Residence and the Unit boundary line or, where the Unit boundary line is more than six (6) feet from the Residence, between the Residence and a point six (6) feet from the Residence. The components of a System may change due to the cost or availability of new or different technology. A System that is installed on a Residence may be purchased and owned by the Owner of the Residence, or it may be operated under the terms of a written lease or power purchase agreement between the Owner and a third-party entity.

(c) Solar Array Shading Restriction. A System generates energy by exposure to the sun, and the generation of energy will be reduced or even eliminated if trees, landscaping, structures or other Improvements on any Unit are allowed to cause shading of the System's Solar Array. Solar Array shading restrictions are established to protect the reliable and beneficial production of solar energy from Systems.

As used in this Declaration, “**Prohibited Shading**” means any shadow cast over any portion of the surface of any Solar Array at any time by any trees, other landscaping, structures or other Improvements that do not comply with the requirements of Section 8.17(e) below. No Owner of a Unit may permit any trees, other landscaping, structures or other Improvements to be installed or maintained on such Unit that causes Prohibited Shading of a Solar Array, whether such Solar Array is located on such Owner's Unit or on a neighboring Unit. Further, no Owner of a Unit may permit the planting of any tree or other landscaping on the Unit that, at its generally accepted mature height, will likely cause Prohibited Shading.

Every Owner of a Unit must consider the height at maturity and the location of trees planted on such Owner's Unit, and the height and location of other Improvements installed on such Owner's Unit, in order to prevent Prohibited Shading of any Solar Array. This Prohibited Shading restriction will apply to any Solar Array installed in the future unless Prohibited Shading of such Solar Array exists at the time the Solar Array is installed or will occur at any time during the three hundred sixty four (364) days after installation as a result of pre-existing shading conditions. Notwithstanding the foregoing, no Prohibited Shading is ever permitted if the future Solar Array that is being shaded is or will be installed by or on behalf of Declarant as part of the original construction of a Residence by Declarant (“**Declarant Installed Array**”), and every Owner must obtain from Declarant information concerning Declarant Installed Arrays planned for the future as described in Section 8.17(h) below. This Prohibited Shading restriction also applies regardless of the fact that an applicable local

governmental agency or the Architectural Committee may have issued an approval or permit for the subject tree, other landscaping, structures or other Improvements causing the Prohibited Shading. This Prohibited Shading restriction does not apply to shading caused by Residences or other Improvements constructed by Declarant or to trees or other landscaping installed by Declarant.

(d) Design and Approval of Improvements. To prevent Prohibited Shading of Solar Arrays by Improvements installed by Owners of Units or persons in control of such Units (and except for Declarant installed trees as provided below), the distance of planted trees and other Improvements from the nearest point of a nearby Solar Array must be carefully planned. Mature trees are generally categorized by height as being small (up to twenty (20) feet), medium (up to thirty five (35) feet) or large (up to fifty (50) feet). As an example, a Solar Array on a one-story Residence means that even a small tree, if planted too close to the Residence, can cause shading of the Solar Array when the tree matures. Determining the height and distance of mature trees and other Improvements is very important when Improvements to a Unit are planned by the Owner of such Unit.

(e) Height and Distance Requirements. The following table ("**Horizontal Distance Table**") is based on the horizontal distance guidelines established by the California Energy Commission ("**CEC**") to minimize the shading of Solar Arrays in the CEC's New Solar Homes Partnership Guidebook, Seventh Edition, December 2013. The Horizontal Distance Table describes the closest horizontal distance that trees (as measured from the vertical prolongation of the tree trunk at grade) or other Improvements of various heights may be located from the nearest point of a nearby Solar Array on the roof of a one-story, two-story or three-story Residence. The criterion used to determine these height and distance guidelines ("**Minimal Shading Criterion**") is that no obstruction can be closer than a distance of twice the height the obstruction extends above the lowest point of the Solar Array.

(CONTINUED ON NEXT PAGE)

Solar Array Location	Small Tree Distance (up to 20 feet tall)	Medium Tree Distance (up to 35 feet tall)	Large Tree Distance (up to 50 feet tall)
1 story Residence (lowest point of Solar Array is 12 feet above grade)	16 feet (minimum distance from nearest point on Solar Array)	46 feet (minimum distance from nearest point on Solar Array)	76 feet (minimum distance from nearest point on Solar Array)
2 story Residence (lowest point of Solar Array is 22 feet above grade)	Any distance	26 feet (minimum distance from nearest point on Solar Array)	56 feet (minimum distance from nearest point on Solar Array)
3 story Residence (lowest point of Solar Array is 32 feet above grade)	Any distance	6 feet (minimum distance from nearest point on Solar Array)	36 feet (minimum distance from nearest point on Solar Array)

(f) Application of Requirements. The Minimal Shading Criterion and the requirements established in the Horizontal Distance Table apply to the distance of trees, other landscaping, structures and other Improvements on a Unit from any Solar Array, whether the Solar Array is located on such Unit or on a neighboring Unit. When planning to plant a tree or install any Improvements, the Minimal Shading Criterion and Horizontal Distance Table must be used to determine the areas of maximum height at minimum distance from the nearest point or points on the Solar Array. For example, using the Minimal Shading Criterion, a tree having a mature height of forty (40) feet should be planted at a distance not less than fifty six (56) feet from the nearest point on a Solar Array on the roof of a one-story Residence. The Horizontal Distance Table and the Minimal Shading Criterion do not apply to the location of trees and other landscaping planted on a Unit, the Common Property, a public right-of-way or otherwise by Declarant.

(g) Tree Selection. Once the planned height and distance of trees has been determined, a tree variety must be selected that has the appropriate mature height characteristics. The Architectural Committee may issue rules or guidelines containing tree recommendations.

(h) Improvement Plan Approval. An Owner may not permit the planting of any tree or the installation of other Improvements on such Owner's Unit without the prior approval of the Architectural Committee under Article IV of this Declaration. The Improvement plan submitted to the Architectural Committee must include, in a scaled drawing, the height and distance from the applicable Solar Arrays of the proposed Improvements and the types of planned trees and their mature heights. The foregoing includes the height and distance

from any Declarant Installed Arrays that may be constructed at a later date, and as part of its application to the Architectural Committee the Owner shall obtain from Declarant and submit to the Architectural Committee information for Declarant Installed Arrays planned for the future that could be shaded by the Improvements planned by the Owner. If Declarant fails to provide such information within twenty (20) days of Declarant's receipt of a written request therefor, the Owner and the Architectural Committee shall be entitled to proceed based on the assumption that all adjacent Units owned by Declarant will ultimately contain a one (1) story Residence located five (5) feet from the side property (Unit) lines and ten (10) feet from the rear property (Unit) line. The Architectural Committee shall not issue any approval to the Owner if the planned Improvement will result in Prohibited Shading of any Solar Array, including any Declarant Installed Arrays planned for the future. In making this determination, the Architectural Committee may require that the Improvement plan submitted by the Owner include a certification ("**Certification**") from a licensed architect or a licensed landscape architect (as applicable) that the planned Improvement complies with this Section 8.17, including the prohibition against Prohibited Shading of Declarant Installed Arrays that may be constructed at a later date. The Architectural Committee shall be entitled to rely on the Certification, and the Architectural Committee shall have no liability for any error, inaccuracy or misrepresentation contained in the Certification.

(i) Maintenance Requirements. Each Owner must maintain the height of trees and other landscaping on such Owner's Unit to prevent Prohibited Shading of any Solar Array. This same obligation applies to the Association with respect to the Common Property. The height and distance standards in the Horizontal Distance Table and the Minimal Shading Criterion establish the maximum height of trees and other landscaping that may be maintained to minimize the shading of Solar Arrays. For example, for a Solar Array on the roof of a one-story Residence, existing trees and landscaping must be maintained so that they do not exceed twenty (20) feet in height at a distance of sixteen (16) feet from the nearest point on the Solar Array, thirty five (35) feet in height at a distance of forty six (46) feet from the nearest point on the Solar Array, and fifty (50) feet in height at a distance of seventy six (76) feet from the nearest point on the Solar Array.

(j) Impact of Shading Restriction. The restriction against Prohibited Shading of Solar Arrays by trees and other Improvements means that (i) the planting of trees or at least certain trees in the yard areas of a Unit, (ii) the installation of upper-floor additions, roof-mounted structures or other tall Improvements within a Unit, and (iii) the growth of trees to mature heights may be restricted or prohibited. In some cases, the Units may be adjacent to other lots or units that are not encumbered by this Declaration. In such cases, these adjacent lots or units might not be restricted from causing Prohibited Shading of Solar Arrays installed on one or more of the Units, which may result in the occurrence of Prohibited Shading which impairs the performance of one (1) or more Systems on the Units.

(k) Effect of Applicable Laws. The provisions of this Declaration are in addition to other restrictions (for example, height, setback, landscaping and architectural design restrictions) that may also apply to the height, location and maintenance of trees and

other Improvements installed on a Unit, whether such other restrictions are imposed by law (including without limitation California Civil Code Sections 714 and 714.1 and California Public Resources Code Sections 25980 et seq.) or by easements or other matters of record (collectively, the “**Other Restrictions**”). If there is a conflict between the Other Restrictions and this Declaration, the one that provides for greater protection of the Solar Arrays shall control.

8.18. Installation of Landscaping.

The Owner of each Unit shall complete the installation of landscaping on all portions of his Unit in accordance with a plan approved by the Architectural Committee within six (6) months after the Close of Escrow for the sale of such Unit from Declarant (except to the extent such landscaping has been installed by Declarant). Each Owner shall obtain all permits necessary and shall comply with all requirements of the City in connection with such landscaping.

8.19. Temporary Buildings.

No outbuilding, basement, tent, shack, shed or other temporary building or Improvement of any kind shall be placed upon any portion of the Property either temporarily or permanently (except for short term use of tents for recreational purposes in the back yards of the Units). No garage, carport, trailer, camper, motor home, recreation vehicle or other vehicle shall be used as a residence in the Property, either temporarily or permanently.

8.20. Drilling.

No oil drilling, oil, gas or mineral development operations, oil refining, geothermal exploration or development, quarrying or mining operations of any kind shall be permitted upon or in any Unit or the Common Property, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of any Unit or the Common Property or within five hundred feet (500') below the surface thereof. No derrick or other structure designed for use in boring for water, oil, geothermal heat or natural gas shall be erected, maintained or permitted upon any Unit or the Common Property.

ARTICLE IX

9. Insurance.

9.1. Duty to Obtain Insurance; Types.

(a) Public Liability. The Association shall cause to be obtained and maintained adequate blanket public liability insurance (including medical payments), with such limits as it may deem acceptable, but in no event less than the greater of (i) One Million Dollars (\$1,000,000.00), or (ii) if applicable, such amount as may be required by Section 5805 of the California Civil Code, covering all claims for personal injury and property damage arising out of a single occurrence, insuring against liability for bodily injury, death and property damage arising from the activities of the Association and its Members with respect to the Common Property.

(b) Fire and Casualty Insurance. The Association shall also cause to be obtained and maintained fire and casualty insurance with extended coverage, without deduction for depreciation, in an amount as near as possible to the full replacement value of the Common Property.

(c) Fidelity Bonds. Fidelity bond coverage which names the Association as an obligee must be obtained by or on behalf of the Association for any person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees, employees and agents of the Association and employees of the Manager of the Association, whether or not such Persons are compensated for their services, in an amount not 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 the sum equal to one fourth (1/4) of the Annual Assessments on all Condominiums in the Project, plus reserve funds.

(d) Insurance Required by VA, FHA, FNMA, GNMA and FHLMC. The Association shall continuously maintain in effect such casualty, flood, liability and other insurance and fidelity bond coverage meeting the insurance and fidelity bond requirements for condominium projects established by VA, FHA, FNMA, GNMA and FHLMC, so long as any of which is a Beneficiary, insurer or guarantor of a Mortgage or an Owner of a Condominium within the Project, except to the extent such coverage is not available or has been waived in writing by VA, FHA, FNMA, GNMA and FHLMC, as applicable.

(e) Other Insurance. The Association shall purchase such other insurance, as necessary, including but not limited to, errors and omissions, directors, officers and agents liability insurance, plate glass insurance, medical payments, malicious mischief, liquor liability, vandalism, worker's compensation and such other risks as shall customarily be covered with respect to condominium projects similar in construction, location and use.

(f) Beneficiaries. Such insurance shall be maintained for the benefit of the Association, the Owners, and the Mortgagees, as their interests may appear as named insured, subject, however, to loss payment requirements as set forth herein.

9.2. Waiver of Claims Against Association.

As to all policies of insurance maintained by or for the benefit of the Association and the Owners, the Association and the Owners hereby waive and release all claims against one another, the Board of Directors and Declarant, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said Persons.

9.3. Right and Duty of Owners to Insure.

It is the responsibility of each Owner to provide insurance on his personal property and upon all portions of his Unit and the Improvements therein. Nothing herein shall preclude any

Owner from carrying any public liability insurance as he deems desirable to cover his individual liability for damage to person or property occurring inside his individual Unit or elsewhere upon the Property. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Association, and duplicate copies of such other policies shall be deposited with the Board upon request. If any loss intended to be covered by insurance carried by or on behalf of the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

9.4. Notice of Expiration Requirements.

If available, each of the policies of insurance maintained by the Association shall contain a provision that said policy shall not be cancelled, terminated, materially modified or allowed to expire by its terms, without ten (10) days' prior written notice to the Board and Declarant, and to each Owner and Beneficiary, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice (bold out if VA) and every other Person in interest who requests such notice of the insurer. In addition, fidelity bonds shall provide that they may not be cancelled or substantially modified without ten (10) days prior written notice to any insurance trustee named pursuant to Section 9.6 and to each FNMA servicer who has filed a written request with the carrier for such notice.

9.5. Insurance Premiums.

Insurance premiums for any blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Annual Assessments levied by the Association and collected from the Owners. That portion of the Annual Assessments necessary for the required insurance premiums shall be separately accounted for by the Association in the Reserve Fund, to be used solely for the payment of premiums of required insurance as such premiums become due.

9.6. Trustee for Policies.

The Association, acting through its Board of Directors, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any such policies as provided for in Section 9.1 of this Article shall be paid to the Board of Directors as trustees. The Board shall have full power to receive and to receipt for the proceeds and to deal therewith as provided herein. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as provided in Article X of this Declaration. The Board is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) officers of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds. A representative chosen by the Board may be named as an insured, including a trustee with whom the Association may enter into an insurance trust agreement or any successor to such trustee, who

shall have exclusive authority to negotiate losses under any policy providing property or liability insurance and to perform such other functions necessary to accomplish this purpose.

9.7. Actions as Trustee.

Except as otherwise specifically provided in this Declaration, the Board, acting on behalf of the Association and all Owners, shall have the exclusive right to bind such parties in respect to all matters affecting insurance carried by the Association, the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance. Duplicate originals or certificates of all policies of fire and casualty insurance maintained by the Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Association to all Owners and Mortgagees who have requested the same in writing.

9.8. Annual Insurance Review.

The Board shall review the insurance carried by or on behalf of the Association at least annually.

9.9. Required Waiver.

All policies of physical damage insurance shall provide, if reasonably possible, for waiver of the following rights, to the extent that the respective insurers would have the rights without such waivers:

- (a) subrogation of claims against the Owners and tenants of the Owners;
- (b) any defense based upon coinsurance;
- (c) any right of setoff, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;
- (d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of any Owner, or arising from any act, neglect, or omission of any named insured or the respective agents, contractors and employees of any insured;
- (e) any right of the insurer to repair, rebuild or replace, and, if the Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured;
- (f) notice of the assignment of any Owner of his interest in the insurance by virtue of a conveyance of any Condominium; and
- (g) any right to require any assignment of any Mortgage to the insurer.

ARTICLE X

10. Damage to Common Property.

Damage to or destruction of all or any portion of the Common Property shall be handled in the following manner:

(a) If the Common Property is damaged or destroyed, the Association shall cause such Common Property to be repaired and reconstructed substantially as it previously existed.

(b) If the cost of effecting total restoration of such Common Property exceeds the amount of insurance proceeds, the Association shall cause such Common Property to be repaired and reconstructed substantially as it previously existed, and the difference between the insurance proceeds and the actual cost shall be levied as a Reconstruction Assessment against each Condominium and its respective Owner.

(c) To the extent of funds available for restoration, any restoration or repair of the Common Property shall be performed substantially in accordance with the original plans and specifications unless other action is approved by Beneficiaries of fifty-one percent (51%) of the first Mortgages on Condominiums in the Property who have requested the Association in writing to notify them of proposed action requiring the consent of a specified percentage of first Mortgagees (subject to the procedures specified in Section 13.2(d) below) and by sixty-seven percent (67%) of the voting power of the Association (subject to the procedures specified in Section 2.6 hereof).

ARTICLE XI

11. Eminent Domain.

If at any time all or any portion of the Common Property, or any interest therein, is taken for any public or quasi-public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the Association. Any such award payable to the Association shall be deposited in the Operating Fund. No Member shall be entitled to participate as a party, or otherwise, in any proceedings relating to such condemnation. The Association shall have the exclusive right to participate in such proceedings and shall, in its name alone, represent the interests of all Members.

ARTICLE XII

12. Rights of Mortgagees.

Notwithstanding any other provision of this Declaration, no amendment or violation of this Declaration shall operate to defeat or render invalid the rights of the Beneficiary under any Deed of Trust upon one (1) or more Condominiums made in good faith and for value, provided that after the foreclosure of any such Deed of Trust such Condominium(s) shall remain subject to this Declaration. For purposes of this Declaration, "**first Mortgage**" shall mean a Mortgage

with first priority over other Mortgages or Deeds of Trust on a Condominium, and "**first Mortgagee**" shall mean the Beneficiary of a first Mortgage. For purposes of any provision of this Declaration or the other Governing Documents which require the vote or approval of a specified percentage of Mortgagees, such vote or approval shall be determined based upon one (1) vote for each Condominium encumbered by each such Mortgage. In order to induce VA, FHA, FHLMC, GNMA and FNMA to participate in the financing of the sale of Condominiums within the Project, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of this Declaration or any other of the Governing Documents, these added provisions shall control):

(a) Each Beneficiary, insurer and guarantor of a Mortgage encumbering one (1) or more Condominiums is entitled to timely written notice from the Association of: (1) any condemnation or casualty loss that affects either a material portion of the Project or the Unit securing the Mortgage; and (2) any sixty (60) day delinquency in the payment of assessments or charges owed by the Owner of the Unit securing the Mortgage, which notice each Owner hereby consents to and authorizes; and (3) a lapse, cancellation, or material modification of any insurance policy maintained by the Association; and (4) any proposed action that requires the consent of a specified percentage of Mortgagees.

(b) Any "right of first refusal" created or purported to be created by the Governing Documents will not adversely impact the rights of any Mortgagee of a Mortgage encumbering any Condominium or its assignee to (1) foreclose or take title to a Condominium pursuant to the remedies in the Mortgage, (2) accept a deed or assignment in lieu of foreclosure in the event of a default by the Mortgagor, or (3) sell or lease a Condominium acquired by the Mortgagee or its assignee.

(c) Each first Mortgagee of a Mortgage encumbering any Condominium which obtains title to such Condominium, pursuant to the remedies provided in such Mortgage or by foreclosure of such Mortgage, shall take title to such Condominium free and clear of any claims for unpaid assessments or charges against such Condominium which accrued prior to the time such Mortgagee acquires title to such Condominium in accordance with Section 5.10.

(d) Any action to terminate the legal status of the Property after substantial destruction or condemnation occurs or for other reasons or to use insurance proceeds for any purpose other than to rebuild must be approved by the Beneficiaries of at least fifty one percent (51%) of the Mortgages on all the Condominiums in the Property.

(e) All Beneficiaries, insurers and guarantors of first Mortgages, upon written request to the Association, shall have the right to:

(1) examine current copies of the Association's books, records and financial statements and the Governing Documents during normal business hours.

(2) receive written notice of all meetings of Owners.

(3) designate in writing a representative who shall be authorized to attend all meetings of Owners.

(4) require the Association to prepare and furnish within a reasonable time an annual audited financial statement for the immediately preceding Fiscal Year.

(f) The Board may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of VA, FHA, FHLMC, FNMA or GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of Mortgages encumbering Condominiums. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their residential Condominiums, if such agencies approve the Property as a qualifying subdivision under their respective policies, rules and regulations, as adopted from time to time. Each Owner hereby authorizes his Mortgagees to furnish information to the Board concerning the status of any Mortgage encumbering a Condominium.

(g) All intended Improvements in any Phase of Development other than Phase 1 shall be substantially completed prior to the first Close of Escrow for the sale of a Condominium in such Phase. All such Improvements shall be consistent with the Improvements in Phase 1 in terms of quality of construction. The requirements of this paragraph are for the benefit only of and may be enforced only by VA and FHA.

(h) Any Beneficiary, insurer or guarantor of a first Mortgage, upon written request to the Association (such request to state the name and address of such Beneficiary, insurer or guarantor and the Unit number of the Condominium), shall be entitled to timely written notice of:

(1) Any proposed amendment of the Governing Documents effecting a change in (i) the boundaries of any Unit or appurtenant Exclusive Use Area, (ii) the interests in the Common Property or Exclusive Use Area appertaining to any Unit or the liability for Common Expenses appertaining thereto, (iii) the number of votes in the Association appertaining to any Unit, or (iv) the purposes to which any Unit or the Common Property are restricted.

(2) Any proposed termination of the Condominium regime.

(3) Any condemnation loss or any casualty loss which affects a material portion of the Property or which affects any Unit on which there is a first Mortgage held by such Beneficiary, insurer or guarantor.

(4) Any delinquency in the payment of assessments or charges owed by an Owner of a Unit subject to the Mortgage of such Beneficiary, insurer or guarantor where such delinquency has continued for a period of sixty (60) days.

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

(i) So long as there exists a Class B Membership and VA is guaranteeing any Mortgages of Condominium in the Project, the following actions shall require the approval of VA:

(1) Merging or consolidating the Association (other than with another nonprofit entity formed for purposes similar to the Association).

(2) Determining not to require professional management if professional management has been required by the Governing Documents, a majority of first Mortgagees or a majority vote of the Members.

(3) Expanding the Property to include land not included in the Annexable Territory which increases the overall land area of the Property or number of Units in the Property by more than ten percent (10%).

(4) Abandoning, partitioning, encumbering, mortgaging, conveying, selling or otherwise transferring or relocating the boundaries of the Common Property except for (i) granting easements which are not inconsistent with or which do not interfere with the intended Common Property use, (ii) dedicating Common Property as required by a public authority, (iii) limited boundary line adjustments, or (iv) transferring Common Property pursuant to a merger or consolidation with a nonprofit entity formed for purposes similar to that of the Association.

(5) Using insurance proceeds for purposes other than construction or repair of the insured Improvements.

(6) Making capital expenditures (other than for repair or replacement of existing Improvements) during any period of twelve (12) consecutive months costing more than twenty percent (20%) of the annual Common Expenses.

(7) Terminating this Declaration or other termination of the Property as a Condominium project.

(8) Dissolution of the Association except pursuant to a consolidation or merger.

(9) Conveyance of all Common Property.

(10) Any material amendment to this Declaration.

(j) If required by the Beneficiaries of at least fifty one percent (51%) of the first Mortgages on Condominiums in the Project, the Association shall have a professional Manager.

ARTICLE XIII

13. Duration and Amendment.

13.1. Duration.

This Declaration shall continue in full force for a term of fifty (50) years from the date of Recordation hereof, after which the term shall be automatically extended for successive periods of ten (10) years, unless a Declaration of Termination satisfying the requirements of an amendment to this Declaration as set forth in Section 13.2 is Recorded. There shall be no severance by sale, conveyance, encumbrance or hypothecation of an interest in any Unit from the concomitant Membership in the Association, as long as this Declaration shall continue in full force and effect.

13.2. Termination and Amendment.

(a) Notice of the subject matter of a proposed amendment to this Declaration in reasonably detailed form shall be included in the notice of any meeting or election of the Association at which a proposed amendment is to be considered. To be effective, a proposed amendment must be adopted by the vote, in person or by proxy, or written consent of Members representing not less than (i) sixty-seven percent (67%) of the voting power of each Class of Members of the Association, and (ii) sixty-seven percent (67%) of the voting power of the Association residing in Members other than Declarant, provided that the specified percentage of the voting power of the Association necessary to amend a specified Section or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision.

(b) In addition to the required notice and consent of VA, FHA, Members and Declarant provided above, the Beneficiaries of at least fifty-one percent (51%) of the Mortgages on all the Condominiums in the Project must approve any amendment to this Declaration which is of a material adverse nature to Mortgagees including, but not limited to, amendments concerning any of the following:

- (1) Any partition or subdivision of any Condominium.
- (2) Abandonment, partition, subdivision, encumbrance, sale or transfer of any Common Property other than the granting of easements for public utilities or other public purposes consistent with the intended use of the Common Property.
- (3) Any change in the procedure that protects a Beneficiary's (or loan servicer's) interest when handling any losses or proceeds from condemnation, destruction or liquidation of all or a part of the Property or from termination of the Property.
- (4) Any change in voting rights except as allowed for additional Phases or annexations in accordance with the initial Governing Documents.
- (5) Any change in an Owner's interest in or obligations to the Property in order to levy assessments or charges, to allocate distribution of an Owner's insurance proceeds or condemnation awards or to determine an Owner's interest in the Common Property.
- (6) Changes in the priority of liens for Association assessments.
- (7) Reductions in reserves for maintenance, repair and replacement of the Common Property.
- (8) Responsibility for maintenance and repair of the Common Property.
- (9) Reallocation of interests in the Common Property or rights to its use.
- (10) Redefinition of any Unit boundaries.
- (11) Conversion of Units into Common Property or Common Property into Units.
- (12) Expansion or contraction of the Property or the addition, annexation or withdrawal of property to or from the Property except as allowed for additional Phases or annexations in accordance with the initial Governing Documents.
- (13) Change in required insurance coverage.
- (14) Imposition of any restriction on the leasing or rental of Units.

(15) Imposition of any restriction on an Owner's right to sell or transfer a Unit.

(c) Termination of this Declaration shall require approval by the Members as provided in subsection (a) of this Section 13.2. No such termination shall be effective unless it is also approved in advance by at least fifty-one percent (51 %) of the Beneficiaries of the Mortgages on all of the Condominiums in the Project.

(d) Each Beneficiary of a Mortgage on a Condominium in the Project which receives actual written notice of a proposed amendment or termination of this Declaration by certified or registered mail with a return receipt requested shall be deemed to have approved the amendment or termination if the Beneficiary fails to submit a response to the notice within sixty (60) days after the Beneficiary receives the notice.

(e) A copy of each amendment or termination shall be certified by at least two (2) officers of the Association, and the amendment or termination shall be effective when a Certificate of Amendment or Termination is Recorded. The Certificate, signed and sworn to by two (2) officers of the Association that the requisite number of Owners and Mortgagees have either voted for or consented in writing to any amendment adopted as provided above, when Recorded, shall be conclusive evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years. The Certificate reflecting any termination or amendment which requires the written consent of any of the Mortgagees shall include a certification that the requisite approval of such Mortgagees has been obtained.

(f) Notwithstanding any other provisions of this Section 13.2, at any time prior to the first Close of Escrow for the sale of a Condominium within Phase 1, Declarant may unilaterally amend or terminate this Declaration by Recording a written instrument which effects the amendment or termination and is signed and acknowledged by Declarant.

(g) Notwithstanding any other provisions of this Declaration, for so long as Declarant owns any portion of the Property or the Annexable Territory, Declarant may unilaterally amend this Declaration or a Notice of Addition by Recording a written instrument signed by Declarant in order to (i) conform this Declaration or a Notice of Addition to applicable law, (ii) conform this Declaration or a Notice of Addition to the requirements of the City or other governmental agency or entity, Cal BRE, VA, FHA, FNMA, GNMA or FHLMC then in effect, or (iii) correct typographical or other errors, including without limitation errors to any exhibit to this Declaration or a Notice of Addition.

(h) Notwithstanding any other provisions of this Declaration, after Declarant no longer owns any portion of the Property or the Annexable Territory, the Board, on behalf of the Association, may amend this Declaration or a Notice of Addition by Recording a written instrument signed by at least two (2) officers of the

Association certifying that the Board approved the amendment for one (1) or more of the purposes described in Section 13.2(g) above.

13.3. Protection of Declarant.

Until the occurrence of the event described in the next sentence, the prior written approval of Declarant, as developer of the Property, will be required before any amendment which would impair or diminish the rights of Declarant to complete the Property or sell or lease Condominiums therein in accordance with this Declaration shall become effective. Notwithstanding any other provisions of the Governing Documents, until such time as Declarant no longer owns any portion of the Property or the Annexable Territory, the following actions, before being undertaken by the Association, shall first be approved in writing by Declarant:

- (a) Any amendment or action requiring the approval of Mortgagees pursuant to this Declaration;
- (b) The annexation to the Property of real property other than the Annexable Territory pursuant to Section 16.2;
- (c) The levy of a Capital Improvement Assessment for the construction of new facilities not constructed on the Common Property by Declarant; or
- (d) Subject to Section 5.4 regarding limitations on Annual Assessment increases, any significant reduction of Association maintenance or other services.

ARTICLE XIV

14. Enforcement of Certain Bonded Obligations.

14.1. Consideration by Board of Directors.

If (1) the Common Property Improvements in any Phase of Development are not completed prior to the issuance of a Final Subdivision Public Report for such Phase by the Cal BRE for the sale of Condominiums in the Project, and (2) the Association is obligee under a bond or other arrangement ("**Bond**") required by the Cal BRE to secure performance of the commitment of Declarant to complete such Improvements, the Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond, with respect to any such Improvement for which a Notice of Completion has not been filed within sixty (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 Property Improvement, the Board shall be directed to consider and vote on the aforesaid question if a Notice of Completion has not been filed, within thirty (30) days after the expiration of the extension.

14.2. Consideration by the Members.

A special meeting of Members, for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, shall be held no fewer than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by Members representing five percent (5%) of the total voting power of the Association. A vote of a majority of the voting power of the Association residing in Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE XV

15. General Provisions.

15.1. Enforcement of Governing Documents.

Subject to the provisions of Section 15.11 of this Declaration, the Governing Documents may be enforced as set forth below.

(a) Violations Identified by the Association. If the Board determines that there is a violation of any provision of the Governing Documents, or the Architectural Committee determines that an Improvement which is the maintenance responsibility of an Owner is in need of installation, maintenance, repair, restoration or painting, then the Board shall give written notice to the responsible Owner identifying (i) the condition or violation complained of, and (ii) the length of time the Owner has to remedy the violation including, if applicable, the length of time the Owner has to submit plans to the Architectural Committee and the length of time the Owner has to complete the work proposed in the plans submitted to the Architectural Committee.

If an Owner does not perform such corrective action as is required by the Board and the Architectural Committee within the allotted time, the Board, after Notice and Hearing, may undertake to remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner as a Compliance Assessment. Such Compliance Assessment shall be subject to enforcement and collection by the Board in accordance with the procedures provided for in this Declaration.

If the violation involves nonpayment of any type of Assessment, then the Board shall be entitled to collect such delinquent Assessment pursuant to the procedures set forth in Article V.

(b) Violations Identified by an Owner. In the event that an Owner alleges that another Owner, his Family, guests or tenants, is violating the Governing Documents (other than nonpayment of any type of Assessment), the complaining Owner must first submit the matter to the Board for Notice and Hearing before the complaining Owner may resort to

alternative dispute resolution if required by Sections 5925 et seq. of the California Civil Code or to litigation for relief.

(c) Legal Proceedings. Failure to comply with any of the terms of the Governing Documents by an Owner, his Family, guests, employees, invitees or tenants, shall be grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof; provided, however, that the procedures established in Sections 5900 et seq. and 5925 et seq. of the California Civil Code and in Sections 15.1(a) and (b) above must first be followed if they are applicable. The Rules and Regulations may, but shall not be required to, include the dispute resolution procedures contemplated by Sections 5905 and 5910 of the California Civil Code.

(d) Schedule of Fines. The Board may adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner for the failure of such Owner, or of a resident of or visitor to such Owner's Unit, to comply with any provisions of the Governing Documents. Such fines or penalties may only be assessed by the Board after Notice and Hearing.

(e) No Waiver. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision, or any other provision hereof.

(f) Right to Enforce. The Association, any Owner or Declarant (so long as Declarant is an Owner) shall be entitled to enforce the Governing Documents as described in this Article, subject to Sections 5900 et seq. and 5925 et seq. of the California Civil Code. Each Owner shall have a right of action against the Association for the Association's failure to comply with the Governing Documents. Each remedy provided for in this Declaration shall be cumulative and not exclusive or exhaustive.

(g) Attorneys' Fees. Unless specifically provided herein to the contrary, any judgment rendered in any action or proceeding pursuant to this Declaration shall include a sum for attorneys' fees in such amount as the court or arbitrator, as applicable, may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and costs of court or alternative dispute resolution, as applicable.

15.2. Severability.

The provisions of this Declaration are independent and severable. If for any reason any provision of this Declaration becomes invalid, partially invalid, unenforceable, illegal, null and void, or against public policy, or if for any reason a court of competent jurisdiction or arbitrator determines that any provision of this Declaration is invalid, partially invalid, unenforceable, illegal, null and void, or against public policy, the validity and enforceability of the remaining provisions of this Declaration shall remain in effect to the fullest extent permitted by law.

15.3. Interpretation.

The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the creation and operation of a residential condominium development and for the maintenance of Common Property, and any violation of this Declaration shall be deemed to be a nuisance. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular shall include the plural and the plural the singular; and the masculine, feminine and neuter shall each include the other, unless the context dictates otherwise.

15.4. Mergers or Consolidations.

Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by this Declaration governing the Property, together with the covenants and restrictions established upon any other property, as one (1) plan.

15.5. Use of Recreational Facilities.

The Board of Directors shall have the right to limit the number of guests that an Owner or such Owner's tenant may permit to use the open parking and recreational facilities on the Common Property, and the Board shall have the right to set further reasonable restrictions on the time and manner of use of said parking areas and recreational facilities, in accordance with the Rules and Regulations, including, without limitation, Rules and Regulations restricting or prohibiting the use of all or designated portions of the Property recreational facilities by minors, guests of an Owner or his tenants.

15.6. No Public Right or Dedication.

Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Property to the public, or for any public use.

15.7. Nonliability and Indemnification.

(a) General Limitation. Except as specifically provided in the Governing Documents or as required by law, no right or power conferred on the Board or the Architectural Committee by this Declaration, the Articles or the Bylaws shall be construed as a duty, obligation or disability charged upon the Board, the Architectural Committee, any member of the Board or of the Architectural Committee, or any other officer, employee or agent of the Association. No such Person shall be liable to any party (other than the Association or a party claiming in the name of the Association) for injuries or damage resulting from such Person's acts or omissions within what such Person reasonably believed to be the scope of his Association duties ("**Official Acts**"), except to the extent that such injuries or

damage result from such Person's willful or malicious misconduct. No such Person shall be liable to the Association (or to any party claiming in the name of the Association) for injuries or damage resulting from such Person's Official Acts, except to the extent that such injuries or damage result from such Person's negligence or willful or malicious misconduct.

(b) Damages Limitation. A volunteer Board member or volunteer Association officer shall not be personally liable in excess of the coverage of insurance specified below to any Person who suffers injury, including without limitation bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of the volunteer officer or Board member if all of the following conditions are satisfied:

(1) The Board member or officer is a tenant of a Unit or an Owner of no more than two (2) Units;

(2) The act or omission was performed within the scope of the Board member's or officer's Association duties (the scope of the Board member's or officer's Association duties shall include but not be limited to (i) whether to conduct an investigation of the Property for latent deficiencies prior to the expiration of the applicable statute of limitations, and (ii) whether to commence a civil action against the builder for defects in design or construction);

(3) The act or omission was performed in good faith;

(4) The act or omission was not willful, wanton or grossly negligent;
and

(5) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim was made one (1) or more policies of insurance which shall include coverage for (A) general liability of the Association, and (B) individual liability of officers and Board members for negligent acts or omissions in that capacity; provided that both types of coverage are in the amount of at least five hundred thousand dollars (\$500,000.00) if the Project then consisted of one hundred (100) or fewer Condominiums, and at least one million dollars (\$1,000,000.00) if the Project then consisted of more than one hundred (100) Condominiums.

A Board member or Association officer who at the time of the act or omission was the Declarant or received direct or indirect compensation as an employee from Declarant or from a financial institution that purchased a Condominium at a judicial or nonjudicial foreclosure of a Mortgage is not a volunteer for purposes of this Section 15.7(b). The payment of actual expenses incurred by a Board member or Association officer does not affect the member's or officer's status as a volunteer for purposes of this Section 15.7(b).

(c) Indemnification. The Association shall pay all expenses incurred by, and satisfy any judgment or fine levied against, any person as a result of any action or threatened action against such person to impose liability on such person for his Official Acts, provided that:

(1) The Board determines that such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Association;

(2) In the case of a criminal proceeding, the Board determines that such person had no reasonable cause to believe his conduct was unlawful; and

(3) In the case of an action or threatened action by or in the right of the Association, the Board determines that such person acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Any determination of the Board required under this Section 15.7(c) must be approved by a majority vote of a quorum consisting of Directors who are not parties to the action or threatened action giving rise to the indemnification. If the Board fails or refuses to make any such determination, such determination may be made by the vote or written consent of a majority of a quorum of the Members of the Association voting at a meeting of the Association called for such purpose, provided that the person to be indemnified shall not be entitled to vote. Payments made hereunder shall include amounts paid and expenses incurred in settling any such action or threatened action. This Section 15.7(c) shall be construed to authorize payments and indemnification to the fullest extent now or hereafter permitted by applicable law. The entitlement to indemnification hereunder shall inure to the benefit of the estate, executor, administrator, heirs, legatees, or devisees of any person entitled to such indemnification.

15.8. Notices.

Except as otherwise provided in the Governing Documents or Sections 4040, 4045, 4050 or 4055 of the California Civil Code, notice to be given to an Owner shall be in writing and may be delivered personally to the Owner. Except as otherwise provided in the Governing Documents, personal delivery of such notice to one (1) or more co-owners of a Condominium or to any general partner of a partnership owning a Condominium shall be deemed delivery to all co-owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process of a corporation shall be deemed delivery to the corporation, and personal delivery of such notice to any manager, managing member or agent for the service of process of a limited liability company shall be deemed delivery to the limited liability company. In lieu of the foregoing, except as otherwise provided in the Governing Documents or Sections 4040, 4045, 4050 or 4055 of the California Civil Code, such notice may be delivered by regular United States mail, postage prepaid, addressed to the Owner at the most recent address furnished by such Owner to the Association or, if no such address shall have been furnished, to the street address of such Owner's Condominium, and such notice

shall be deemed delivered three (3) business days after the time of such mailing. Except as otherwise provided in Section 4035 of the California Civil Code, any notice to be given to the Association may be delivered personally to any member of the Board, or sent by United States mail, postage prepaid, addressed to the Association at such address as shall be fixed from time to time and circulated to all Owners.

15.9. Priorities and Inconsistencies.

If there are conflicts or inconsistencies between this Declaration and either the Articles of Incorporation or the Bylaws of the Association, the terms and provisions of this Declaration shall prevail.

15.10. Constructive Notice and Acceptance.

Every person who owns, occupies or acquires any right, title, estate or interest in or to any Condominium or other portion of the Property does hereby consent and agree, and shall be conclusively deemed to have consented and agreed, to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in the Property, or any portion thereof.

15.11. Disputes with Declarant.

(a) Prelitigation Procedures. Before the Association commences any action for damages arising out of or related to deficiencies in the design or construction of the Property or any portion thereof, the parties shall comply with the provisions of California Civil Code Section 6000 (and not with the "Statutory Procedures" described below to the extent such Statutory Procedures could be elected by Declarant). Chapter 4 of Title 7 of Part 2 of Division 2 of the California Civil Code (California Civil Code Sections 910 to 938, inclusive) establishes non-adversarial procedures (the "**Statutory Procedures**") for resolution of certain disputes between (i) homeowners and builders, and (ii) homeowners associations and builders, including claims for damages arising out of or related to deficiencies in the residential construction, design, specifications, surveying, planning, supervision, testing or observation of construction, or other alleged violations of the standards of Chapter 2 of said Title 7. Section 914(a) of the California Civil Code permits builders to elect to use alternative non-adversarial provisions instead of the Statutory Procedures. Section 15.11(b) below contains mediation provisions, which are alternative non-adversarial provisions. Declarant has elected to use the mediation provisions set forth in Section 15.11(b) below instead of the Statutory Procedures. This election is binding. Owners and the Association are not required to initiate the Statutory Procedures under Section 910 of the California Civil Code. Instead, the procedures described in Section 15.11(b) below must be followed. In connection with any civil action by the Association against Declarant for alleged damage to the Property or any portion thereof, the Board of Directors shall provide any written notice to the Members which may be required by Section 6150 of the California Civil Code.

Commencing on the date of the first annual meeting of the Members, Declarant relinquishes control over the Association's ability to decide whether to initiate any claim related to deficiencies in the construction, design, specifications, surveying, planning, supervision, testing or observation of construction with respect to the Property or any portion thereof pursuant to Sections 895 et seq. of the California Civil Code ("**Defect Claim**"). This means that Declarant, current employees and agents of Declarant, Board members who are appointed by Declarant, Board members elected by a majority of votes cast by Declarant, and all other persons whose vote or written consent is inconsistent with the intent of the preceding sentence, are prohibited from participating and voting in any decision of the Association or the Owners to initiate a Defect Claim.

The Association may not initiate legal proceedings relating to a Defect Claim without the approval of sixty-seven percent (67%) of the voting power of the Association residing in Members other than Declarant.

(b) Mediation by Owners and Other Parties. As provided in Section 15.11(a) above, before the Association commences any action for damages arising out of or related to deficiencies in the design or construction of the Property or any portion thereof, the parties shall comply with the provisions of California Civil Code Section 6000 to the extent applicable. All parties, including without limitation any Owner personally and individually (i.e. without serving as a class representative for others or becoming a member of a class action commenced by others), as well as the Association except with respect to (i) matters subject to California Civil Code Section 6000 ("**Section 6000 Matters**"), and (ii) actions taken by the Association against Declarant to collect delinquent Assessments, agree to mediate any and all controversies, disputes or claims with Declarant arising out of, related to, or in any way connected with the Property, the purchase agreement pursuant to which any Owner acquired a Condominium from Declarant ("**Purchase Agreement**") or any resulting transaction, including without limitation claims relating to personal injury or property damage alleged to have been sustained by any Owner, such Owner's Family or other occupants of the Property or invitees to the Property ("**Disputes**") before resorting to arbitration as described in Section 15.11(c) below. Mediation is a process in which the parties attempt to resolve a dispute by discussing the dispute in the presence of an impartial, neutral third party authorized by the parties to facilitate the resolution of the dispute ("**Mediator**"). The Mediator is not empowered to impose a settlement on the parties. The parties shall agree upon a Mediator within thirty (30) days of written notice of a Dispute delivered by one party to the other. Delivery of a notice of Dispute shall be in accordance with the notice provisions of the Purchase Agreement if the Dispute is between Declarant and the initial purchaser of a Condominium from Declarant and otherwise in accordance with the notice provisions of this Declaration unless applicable law requires notice to be given in another manner. If the parties cannot agree upon the selection of a Mediator within such time period, the parties shall request JAMS, Judicial Arbitrator Group, Inc. or another mutually acceptable dispute resolution service provider (as selected, the "**ADR Provider**") to appoint, within the shortest possible period of time, a Mediator to conduct the mediation. Any party who will be relying upon an expert report and/or or repair estimate at the mediation shall provide the Mediator and the other

parties with a copy of such reports and/or estimates. If one or more issues directly or indirectly relate to alleged deficiencies in design, materials or construction, all parties and their experts shall be allowed to inspect, document (by photograph, videotape or otherwise) and evaluate the alleged deficiencies prior to mediation, and any Owner and the Association, as applicable, shall make the property that is the subject of the Dispute available for such purpose. All mediation fees shall be divided equally among the parties; provided, however, that Declarant shall be responsible for any initiation fee to commence mediation, the first eight (8) hours of the Mediator's time, and any administrative fees charged by the ADR Provider for such initiation of mediation and the first eight (8) hours of mediation. Before the mediation begins and consistent with the laws of California, the parties shall agree in writing to limit the admissibility in any arbitration or court action of anything said, any admission made, and any documents prepared in the course of the mediation. If any party commences an arbitration or court proceeding based on a Dispute without first attempting to resolve the matter through mediation, the other party shall have the right, at any time, to cause such proceeding to be dismissed or set aside, and the commencing party shall pay all costs, expenses and reasonable attorney fees incurred by such party to have such proceeding set aside or dismissed.

(c) ARBITRATION OF DISPUTES. FOR PURPOSES OF THIS SECTION 15.11(c) AND THE REMAINING PORTIONS OF THIS SECTION 15.11 BELOW, "DISPUTE" SHALL INCLUDE SECTION 6000 MATTERS. WITHOUT IN ANY WAY LIMITING THE PROVISIONS OF SECTIONS 15.11(a) AND (b) ABOVE, ALL PARTIES AGREE THAT THE TRANSACTION UNDERLYING ANY DISPUTE INVOLVES INTERSTATE COMMERCE AND THAT ANY DISPUTE NOT SETTLED DURING MEDIATION (OR DURING THE PROCEDURES DESCRIBED IN CALIFORNIA CIVIL CODE SECTION 6000 [**"SECTION 6000 PROCEDURES"**]) WITH RESPECT TO SECTION 6000 MATTERS BETWEEN DECLARANT AND THE ASSOCIATION) SHALL BE RESOLVED BY BINDING ARBITRATION AS PROVIDED IN THE FEDERAL ARBITRATION ACT (9 U.S.C. §§1 *ET SEQ.*) BY THE ADR PROVIDER SELECTED BY THE PARTIES, WHICH ADR PROVIDER MAY BE DIFFERENT THAN THE ADR PROVIDER THAT CONDUCTED THE MEDIATION, AND SUCH DISPUTE SHALL NOT BE RESOLVED BY OR IN A COURT OF LAW OR EQUITY. EACH OWNER AGREES TO PERSONALLY AND INDIVIDUALLY (I.E., WITHOUT SERVING AS A CLASS REPRESENTATIVE FOR OTHERS OR BECOMING A MEMBER OF A CLASS ACTION COMMENCED BY OTHERS WITH RESPECT TO THE DISPUTE) ARBITRATE SUCH DISPUTE. A WRITTEN NOTICE OF THE INTENT TO ARBITRATE SUCH DISPUTE SHALL BE DELIVERED BY THE PARTY DESIRING TO ARBITRATE SUCH DISPUTE TO THE OTHER PARTY WITHIN THIRTY (30) DAYS AFTER THE CONCLUSION OF THE MEDIATION (OR THE SECTION 6000 PROCEDURES, IF APPLICABLE) IN ACCORDANCE WITH THE NOTICE PROVISIONS IN THE PURCHASE AGREEMENT IF THE DISPUTE IS BETWEEN DECLARANT AND THE INITIAL PURCHASER OF A CONDOMINIUM FROM DECLARANT AND OTHERWISE IN ACCORDANCE WITH THE NOTICE PROVISIONS OF THIS DECLARATION UNLESS APPLICABLE LAW REQUIRES NOTICE TO BE GIVEN IN ANOTHER MANNER. EXCEPT AS OTHERWISE EXPRESSLY STATED IN THE DEED FROM DECLARANT TO THE

INITIAL PURCHASER OF A CONDOMINIUM OR TO THE ASSOCIATION, AS APPLICABLE, THE ARBITRATION SHALL BE CONDUCTED IN ACCORDANCE WITH THE RULES SPECIFIED BY THE ADR PROVIDER ("RULES"), WHICH RULES MUST INCLUDE, AND IT IS THE EXPRESS INTENT OF ALL PARTIES TO THE DISPUTE, THAT EACH SHALL BE BOUND BY THE FOLLOWING:

(1) THE ARBITRATION SHALL BE CONDUCTED BY A SINGLE ARBITRATOR AGREED UPON BY THE PARTIES WITH AT LEAST TEN (10) YEARS OF EXPERIENCE IN THE SUBJECT MATTER OF THE DISPUTE WHO MAY BE, WITHOUT LIMITATION, AN ATTORNEY LICENSED TO PRACTICE LAW IN CALIFORNIA WITH EXPERIENCE IN REAL ESTATE OR CONSTRUCTION LAW, OR AN EXPERT IN THE CONSTRUCTION INDUSTRY ("ARBITRATOR"). IF THE PARTIES CANNOT AGREE UPON THE SELECTION OF AN ARBITRATOR, THE ARBITRATOR SHALL BE SELECTED BY THE ADR PROVIDER IN ACCORDANCE WITH THE RULES. AN ARBITRATOR SHALL BE SELECTED WITHIN THE SHORTEST POSSIBLE PERIOD AFTER DELIVERY OF THE WRITTEN NOTICE OF INTENT TO ARBITRATE THE DISPUTE. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 15.11, ANY FEES DUE TO THE ADR PROVIDER IN CONNECTION WITH SUCH SELECTION PROCESS SHALL BE SPLIT EQUALLY BY THE PARTIES. IF THE AMOUNT CLAIMED EXCEEDS ONE MILLION DOLLARS (\$1,000,000), THE ARBITRATION SHALL BE HEARD AND DETERMINED BY THREE (3) ARBITRATORS UNLESS THE PARTIES AGREE ON A SINGLE ARBITRATOR. IF THREE (3) ARBITRATORS ARE TO HEAR THE DISPUTE, DECLARANT AND THE OTHER PARTY SHALL EACH SELECT AN ARBITRATOR OF THEIR CHOICE AND THOSE TWO ARBITRATORS SHALL AGREE ON THE SELECTION OF THE THIRD ARBITRATOR.

(2) THE ARBITRATOR SHALL HAVE EXCLUSIVE AUTHORITY TO RESOLVE ANY DISPUTE, INCLUDING, BUT NOT LIMITED TO ANY CLAIM THAT ALL OR ANY PART OF THE PURCHASE AGREEMENT OR ANY ADDENDA OR AMENDMENT THERETO IS VOID OR VOIDABLE. THE ARBITRATOR'S AUTHORITY IS LIMITED TO RESOLUTION OF THE DISPUTE, AND OTHER CLAIMS MAY NOT BE JOINED OR CONSOLIDATED WITH THE DISPUTE UNLESS AGREED TO IN WRITING BY ALL PARTIES. THE ARBITRATOR SHALL BE AUTHORIZED TO PROVIDE ALL RECOGNIZED REMEDIES AVAILABLE AT LAW FOR ANY CAUSE OF ACTION, EXCEPT INJUNCTIVE RELIEF. THE ARBITRATOR SHALL MAKE A DETERMINATION OF THE DISPUTE AS SOON AS POSSIBLE AFTER COMPLETION OF THE ARBITRATION PROCEEDING. THE PARTIES AGREE THAT THE ARBITRATOR'S DECISION SHALL BE FINAL AND BINDING. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES AGREE THAT NO FINDING OR STIPULATION OF FACT, NO CONCLUSION OF LAW, AND NO ARBITRATION AWARD IN ANY ARBITRATION SHALL BE GIVEN PRECLUSIVE OR COLLATERAL ESTOPPEL EFFECT WITH RESPECT TO ANY ISSUE OR CLAIM IN

ANY SUBSEQUENT ARBITRATION OR COURT ACTION, EXCEPT AMONG THE PARTIES TO THE ARBITRATION.

(3) IF THE ARBITRATOR REQUIRES ANY ADVANCE FEES TO BE PAID, DECLARANT SHALL PAY THE ADVANCE FEES. HOWEVER, THE FEES SHALL ULTIMATLEY BE SPLIT EQUALLY AMONG THE PARTIES AS SET FORTH IN SECTION 15.11(C)(1) ABOVE.

(4) JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION.

(5) ALL ARBITRATIONS SHALL BE CONCLUDED, IF PRACTICABLE, WITHIN ONE HUNDRED EIGHTY (180) DAYS OF THE APPLICABLE PARTY PROVIDING A NOTICE OF INTENT TO ARBITRATE THE DISPUTE TO THE OTHER PARTY.

NOTICE: YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE.

(d) Additional Parties. Any dispute involving Declarant's affiliates, directors, officers, employees and/or agents shall also be subject to mediation and arbitration as described above, and shall not be pursued in a court of law or equity. Declarant may, at its sole discretion, include Declarant's contractors, subcontractors and/or suppliers, as well as any warranty company, insurer or other necessary or proper party as parties in the mediation and arbitration notwithstanding any contrary provision.

(e) Attorneys' Fees/Costs. Except as otherwise expressly provided in this Section 15.11, each party shall bear its own costs and expenses, including attorneys' fees and expert costs fees, related to any Dispute, and shall not be entitled to or awarded its attorney fees or costs incurred with respect to such Dispute, or the Mediator or Arbitrator fees, or any related administrative fees. The fees and costs associated with mediation and/or arbitration proceedings will depend in large part on the nature of the Dispute. As such, it is not possible to estimate the fees and costs in advance.

(f) Time for Filing/Location. In no event shall the Dispute be submitted for mediation or arbitration after the date when institution of a legal or equitable

proceeding based on the underlying claims in such Dispute would be barred by the applicable statute of limitations or statute of repose. Arbitration proceedings shall be conducted in the jurisdiction where the Property is located.

(g) Consumer Due Process Protocol. Declarant supports the principles set forth in the Consumer Due Process Protocol developed by the National Consumer Dispute Advisory Committee and agrees that, notwithstanding the requirements for arbitration stated in this Section 15.11, an Owner or the Association, as applicable, shall have the option, after pursuing mediation (or the Section 6000 Procedures, if applicable) as provided herein, to seek relief in a small claims court for Disputes or claims within the scope of the court's jurisdiction in lieu of proceeding to arbitration. There shall be no appeal from a decision by a small claims court.

(h) Injunctive Relief. Notwithstanding anything in this Section 15.11 to the contrary, if any party seeks injunctive relief, and not monetary damages, from a court because irreparable damage or harm would otherwise be suffered by either party before mediation or arbitration could be conducted, such action shall not be interpreted to indicate or be deemed a waiver of the right to mediate or arbitrate.

(i) WAIVER OF CLASS ACTION. EACH PARTY WAIVES THE RIGHT FOR ANY DISPUTE TO BE COMMENCED, HEARD OR RESOLVED AS A CLASS ACTION. DECLARANT AND EACH OWNER WAIVE AND AGREE NOT TO ASSERT ANY CLASS ACTION OR REPRESENTATIVE ACTION CLAIMS AGAINST THE OTHER IN MEDIATION, ARBITRATION OR OTHERWISE, AND AGREE THAT IT IS THE EXPRESS INTENT OF EACH PARTY THAT CLASS ACTION AND REPRESENTATIVE ACTION PROCEDURES NOT BE ASSERTED OR APPLIED WITH RESPECT TO ANY DISPUTE.

Notwithstanding any other provisions of this Declaration, this Section 15.11 may not be amended without the written consent of Declarant attached to and recorded with such amendment, regardless of whether Declarant continues to maintain an ownership interest in any Condominium or Membership in the Association.

15.12. No Representations or Warranties.

No representations or warranties of any kind, express or implied, have been given or made by Declarant, or its agents or employees in connection with the Property, or any portion thereof, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a condominium project, except as specifically and expressly set forth in this Declaration and except as may be filed by Declarant from time to time with the Cal BRE.

15.13. Compliance with Applicable Laws.

Notwithstanding the provisions contained in the Governing Documents, the Association and the Owners should be aware that various laws (including without limitation the Davis-Stirling

Common Interest Development Act codified at Sections 4000 et seq. of the California Civil Code, the federal Fair Housing Act codified at Title 42 United States Code, Sections 3601 et seq. and the Regulations of the Real Estate Commissioner set forth in Title 10 of the California Code of Regulations, Sections 2790 et seq.) may affect the Property. Additionally, various governmental bodies (including without limitation the California legislature, the United States Congress and various state and federal agencies) from time to time enact new laws and regulations and amend or repeal existing laws and regulations, and laws and regulations are interpreted by the courts. Accordingly, it is Declarant's intent that the Governing Documents be interpreted and construed to be consistent with applicable laws, which may supplement or override the Governing Documents. Declarant makes no representations or warranties regarding the enforceability of any portion of the Governing Documents.

15.14. References to Code Sections and Regulations.

All references in this Declaration and the other Governing Documents to a federal or state code section or regulation shall mean such code section or regulation as it may be amended or otherwise modified from time to time.

15.15. Post-Tension Concrete System.

Each Owner acknowledges and understands that his Unit may have been built using a post-tension concrete system ("System"). The System involves placing steel cables under high tension in the concrete slab foundation located beneath the Unit. Therefore, any attempt to alter or pierce the foundation (for example, cutting, drilling or installation of a subterranean floor safe) could damage the integrity of the System and/or cause serious injury or damage to persons or property. Each Owner covenants and agrees that: (i) he shall not cut into or otherwise tamper with the System unless required in the event of an emergency (such as a plumbing leak); (ii) he shall not permit or allow any other person to cut into or tamper with the System unless required in the event of an emergency (such as a plumbing leak); (iii) he shall disclose the existence of the System to any tenant, lessee or subsequent purchaser of the Unit and to any person who may perform the emergency repairs authorized by clauses (i) and (ii) above; and (iv) Declarant shall not be responsible for any damage or injury resulting from or arising in connection with the alteration of the System by the Owner or any employee, agent, Family member or representative of the Owner.

15.16. Exhibits.

All exhibits to this Declaration are incorporated herein by this reference. To the extent the location of any Improvements or areas depicted on any exhibit to this Declaration, a Notice of Addition or other document Recorded pursuant to this Declaration conflicts with the actual location of such Improvements or areas, the actual location shall control.

15.17. No Enhanced Protection Agreement.

No provisions of the Governing Documents are intended by Declarant to constitute an "enhanced protection agreement" as defined in California Civil Code Section 901. No provisions of the Governing Documents shall be interpreted to constitute such an enhanced protection agreement.

15.18. Providing Documents to Subsequent Owners.

Each Owner of a Condominium shall provide to any subsequent Owner of such Condominium all warranties, maintenance recommendations and other documents and information related to such Condominium which were provided to the original purchaser of such Condominium by Declarant.

15.19. Disclosures Required by City.

(a) NOTICE OF AIRPORT IN VICINITY.

This Property is presently located in the vicinity of an airport, within what is known as an airport influence area. For that reason, the Property may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. You may wish to consider what airport annoyances, if any, are associated with the Property before you complete your purchase and determine whether they are acceptable to you.

The foregoing disclosure is applicable to, without limitation, the nearby San Bernardino International Airport (“**Airport**”). The annoyances and inconveniences associated with proximity to the Airport may increase in the future if the Airport operations are expanded in accordance with the Airport Master Plan (“**Master Plan**”), which details the concept for the long term development of the Airport and displays the concept graphically and in technical reports. For more information concerning the Airport or the Master Plan, you may contact the San Bernardino International Airport Authority (a Joint Powers Authority that manages the Airport and is made up of representatives from the County of San Bernardino and the cities of Highland, San Bernardino, Loma Linda and Colton) at (909) 382-4100 or visit the website of the Airport at www.sbdairport.com.

Due to the proximity of the Property to the Airport, the Property is expected to experience a 65 decibel CNEL. “CNEL” means community noise equivalent level, which is a measurement of the total noise exposure per day.

(b) NOTICE OF MINING OPERATIONS.

This Property is located within one mile of a mine operation for which the mine owner or operator has reported mine location data to the Department of Conservation pursuant to Section 2207 of the Public Resources Code. Accordingly, the Property may be subject to inconveniences resulting from mining operations. You may wish to consider the impacts of these practices before you complete your transaction.

The foregoing disclosure is applicable to, without limitation, sand, gravel and rock mining operations in the Upper Santa Ana River Wash. For more information you may

obtain a copy of the Upper Santa Ana River Wash Land Management and Habitat Conservation Plan Document at www.sbvwd.dst.ca.us/projects/washplan.shtml.

(c) Adjacent Streets.

The Property is located adjacent to Greenspot Street (also known as 5th Street) and Boulder Avenue. Owners may experience noise, lights, odors and other impacts resulting from the use of such streets as well as other problems associated with traffic congestion on such streets.

(d) Nearby Schools.

Beattie Middle School and Highland Grove Elementary School are located adjacent to the northern boundary of the Property. Owners may experience noise, lights, traffic and other impacts resulting from the use of such schools, including the athletic fields at such schools.

(e) Special Tax Districts.

In addition to the Ad Valorem Taxes, each Condominium in the Property will also be subject to the following districts and any special taxes, assessments and obligations related thereto, all of which will appear on the annual property tax bill: (i) City of Highland – Landscape and Lighting District No. 1996-1 (Zone A – Street Lights), (ii) City of Highland – Landscape and Lighting District No. 1996-1 (Zone B – Landscape Maintenance), (iii) Redlands Unified School District Community Facilities District No. 2006-1, (iv) City of Highland Community Facilities District No. 2007-1 (Services), (v) City of Highland – Paramedic Tax District, (vi) San Bernardino County Mosquito and Vector Control Program District, and (vii) City of Highland – Street and Drainage Benefit Assessment District No. 1996-1.

(f) Development Standards.

The Property shall be developed in accordance with all applicable requirements of the City, including without limitation (i) the Conditions of Approval for Tentative Tract Map 17682 set forth on Attachment “A” of Resolution No. 05-010 adopted by the Planning Commission of the City (“**Planning Commission**”) on November 15, 2005, as such Conditions of Approval were amended by Resolution No. 2006-004 adopted by the City Council of the City on January 24, 2006, and (ii) the development standards approved by the Planning Commission on November 21, 2005.

(g) Redlands Shooting Park.

The Redlands Shooting Park (“**Shooting Park**”) is located approximately three (3) miles south of the Property. Activities at the Shooting Park include trap, skeet and sporting clay shooting. Additional information about the Shooting Park may be obtained by visiting the Shooting Park’s website at www.redlandsshootingpark.com or by calling the Shooting Park at (909) 335-8844.

ARTICLE XVI

16. Annexation of Additional Property.

Additional real property may be annexed to Phase 1 and such additional real property may become subject to this Declaration by any of the methods set forth hereinafter:

16.1. Additions by Declarant.

Declarant or its successors or assigns shall have the right from time to time to add the Annexable Territory, or any portion or portions thereof (including any recreation facilities located thereon), to the Property and to bring such added territory within the general plan and scheme of this Declaration without the approval of the Association, its Board of Directors, or Members; provided that such a right of Declarant and its successors and assigns shall terminate on the later to occur of (i) the seventh (7th) anniversary of the date of Recordation of this Declaration, or (ii) the fifth (5th) anniversary of the date of Recordation of the most recently Recorded Notice of Addition. As each Phase of Development is developed, Declarant may, with respect thereto, record a supplemental declaration ("**Supplemental Declaration**") which may supplement this Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant may deem appropriate for that Phase of Development. Any annexation pursuant to this Section 16.1 shall be consistent with any overall development plan for the Property submitted to VA and FHA.

16.2. Other Additions.

In addition to the provision for annexation specified in Section 16.1 above, additional real property may be annexed to the Property and brought within the general plan and scheme of this Declaration upon the approval by vote or written consent of Members entitled to exercise no less than two-thirds (2/3) of the voting power of the Association.

16.3. Rights and Obligations-Added Territory.

Subject to the provisions of Section 16.4, upon the Recording of a Notice of Addition containing the provisions as set forth in this Section, all provisions contained in this Declaration shall apply to the real property described in such Notice of Addition (the "**added territory**") in the same manner as if it were originally covered by this Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Declaration with respect to the added territory shall be the same as with respect to the property originally covered hereby, and the rights, powers and responsibilities of the Owners, lessees and occupants of Units within the added territory, as well as within the property originally subject to this Declaration, shall be the same as if the added territory were originally covered by this Declaration. From and after the first day of the month following the first Close of Escrow for the sale of a Condominium in the added territory, the Owner of Condominiums located in the added territory shall share in the payment of assessments to the Association to meet Common Expenses of the entire Property as provided in Section 5.5 hereof. Voting rights attributable to the Condominiums in the added territory shall not vest until Annual Assessments have commenced as to such Condominiums.

16.4. Notice of Addition of Territory.

The additions authorized under Sections 16.1 and 16.2 shall be made by Recording a Notice of Addition of Territory or other similar instrument with respect to the added territory ("**Notice of Addition**") which shall extend the general plan and scheme of this Declaration to such added territory. The Notice of Addition for any addition under Section 16.1 shall be signed by Declarant. The Notice of Addition for any addition under Section 16.2 shall be signed by at least two (2) officers of the Association to certify that the requisite approval of the Members under Section 16.2 was obtained. The Recordation of said Notice of Addition shall constitute and effectuate the annexation of the added territory described therein, and thereupon said added territory shall become and constitute a part of the Property, become subject to this Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Association; and the Owners of Condominiums in said added territory shall automatically become Members of the Association. Such Notice of Addition may contain a Supplemental Declaration with such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration as may be necessary to reflect the different character, if any, of the added territory, or as Declarant may deem appropriate in the development of the added territory, and as are not inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such Notice of Addition or Supplemental Declaration revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Declaration as the same shall pertain to the real property originally covered by this Declaration. Concurrently with the first Close of Escrow for the sale of a Condominium in any Phase of Development annexed to the Property in accordance herewith, Declarant shall pay to the Association an appropriate amount (as determined by the Cal BRE) for reserves for replacement or deferred maintenance of the Common Property in such Phase necessitated by or arising out of the use and occupancy of the Condominiums in such Phase under a rental program conducted by Declarant if such rental program was in effect for at least one (1) year prior to such first Close of Escrow.

16.5. Deannexation and Amendment.

Declarant may amend a Notice of Addition or delete all or a portion of a Phase of Development or other property subject to this Declaration from coverage of this Declaration and the jurisdiction of the Association, so long as Declarant is the owner of all of such Phase of Development or other property, and provided that (1) an amending instrument or a Notice of Deletion of Territory, as applicable, is Recorded in the same manner as the applicable Notice of Addition was Recorded, (2) Declarant has not exercised any Association vote with respect to any portion of such Phase of Development or other property, (3) assessments have not yet commenced with respect to any portion of such Phase of Development or other property, (4) Close of Escrow has not occurred for the sale of any Condominium in such Phase of Development or other property, and (5) the Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase of Development or other property.

16.6. Power of Attorney.

Each Owner of a Condominium in the Project, by accepting a deed to a Condominium, (1) agrees and acknowledges that such Owner owns no interest in any remaining portion of the Annexable Territory, which may be developed, if at all, by Declarant in Declarant's sole and absolute discretion, and (2) constitutes and irrevocably appoints Declarant and Declarant's successors and assigns, for so long as Declarant or such successors and assigns owns all or any portion of the Annexable Territory, as such Owner's Attorney-in-Fact, for such Owner and each of his Mortgagees, optionees, grantees, licensees, trustees, receivers, lessees, tenants, judgment creditors, heirs, legatees, devisees, administrators, executors, legal representatives, successors and assigns, whether voluntary or involuntary, and thereby to have conveyed a Power of Attorney coupled with an interest to prepare, execute, acknowledge and Record any Condominium Plan or amendments to the Condominium Plans and any other documents for all or any portion of such Annexable Territory. However, nothing set forth herein shall be deemed or construed as an agreement by Declarant that any Owner shall be entitled to any participation in or discretion over the preparation and Recordation of a Condominium Plan or Plans or other documents for all or any portion of the Annexable Territory. The acceptance or creation of any Mortgage or other encumbrance, whether or not voluntary, created in good faith, or given for value, shall be deemed to be accepted or created subject to each of the terms and conditions of the Power of Attorney described in this Section.

This Declaration is dated for identification purposes MARCH 3,
2016.

RICHMOND AMERICAN HOMES OF
MARYLAND, INC., a Maryland corporation

By:  SONDRA HARRIS

Its: VP

By: _____

Its: _____

"Declarant"

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF **CALIFORNIA** SS
COUNTY OF **ORANGE**

On March 3, 2016 before me, A. Walton, Notary Public, personally appeared Sondra Harris, who 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.

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

WITNESS my hand and official seal.

Signature

A Walton

My Commission Expires: February 14, 2018

This area for official notarial seal.

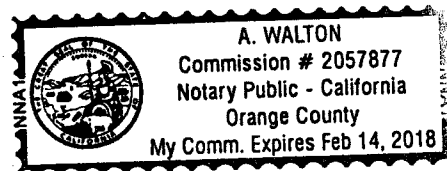


EXHIBIT "A"

LEGAL DESCRIPTION OF ANNEXABLE TERRITORY

That certain real property in the City of Highland, County of San Bernardino, State of California which is more particularly described as follows:

Tract No. 17682, as shown on a Map Recorded in Book 343, at Pages 63 to 65, inclusive, of Maps, in the Office of the San Bernardino County Recorder; excepting therefrom, Phase 1.

EXHIBIT "B"

ASSOCIATION WALLS AND FENCES IN PHASE 1

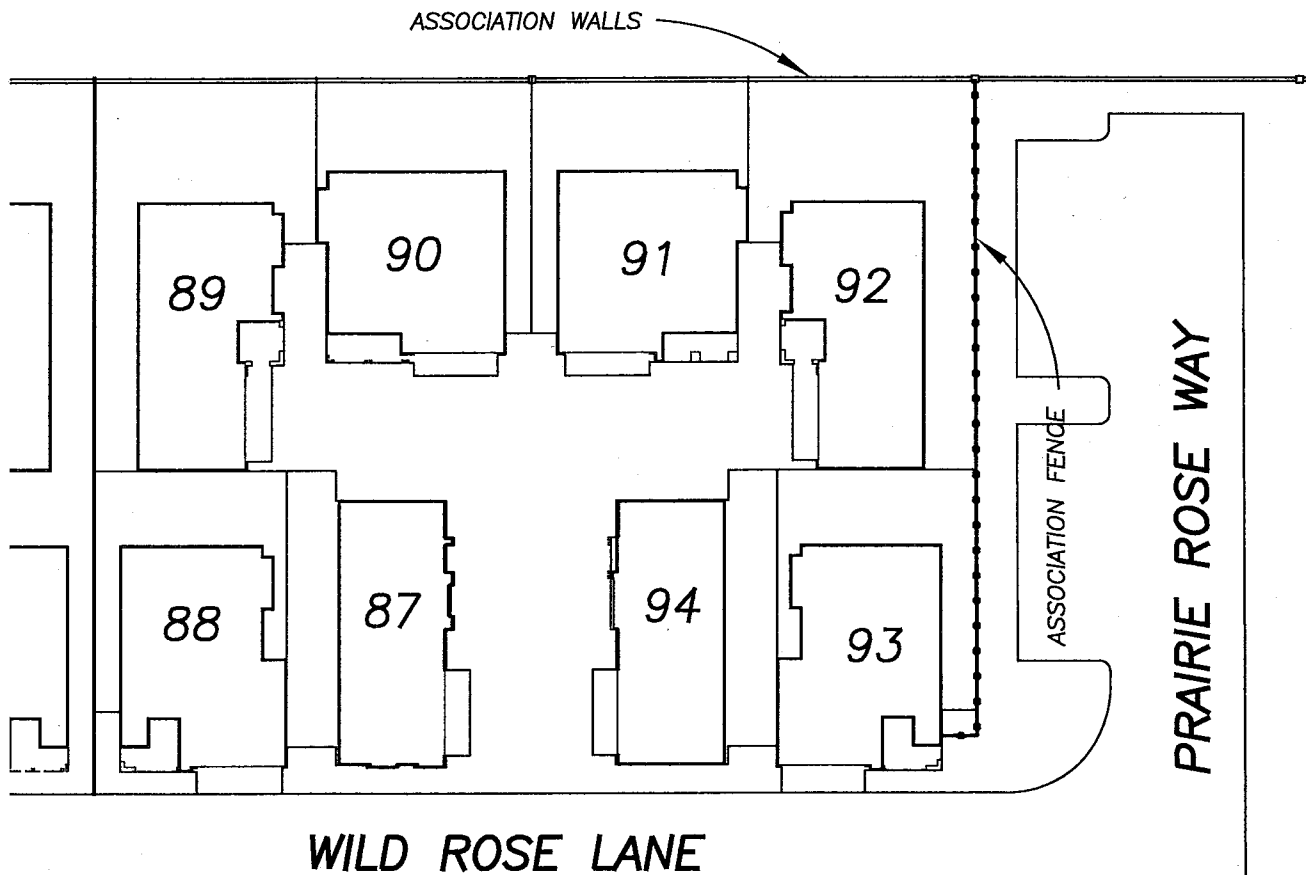


EXHIBIT "C"

MAP SHOWING LOCATION OF COMMON PROPERTY

GREENSPOT ROAD

BOULDER AVENUE

ORANGE STREET



INDICATES COMMON
PROPERTY



Lundstrom
Engineering and Surveying, Inc.
5333 Mission Center Dr, Ste 115 • San Diego, CA 92108
Phone (619) 814-1220 • Fax (619) 641-5910

EXHIBIT 'C'

SERRANO AT GLENROSE RANCH

DATE DECEMBER 21, 2015

SHEET 1 OF 1

PROJECT NO. 800-04