

ARCHITECTURAL IMPROVEMENT PROCEDURES NOTICE ~ SOLAR

The purpose of compliance with the Architectural Improvement Procedures is to ensure the property values of the community as well as the rights of the surrounding neighbors who may be affected by the improvement.

Any improvement or addition including but not limited to, painting, fence installation, landscaping, patio covers, pool/spa, screen doors, awnings, etc must first be approved by the Architectural Committee and/or Board of Directors. Provisions regarding the Committee can be found in the Association's CC&R's. The Committee is responsible for reviewing proposed plans, as well as any county requirements, to minimize complications. The Association requires written approval on file.

The "Architectural Approval Procedure" and "Request For Architectural Approval" forms are enclosed with this notice and are to be submitted with the actual set of plans that will be used. If prior approval is not obtained, the owner may be asked to remove the improvement at owner's expense and may be subject to fine.

If the Committee does not approve the submitted plans, the Committee will notify the owner of the denial in writing, in accordance with the time limit provided for in the CC&R's. The owner may request a hearing with the Board of Directors if the owner wishes to arbitrate the denial.

The important issue of a planned community is to maintain the overall appearance of the community. The Board of Directors urges every homeowner to abide by the CC&R's and architectural improvement procedures to achieve this goal.

Bella Palermo – Solar Panel Process – OVERVIEW

- A. Homeowner submits complete architectural application and signed Solar GUIDELINES (*not* signed AGREEMENT) with \$500 made out to Palermo HOA.

Key points to remember: The owner must submit their request for solar panels using the Solar Architectural form with the addition of:

- Signed copy of the GUIDELINES document.
 - Solar Site Survey – Drawings showing where on the roof the solar panels are proposed to be installed, allowing room for all other owners in the same building to install panels if they choose.
 - Solar energy system manufacturer specifications.
 - Proposed plan for the system (see details in GUIDELINES document).
 - Contractor information: name, contact information and license number showing that they are licensed to install solar panels.
 - Signatures of all other owners in the building agreeing to the proposed solar site survey and advising that other owners can submit a different proposed site survey.
- B. Palermo Architectural Committee reviews and conditionally approves (assuming no reason for denial) within 30 days of receiving the request (provided the application is complete with all above-mentioned documents).

Key points: Owner accepts all costs associated with installation, maintenance, repair and removal of solar panels. Owner must remove panels when the building roof is replaced or if it needs to be repaired. Owner must to repair any damage to the roof caused by the solar panels.

Further details in AGREEMENT.

- C. Association sends the conditionally approved architectural application to Palermo attorney's office. Attorney's office fills out the AGREEMENT for Use of Real Property for Palermo to then provide to the Owner.
- D. Owner submits proof of insurance covering the solar panels within 14 days after approval and provides proof of insurance annually showing continued coverage.
- E. Owner then signs and notarizes AGREEMENT.
- F. Board representative then signs and notarizes.
- G. Completed AGREEMENT is sent to Palermo attorney's office.
- H. Palermo attorney's office reviews and finalizes the AGREEMENT for compliance and submits it to the County Recorder.
- I. Palermo HOA will reimburse the Owner for any amount remaining from the \$500 deposit.

See attached GUIDELINES (10 pages) and Model AGREEMENT (11 pages) for full details.

REQUEST FOR ARCHITECTURAL APPROVAL - SOLAR

DATE: _____

HOMEOWNER: _____ PHONE: _____

ADDRESS: _____ LOT: _____

DESCRIPTION OF IMPROVEMENT: _____

ATTACHMENTS: PLOT PLAN _____ RENDERING _____ CROSS SECTION _____ PERMITS _____
PROCESSING FEES _____
OTHER _____

ARCHITECTURAL CONTROL COMMITTEE

APPROVED _____ DENIED _____

CONDITIONS OF APPROVAL - REASON FOR DENIAL: _____

Date: _____

Signature-Architectural Control Committee

BOARD OF DIRECTORS APPEAL

Request the Architectural Committee to place your appeal on the agenda of an upcoming Board of Directors meeting.

Date submitted to the Board: _____ Approved _____ Denied _____

Reason for Approval/Disapproval _____

Date: _____

Signature - Board of Director

THIS APPROVAL DOES NOT RELIEVE APPLICANT FROM OBTAINING THE NECESSARY BUILDING PERMITS FROM THE GOVERNMENTAL AGENCIES INVOLVED. THIS REQUEST MUST BE SUBMITTED IN TRIPLICATE. ONE COPY EACH TO: ARCHITECTURAL COMMITTEE, BOARD OF DIRECTORS, APPLICANT.

SOLAR - NEIGHBOR AWARENESS FORM IMPACTED NEIGHBOR STATEMENT

Consents obtained without objections; except as noted.
Neighbors may obtain their own Solar Survey.

Neighbor 1

Name: _____
(signature) (print)

Address: _____ Phone: _____

Objection: YES _____ NO _____ Notes: _____

NEIGHBOR 2

Name: _____
(signature) (print)

Address: _____ Phone: _____

Objection: YES _____ NO _____ Notes: _____

NEIGHBOR 3

Name: _____
(signature) (print)

Address: _____ Phone: _____

Objection: YES _____ NO _____ Notes: _____

NEIGHBOR 4

Name: _____
(signature) (print)

Address: _____ Phone: _____

Objection: YES _____ NO _____ Notes: _____

The neighbors have reviewed the plans I am submitting for Architectural Approval. I understand neighbor objections do not, in themselves, cause denial. However, the Architectural Committee will contact the neighbors to determine if their objections are applicable, if necessary.

Submitted By:

Name: _____
(signature) (print)

Address: _____ Phone: _____

Date: _____

SOLAR - NEIGHBOR AWARENESS FORM IMPACTED NEIGHBOR STATEMENT

Consents obtained without objections; except as noted.
Neighbors may obtain their own Solar Survey.

Neighbor 5

Name: _____ (signature) _____ (print)

Address: _____ Phone: _____

Objection: YES _____ NO _____ Notes: _____

NEIGHBOR 6

Name: _____ (signature) _____ (print)

Address: _____ Phone: _____

Objection: YES _____ NO _____ Notes: _____

NEIGHBOR 7

Name: _____ (signature) _____ (print)

Address: _____ Phone: _____

Objection: YES _____ NO _____ Notes: _____

NEIGHBOR 8

Name: _____ (signature) _____ (print)

Address: _____ Phone: _____

Objection: YES _____ NO _____ Notes: _____

The neighbors have reviewed the plans I am submitting for Architectural Approval. I understand neighbor objections do not, in themselves, cause denial. However, the Architectural Committee will contact the neighbors to determine if their objections are applicable, if necessary.

Submitted By:

Name: _____ (signature) _____ (print)

Address: _____ Phone: _____

Date: _____

NOTICE OF COMPLETION

Notice is hereby given that:

The undersigned is the Owner of the Residence located at

Street Number : _____

City: _____ **Zip Code:** _____

The work of Improvement on the above described Residence was COMPLETED on _____ day of _____, 200_ in accordance with the Architectural Committee's written approval through the above Owner's plans and submittal package.

Name of Owner: _____

Signature of Owner: _____

Date: _____

PALERMO HOMEOWNERS ASSOCIATION (BELLA)

Solar Energy System Guidelines

The Board recognizes there may be member interest in installing solar energy systems within the community. Since these systems by nature must be installed outside the unit (*i.e.*, in the Common Area), the Association has adopted this policy to aid members in developing their solar projects within Association expectations.

These Solar Energy System Guidelines (“Guidelines”) constitute reasonable restrictions on the installation of solar energy systems pursuant to Civil Code section 714.1, and apply to the installation of solar energy systems.¹ Solar energy systems may be installed on the roof of the building where the Owner’s Unit is located, in accordance with these Guidelines.

It is critical to ensure that any installation of a proposed solar energy system is done in a manner that best preserves the harmony and character of the community as a whole. As such, the establishment of Guidelines that meld energy conservation efforts with an installation that is aesthetically pleasing is of paramount importance. Subject to the limitations of Civil Code section 714 (“Statutory Guidelines”),² the applicant Owner is requested to install their solar energy system so as to minimize the visual impact from Common Areas and neighboring Units, while maintaining an efficient operating system.

1) **Approval:**

- a. Prior architectural approval from the Association is required before any solar energy system may be installed. (CC&Rs, Section 4.05(a).) The Association may approve, conditionally approve, or deny an application. An application may be denied pending the submission of additional information or the acceptance of additional conditions. The Association may require submittal of any additional information necessary, in the Board’s or Architectural Committee’s discretion, to evaluate an application. The Association may propose an alternative installation that is more aesthetically pleasing, within Statutory Guidelines.
- b. In reviewing an application for a solar energy system, the Board may, in its sole discretion, retain an expert to review an application for a solar energy system and/or to be involved in any aspect of the approval, installation, or inspection process. If the Board finds it necessary to utilize an expert, the Owner will be responsible for the cost. This is considered an application cost and does not increase the cost of the proposed system under Civil Code § 714.

¹ For purposes of these Guidelines, the term “solar energy system” refers to both solar domestic water heating systems and/or photovoltaic systems, as applicable to an Owner’s request.

² Civil Code section 714 allows the Association to adopt reasonable restrictions that do not significantly increase the cost of the solar energy system or significantly decrease its efficiency or specified performance. Civil Code section 714(d) defines the term “significantly” as follows:

- 1) for domestic water or pool heating systems that comply with state and federal law, an amount exceeding ten percent (10%) of the cost of the system originally proposed, but in no case more than \$1,000.00, or a decrease in efficiency by an amount exceeding ten percent (10%), as originally proposed;
- 2) for photovoltaic systems that comply with state and federal law, an amount not to exceed \$1,000.00 of the system cost originally proposed, or a decrease in efficiency by an amount exceeding ten percent (10%), as originally proposed.

- c. The Association's decision and any request for additional information must be in writing and must be sent to the requesting Owner within thirty (30) days from the date of receipt of a complete and satisfactory application.

2) **Application:**

- a. A checklist of items that need to be submitted with an Owner's application is attached hereto as Exhibit "A." This list may not be exhaustive and any other documents requested by these Guidelines or by the Association must also be submitted.
- b. The items to be submitted with an Owner's application shall include plans which identify:
 - i. The height, width, length, color, and materials of the equipment. Plans must include a black and white diagram (suitable for recording), clearly identifying the location in relation to property boundaries, and dimensions.
 - ii. Photos of proposed location of the installation, the proposed elevation of the array, complete with "photo shop" mock ups of the final installation where possible.
 - iii. Where applicable, the landscaping, lattice, roofing material, and/or other materials that will be used to make the final structure aesthetically in harmony with the community in general.
 - iv. The solar energy system installer's contractor's license number and proof of liability, workers' compensation, property, and auto insurance information, naming the Association and its managing agent as additional insureds (except on the worker's compensation policy). Such policies must not contain an exclusion for work performed in a common interest development or condominium project, and may not contain an insured vs. insured exclusion.
- c. Notify all Owners within the building on which the installation will be located of the application. The requesting Owner must provide the Association with signatures from the notified Owners or certified mail receipts showing the notification was sent.
- d. Any Board approval for the installation of a solar energy system will be conditioned upon the Owner's execution of an Association-prepared Agreement re Use of Real Property ("Agreement") attached as Exhibit "B." Any approval of an application for installation of a solar energy system is conditional upon the execution of such an agreement. **If an Owner is leasing the solar equipment the Association may require the installer and/or owner of the panels to also execute the Agreement.** The Association will have the Agreement executed and recorded. Owner shall be held responsible for the costs of preparation and recording of the Agreement. A form Agreement will be provided to the Owner for review upon submission of an application for a solar energy system.
 - i. The form Agreement is provided for Owner review only, and should not be signed. Once preliminary approval for the solar energy system has been obtained, the Association will have its legal counsel pull the current title to the Owner's Unit and complete the Agreement with the necessary information. Once complete, the Owner will be required to

sign and notarize the Agreement and return it to the Association. The Association will have the agreement executed and recorded.

- ii. The Owner will be responsible for the fees associated with the preparation of the Agreement by Association legal counsel and the cost of recording. To cover these costs, a refundable deposit in the amount of \$500.00 must be submitted with the Owner's application. Any amount not used in the preparation of the Agreement and recording will be refunded to the Owner. Work may not begin until the Agreement has been recorded.
- 3) **Permits:** Owners shall obtain all necessary permits at their cost. A solar energy system shall meet all applicable building codes and health and safety standards and requirements imposed by state and local permitting authorities. Obtaining any necessary permits is a condition of approval for the installation of the solar energy system. Following preliminary approval of the application by the Board, the Owner must submit copies of the required permits to the Association prior to work being performed.
- 4) **Fire Marshall Approval:** Owners shall obtain all necessary approvals from the local Fire Marshal for the proposed installation of the solar energy system. Evidence of such approval must be provided with the application for the solar energy system.
- 5) **Installation Location:**
 - a. Owner must install Owner's solar energy system either solely on the roof over the building that the Owner's Unit. Ancillary equipment must be placed in the garage of the Unit.
 - b. Solar Site Survey.
 - i. The Association, in its sole discretion, may perform its own solar site survey, or request the Owner perform a solar site survey, to identify the usable area of the rooftop. All Owners requesting a solar energy system shall abide by the survey's Equitable Allocation of usable rooftop area. (Civil Code § 4746(b)(1)(A).) For purposes of this provision, "Equitable Allocation" means dividing the roof of a building amongst all Units within that building such that each Unit Owner has the opportunity to install a solar energy system that will produce a relatively equal amount of energy.
 - ii. The solar site survey shall be conducted at the expense of the owner. The cost of the solar site survey is not deemed as increasing the cost of the proposed system pursuant to Civil Code section 714.
 - iii. The solar site survey must be performed by a licensed contractor knowledgeable about installation of solar energy systems.
 - iv. The requesting Owner must abide by the Equitable Allocation assigned by the Association's solar site survey, if one is prepared, or if not, the Equitable Allocation assigned by the solar site survey submitted by the Owner, by using only the Owner's share of the rooftop so the remainder will be available for other Owners of Units in the building.
 - v. Applications will be processed in the order they are received. To the extent more than one Owner desires to utilize the same area of space for

a solar energy system, and to the extent the proposed solar energy systems are acceptable to the Association, the space will be allocated on a first come, first served basis.

- vi. Prior to initiating litigation involving any claim, controversy, or dispute of whatever nature arising out of or related to a solar site survey or surveys, the parties must first attempt to settle any claim by mediation unless the parties mutually agree to another approach to mediation. Demand for mediation shall be filed in writing with the involved parties. A demand for mediation shall be made within a reasonable time after the claim has arisen. In no event shall the demand for mediation be made after the date when institution of legal or equitable proceedings based on such claim would be barred by the applicable statute of limitations.
- vii. In the event the Equitable Allocation of the roof makes it impractical or impossible for any single Owner to install a solar energy system in the Owner's allotted space (i.e. there is not enough usable roof space when divided to allow each Owner of a Unit in the building to install a functional solar energy system), the Association will consider an Owner's application for the installation of a solar energy system on a greater portion of the roof than what is Equitably Allocated to that Owner if the Owner obtains the approval of each of the other Owners in that building. Such approval must be evidenced by a signed agreement that will be recorded with the County Recorder in a form provided by the Association. The applicant Owner will be responsible for the cost of the preparation of each agreement and the costs of recording each agreement. These agreements must be executed prior to the Association's consideration of the Owner's application for a solar energy system.
- c. The preferred location for all solar energy systems is one that results in the least visual impact to Owners of the Association and the least destructive and/or intrusive impact to the Common Area or area(s) the Association maintains. To the extent it is consistent with the Equitable Allocation of usable roof space and Statutory Guidelines, roof-mounted solar panels shall first maximize the solar output of one roof line before any panels are placed on a second roof line. If possible, non-street view roof lines should be utilized.
- d. If the proposed solar energy system is not to be located on a roof, it may only be installed as approved by the Association.

6) **Installation/System Standards:**

- a. Water Heating System Standard: A solar energy system for heating water shall be certified by the Solar Rating Certification Corporation ("SRCC") or other nationally recognized certification agencies. The certification shall be for the entire solar energy system and installation.
- b. Photovoltaic System Standard: A solar energy system for producing electricity shall meet all applicable safety and performance standards established by the National Electrical Code, the Institute of Electrical and Electronics Engineers, and accredited testing laboratories such as Underwriters Laboratories, and where applicable, rules of the Public Utilities Commission regarding safety and reliability.

- c. The solar energy system must be engineered so that the structural integrity of the existing structure and existing roof are maintained. The existing roof must be left in place unless otherwise approved by the Association.
 - d. Existing trees and other obstructions that may interfere with the efficiency of the solar energy system cannot be removed without the written approval of the Association.
 - e. The solar panels must not produce a significant amount of heat as to cause harm to the Common Area or other homes.
 - f. To the extent reasonably feasible without affecting the efficiency of the solar energy system as described in Civil Code section 714, the Owner shall install the solar and related equipment so as to minimize glare and visibility from other areas of the Association. The solar panels must have sufficient glare resistance as to not cause a nuisance to other Owners. The applicant is solely responsible for ensuring compliance with this provision. Verified complaints related to reflection of light and heat from other Owners' solar energy systems may result in modifications and/or removal at the installing Owner's expense.
 - g. Specifications from the manufacturer must be provided for Architectural Committee review.
 - h. Roof-mounted solar panels must be square and parallel to the roof line(s) where the panels are to be installed.
 - i. All solar panels and other equipment must be installed with as low a profile as functionally practical, to minimize the visual impact of the equipment.
 - j. The highest point of any solar energy system should be lower than the ridge of the roof where it is attached, if possible, unless otherwise approved in writing by the Association.
 - k. Piping and electrical connections must be located directly under and/or within the perimeter of the panel and be concealed from view from all angles.
 - l. The color of the panels and trim of the support structure will be limited to black, brown, gray, or non-reflective metallic as provided by manufacturer. No brass, silver, or white or other colored panels will be allowed.
 - m. Support poles, support structures and other equipment must be painted to blend with the color of the portion of the building on which it sits.
 - n. Installation must be in strict compliance with approved plans. Any changes to the approved plans must be separately approved before installation.
- 7) **Preconstruction Roof Inspection:** Upon review of the Owner's application, the Board may designate a licensed roofer to, at the Owner's cost, perform an inspection of all roofing components and comply with all of the following:
- a. Determine the estimated usable life span of the existing roof.
 - b. Verify that the existing roof is compatible with the intended solar energy system.

- c. Submit an additional and/or revised proposal to the Owner(s) and the Association if any additional roofing, waterproofing or fireproofing is required beyond the scope of work submitted with the Owner's application.
 - d. Provide a written report and photographic record of the condition of the existing roof.
- 8) **Maintenance, Damage, Costs:** Owner covenants and agrees to:
- a. Pay all costs and expenses related to and to be fully responsible for the maintenance, repair, removal, and/or replacement of the solar energy system, as well as any maintenance, repair, and/or replacement of any portion of the Common Area or Units made necessary by the installation, maintenance, repair, replacement, use, continued existence, and/or removal of the solar energy system, including, but not limited to, the maintenance, repair, and replacement of the roof beneath which the solar energy system is located, other building components beneath which the solar energy system is located, water damage and/or accelerated roof deterioration.
 - b. Assume all responsibility for any damage to persons, property, or otherwise which may result from the installation, maintenance, repair, replacement, use, continued existence, and/or removal of the solar energy system.
 - c. Should the Association need to inspect, maintain, repair, or replace the roof or Common Area underneath any portion of the panels or system, Owner agrees to remove the improvements where necessary, at Owner's sole expense, to allow Association to perform its duties pursuant to the Governing Documents, after which Owner may replace the solar energy system at Owners' own cost, if desired, in the exact same location as previously approved.
 - d. This section, and all sections included in these Guidelines, apply regardless of whether Owner owns or leases the panels.
- 9) **Insurance:** Owner, including all subsequent Owners, shall be responsible for securing and maintaining adequate insurance for the solar energy system, including any liability arising therefrom. Owner must provide a certificate of liability insurance to the Association within fourteen (14) days of approval and annually thereafter. Association shall have no obligation to insure the solar energy system. Failure of the Association to verify compliance does not excuse an Owner's performance, and does not constitute a waiver of the Association's right to enforce compliance in the future. Failure to maintain insurance and provide evidence of such insurance on demand shall be deemed a material breach of the conditions of approval, and the Association shall have the right, but not obligation, to order removal of the solar energy system installation.
- 10) **Warranty:** By mounting hardware or otherwise penetrating the Common Area roof, any existing warranty may be voided. Accordingly, Owner agrees that the solar equipment shall be installed, constructed, maintained, repaired, replaced, removed, or used in accordance with any roof warranty(ies) issued to Association, and that the costs, expenses, loss, and/or damages due to any invalidation, voiding or avoidance of any roof warranty(ies) shall be the sole responsibility of the Owner.
- 11) **Reimbursement of Association by Owner:** An Owner shall be responsible to reimburse the Association and/or members for any and all damage to Common Area and/or Units, respectively, caused by the acts or omissions of Owner or his or her solar

energy system installer arising from or connected with the installation, maintenance, repair, replacement, use, continued existence, and/or removal of the solar energy system. Such damage maintenance or repair costs shall become a part of the assessment to which the Unit is subject, after notice and hearing.

- 12) **Indemnification by Owner and Installer:** As provided in Civil Code section 714.1(a)(4), Owner(s) must indemnify and/or reimburse the Association and/or its members for loss or damage caused by the installation, maintenance or use of the solar energy system. The Association may also require the Owners' installer also indemnify the Association. Owners are solely responsible for ensuring that their solar energy system installer provides such indemnification to the Association and its members.
- 13) **Governing Documents:** These Guidelines are in addition to, and not in lieu of, the governing documents of the Association.

Before an application for solar energy system installation will be deemed complete for review, Owner must sign and return these Solar Energy System Guidelines and the attached Agreement.

By signing below, Owner, on behalf of him/herself and any other Owners of the Unit, acknowledges that Owner has read and agrees to comply with these Guidelines.

OWNER of: [Address within Association] _____

Print Name _____

Date _____

Signature _____

Print Name _____

Date _____

Signature _____

EXHIBIT "A"
SOLAR ENERGY SYSTEM APPLICATION CHECKLIST

In addition to any other documentation required by these Guidelines or by the Association, an owner must submit the following documents with Owner's application for a solar energy system:

- Signed copy of Solar Energy System Guidelines.
- Solar site survey showing placement of solar energy system (if the Association has not already obtained a solar site survey).
- Solar energy system manufacturer specifications.
- Plans that include:
 - Location of the solar energy system;
 - Height, width, length, color, and materials of the equipment;
 - Black and white diagram of proposed installation, suitable for recording;
 - Photos of location of the installation site, proposed elevation of the array, and if possible, Photo Shop mock ups;
 - Any materials being used to make the final installation aesthetically in harmony with the rest of the community.
- The Solar Energy System Installer's:
 - Contractor's license number;
 - Proof of Installer's liability, workers' compensation, property, and auto insurance information, naming the Association and Association's managing agent as an additional insured (except on the workers' compensation policy).
- Signatures of all Owners of Units within the building where the solar energy system is to be installed, or certified mail receipts showing such notification was sent.

Within fourteen (14) days of approval (and annually thereafter) Owner must provide the Association with a certificate of adequate liability insurance for the solar energy system.

*****Any approval of an application for installation of a solar energy system is conditional upon the Owner's execution and notarization of the Agreement re Use of Real Property attached as Exhibit "B."*****

EXHIBIT "B"
**LICENSE, MAINTENANCE, AND INDEMNITY AGREEMENT REGARDING USE OF REAL
PROPERTY**

(Attached on following page. Remainder of this page is blank.)

RECORDING REQUESTED BY:

Palermo Homeowners Association (Bella Palermo)

WHEN RECORDED RETURN TO:

% Epsten, APC
10200 Willow Creek Road, Suite 100
San Diego, California 92131

APN: _____

(Above Space for Recorder's Use)

**AGREEMENT RE USE OF REAL PROPERTY
(SOLAR INSTALLATION)**

This Agreement re Use of Real Property ("Agreement") is made this ____ day of _____, 20__, by and between _____ (hereinafter "Owner"), and Palermo Homeowners Association (Bella Palermo), a California nonprofit mutual benefit corporation (hereinafter "Association"), with reference to the following:

RECITALS

A. Association is vested with certain rights and obligations of Ownership, management, and control of the property commonly known as "Bella Palermo" ("Project"). Association maintains certain Common Area in the Project, as described in more detail in the Declaration of Covenants, Conditions and Restrictions recorded on November 9, 1993, as Doc. No. 93-0773040 in the Official Records of Orange County, California, and all supplements and amendments thereto (referred to herein collectively as "Declaration"). The Association has also adopted Solar Energy System Guidelines ("Guidelines").

B. Owner owns real property located at _____ ("Unit"), and legally described in the attached Exhibit "A" incorporated herein by reference. Unit is subject to Association's Declaration and Guidelines.

C. Owner has requested permission to install a solar energy system on the roof of Owner's Unit or garage ("Roof"), as set forth in more detail in Owner's solar energy system installation application ("Application") submitted on or about _____, 20__, which is on file with the Association and is incorporated herein by reference. The proposed improvements set forth in the Application are referenced and detailed in Exhibit "B" to this Agreement, and are collectively referred to herein after as "Improvements." Owner has also signed the Association's Guidelines, which are on file with the Association and are incorporated herein.

D. The Improvements, in whole or in part, affect the Common Area, including the Roof, for which the Association has the responsibility to maintain.

E. Pursuant to its Governing Documents, the Association has the power and authority to approve or disapprove the Improvements.

F. The Association has agreed to approve the Application and Improvements and has agreed to permit the construction and maintenance of the Improvements subject, however, to the terms and conditions of the Guidelines and this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the terms and conditions set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and the Association agree as follows:

1. The above Recitals are incorporated into this Agreement as if fully set forth in the body of this Agreement.

2. Association, by virtue of and under its authority in its Governing Documents, hereby grants and conveys to Owner a nonexclusive revocable license over the Common Area to install, repair, maintain, use, and remove Improvements. Owner's license is limited to the installation, repair, maintenance, use and removal of Improvements in the location and to the extent approved by the Association in the Application. Said license shall be for the sole and exclusive purpose of installing, maintaining, repairing, using and removing Improvements and repairing any damages to Unit, Roof, or Common Area that may result from installing, maintaining, repairing, using and removing the Improvements.

3. Should Association need to inspect, maintain, repair or replace the Roof or Common Area underneath the Improvements, Owner will remove the Improvements where necessary, at Association's sole discretion and at Owner's expense, to allow Association to perform its duties pursuant to the Governing Documents, after which Owner may replace the Improvements at Owner's own cost, if desired in the exact same location as previously approved. The terms of this Agreement shall remain in full force and effect after such replacement.

4. Owner shall be solely responsible for obtaining any and all necessary approvals and permits for the Improvements.

5. Owner shall be responsible for securing and maintaining adequate insurance (including liability coverage) for the Improvements. Association shall have no obligation to insure the Improvements.

6. Owner shall be solely responsible for installing, repairing, maintaining, replacing and removing Improvement, and for paying all sums, debts, and obligations arising from, all such installation, maintenance, repair, replacement, use or removal. Owner shall be solely responsible for any damages to property owned by Association or its membership caused by the Improvement. Owner covenants and agrees to assume all responsibility for any damages to persons, property or otherwise which may result from the installation, construction, maintenance, repair, replacement, removal, use or continued existence of the Improvements and to hold Association free and harmless from any and all costs and expenses attributable to the installation, construction, maintenance, repair, replacement, removal, use, or continued existence of the Improvement. Such obligations shall include, but not be limited to, the premature or advanced deterioration of the roof surface(s) and/or structure upon which the Improvements are penetrated, cut, mounted and attached from whatever cause or reason, including, but not limited to, insufficient sunlight on the roof, penetrations, leaks, dry rot or other cause(s).

7. Owner understands and acknowledges that mounting hardware or otherwise penetrating the Common Area roof voids the/any existing roof warranty(ies). Accordingly, Owner agrees that the Improvements shall be installed, constructed, maintained, repaired, replaced, removed, or used in accordance with any roof warranty(ies) issued to Association, and that the costs, expenses, loss and/or damages due to any invalidation, voiding or avoidance of any roof warranty(ies) shall be the sole responsibility of Owner. Owner shall be solely responsible to

reimburse Association the repair or replacement costs and expenses Association incurs to repair or replace the roof which is damaged as a result of Owner's Improvement, and be responsible to pay for property damage to Common Area or other units as a result of Owner's Improvement.

8. Owner shall install, maintain, repair, replace or remove the Improvements during reasonable hours of the day to avoid unreasonable noise and disturbances to adjoining homeowners.

9. Owner and Owner's successors and assigns shall defend, indemnify and hold free and harmless Association, its officers, directors, servants, agents, successors and assigns, and employees, from any and all actual and/or alleged obligations, liability, liens, claims, demands, loss, damage, costs, or causes of action whatsoever (hereinafter referred to collectively as "Liability") to, or brought by any and all persons, including contractors or employees of Owner or Association, or to property in any way, related to or arising out of the installation, maintenance, repair, replacement, use or removal of the Improvement, however the Liability may be caused (unless the Liability is solely caused by the negligent conduct or willful misconduct of Association, and/or its employees), including, but not limited to, the following:

a. Any loss, cost, damage, or expense sustained by Association and its membership, including reasonable attorneys' fees, on account of the installation, maintenance, repair, replacement, use or removal of the Improvement;

b. Any loss, cost, damage, or expense, including reasonable attorneys' fees, liability, death, or property damage sustained at any time by any person or persons related to or in consequence of the installation, maintenance, repair, replacement, use or removal of the Improvement, whether such bodily injury or such property damage is due or claimed to be due to the negligence of Owner or any other persons.

10. Installation, maintenance, repair, replacement, use, and removal of the Improvements shall be performed and completed in compliance with all laws and ordinances of the City of Orange; the Association's Governing Documents, including its architectural rules and design standards, the Declaration, and the Guidelines; and the terms of this Agreement. Owner shall pay any permit fees, if any, required by the City of Orange. The Improvements shall be constructed by a contractor who is licensed by the State of California to perform same. Additionally, if the general contractor will be employing subcontractors, said subcontractors must be duly licensed by the State of California to perform the trade for which they have been engaged.

11. Owner's contractor ("Contractor") shall purchase from and maintain in full force and effect at all times until all of the work of this Agreement is completed in a company or companies lawfully admitted in and authorized to do business in California with a published A.M. Best's rating of A or above, such insurance as in the reasonable opinion of the Association will reasonably protect the Contractor and Association from claims which may arise out of or result from Contractor's operations under the Contract and for which the Contractor, subcontractors, and/or their employees (or anyone for whose acts any of them are liable) may be legally liable. Such insurance shall, without limitation to the above, provide coverage of not less than One Million Dollars (\$1,000,000.00) per occurrence and include but not be limited to claims: (1) under worker's compensation disability; (2) comprehensive general liability for damages due to bodily injury, occupational sickness or disease, or death of Contractor's employees or other persons; (3) owned, non-owned and hired motor vehicle insurance; (4) for damages to property, including loss of use thereof. To the extent available, the above-described policies shall include: (1) contractual liability coverage; (2) Premises/Operations; (3) Products and Completed Operations; (4) Bodily and Personal Injury Liability; and (5) Broad Form Property Damage. **The**

Association and its managing agent shall be named as an additional insured under all of the above-required policies. Further, all such policies must not contain any exclusion for work for or at a common interest development, any insured versus insured exclusion or a contractor's condition endorsement.

12. Owner covenants and agrees to pay all costs and expenses incurred in removing and replacing the Improvement, if such removal is required by Association, in its sole discretion, in order to perform its inspection, maintenance, repair and/or replacement responsibilities under the Governing Documents of the Association. The Association agrees that such discretion will be exercised reasonably and not arbitrarily. Owner further agrees to remove the Improvements in a timely manner (within fourteen (14) days of the date of the Association's written request) and in full cooperation with Association's scheduled inspection, maintenance, repair and/or replacement efforts so as to not cause any delay or additional cost to Association. If Owner fails to timely remove the Improvements so Association can do work for which it is responsible, the Association may remove the Improvement, at Owner's cost, and Owner shall release, hold harmless and indemnify Association from any actual or alleged liability, liens, injuries, causes of action, claims, demands, damages, losses, judgments, costs, (including actual attorneys' fees), which may exist, be brought or instituted, or imposed against Association or its past, present and future Board of Directors, officers, members, agents and employees because of or due to Association's removal of the Improvement. Association shall not be responsible for damage to the Improvements if Owner failed to timely remove the Improvement.

13. The prevailing party shall be entitled to receive reasonable attorneys' fees in addition to such other relief as may be granted, should any action or proceeding be commenced between Association and Owner (and Owner's successors and assigns) concerning the provisions of this Agreement or breach hereof, whether or not the matter proceeds to judgment or any other form of adjudication.

14. If any litigation, arbitration, or mediation is commenced between Owner and the Association, or the directors, officers, agents, employees or successors of either party concerning the provisions of this Agreement or its breach or termination, Owner agrees that Owner may bring litigation, arbitration, or mediation proceedings solely against the Association, and that they waive any right they may have to litigate, arbitrate, or mediate against any past, present, or future director, officer, agent, employee, or member of the Association.

15. This Agreement shall be binding upon Owner's successors, assigns, heirs, executors, administrators, and the like, and this Agreement will be recorded and the provisions contained in this Agreement shall run with the land and be binding upon Unit.

16. In the event the license provided for by this Agreement is revoked, the remainder of this Agreement shall remain in full force and effect.

17. Each party to this Agreement has been advised to seek legal counsel and, in entering this Agreement, has had the opportunity to rely upon the advice, evaluation and recommendation of its own counsel and not opposing counsel. This Agreement shall be construed without reference to the identity of the party or parties preparing the same. It is understood and agreed that the parties hereto participated equally or had equal opportunity to participate in the drafting of this Agreement.

18. This Agreement is intended by the parties as the final expression of their Agreement with respect to the construction and costs of maintenance, repair and replacement of the Improvement, and is a complete and exclusive statement of the terms thereof. This Agreement supersedes all prior representations, understandings or Agreements of the parties and the parties rely solely upon the contents of this Agreement. This Agreement may be

modified only by a writing signed by the parties or their respective successors in interest and recorded in the same manner as this Agreement.

19. If any of the terms or provisions of this Agreement shall be declared by a court of competent jurisdiction to be invalid, inoperative, void or otherwise unenforceable, all of the remaining terms and provisions shall remain in full force and effect and, to this extent, the terms and provisions of this Agreement are deemed to be severable.

20. Prior to initiating litigation involving any claim, controversy, or dispute of whatever nature arising out of or concerning this Agreement, the parties to this Agreement must first attempt to settle any claim by mediation. Demand for mediation shall be filed in writing with the other party to this Agreement. A demand for mediation shall be made within a reasonable time after the claim has arisen. In no event shall the demand for mediation be made after the date when institution of legal or equitable proceedings based on such claim would be barred by the applicable statute of limitations.

21. This Agreement shall be in addition to, and not in lieu of the Declaration and any other documents which govern the use of the Project and the operation of Association, and Owner agrees that the Improvements shall remain subject in all respects to the jurisdiction of the Association and the Governing Documents.

22. To the extent any mortgagee and/or beneficiary of a deed of trust takes an interest in the Unit following the recording of this Agreement, such mortgagee or beneficiary of such deed of trust takes it subject to this Agreement.

23. If this Agreement is signed on behalf of an entity other than an individual, the person signing this Agreement represents that he or she has the authority to enter into the Agreement on behalf of said entity.

24. This Agreement may be signed in counterparts, each of which shall be treated as an original.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, it is so agreed.

[SIGNATURES ON FOLLOWING PAGE]

“ASSOCIATION”

PALERMO HOMEOWNERS ASSOCIATION (BELLA PALERMO), a California nonprofit mutual benefit corporation:

By: _____

Printed Name: _____

Title: _____

Date: _____

“OWNER(S)”

By: _____

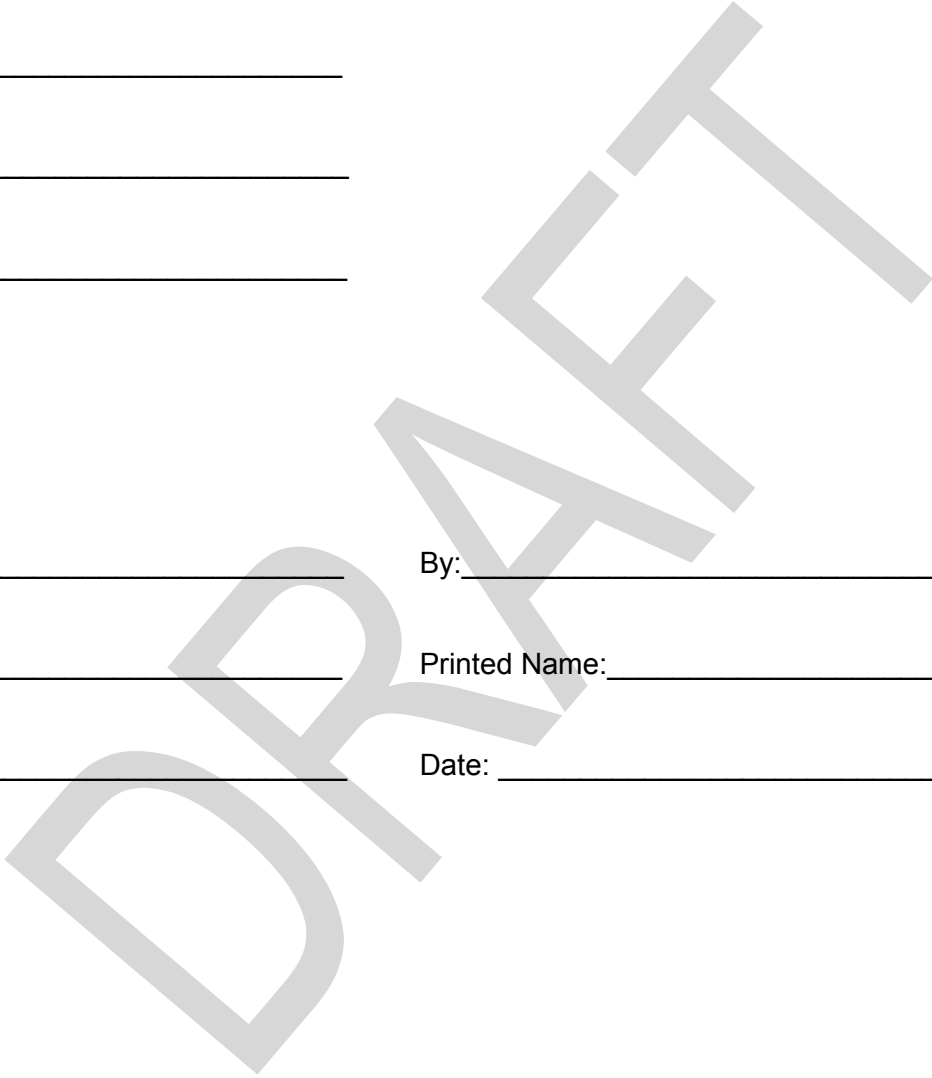
By: _____

Printed Name: _____

Printed Name: _____

Date: _____

Date: _____



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 COUNTY)

On _____, 20__ before me, _____, Notary Public, personally appeared _____, 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 paragraphs is true and correct.

Witness my hand and official seal.

Notary Public

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.

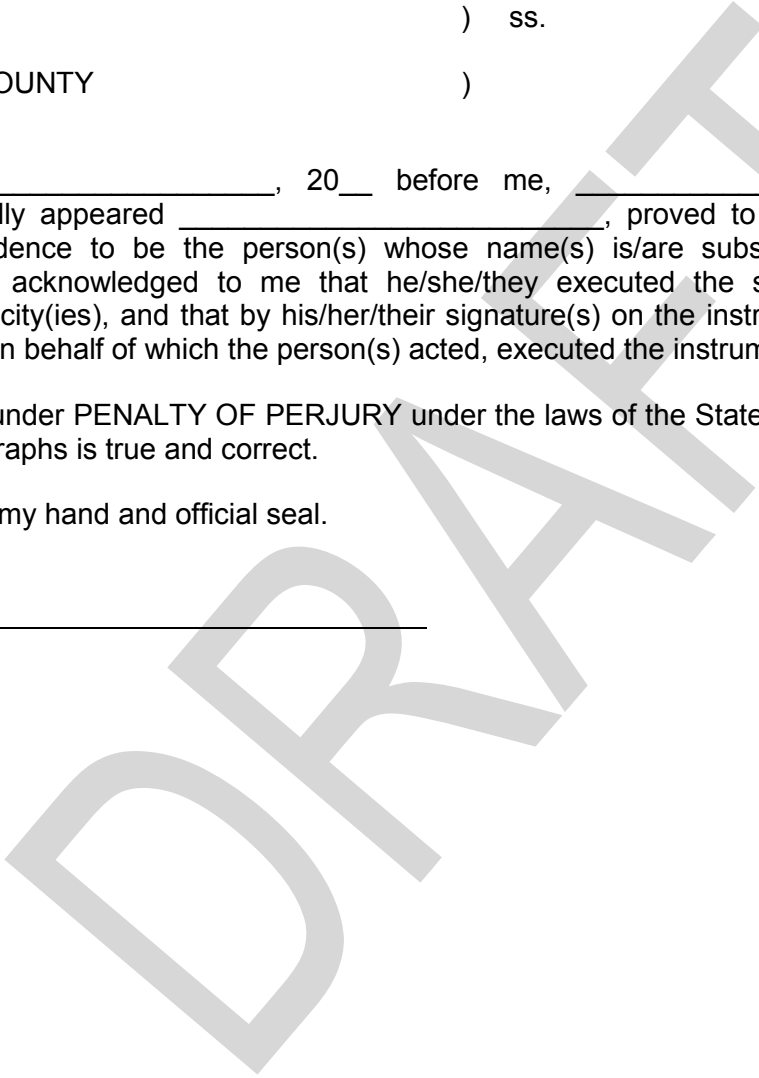
COUNTY OF COUNTY)

On _____, 20__ before me, _____, Notary Public, personally appeared _____, 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 paragraphs is true and correct.

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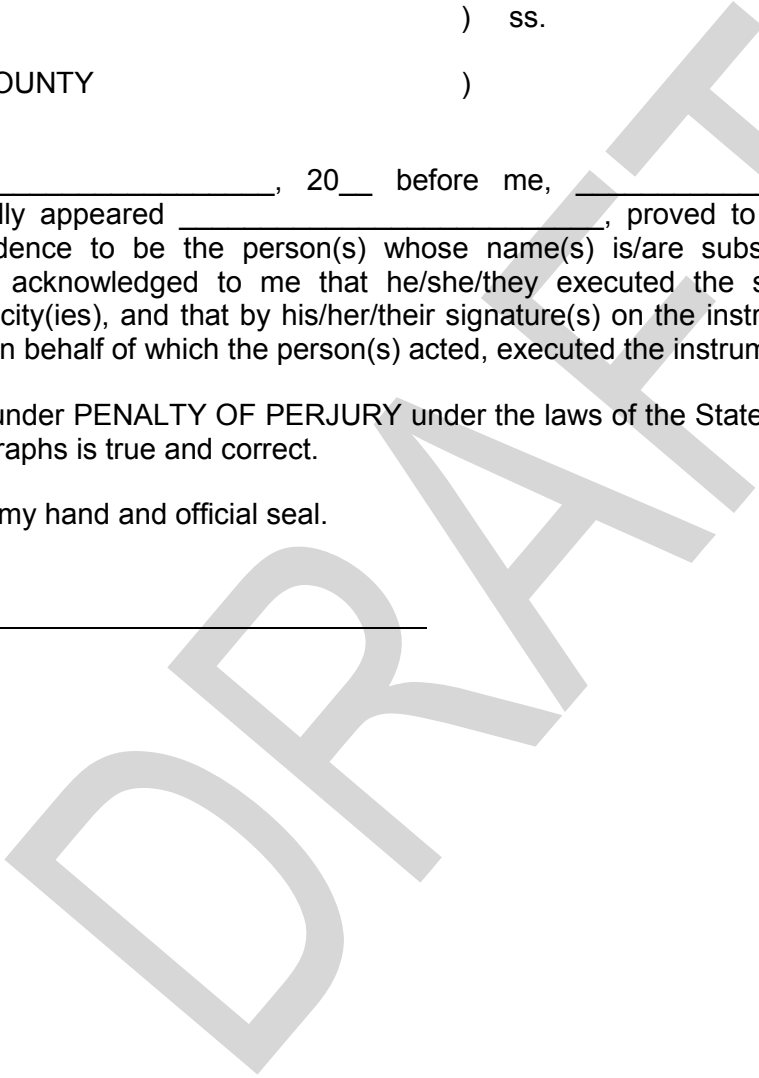
COUNTY OF COUNTY)

On _____, 20__ before me, _____, Notary Public, personally appeared _____, 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 paragraphs is true and correct.

Witness my hand and official seal.

Notary Public



**EXHIBIT "A"
LEGAL DESCRIPTION**

APN:

OWNER:

ADDRESS:

DRAFT

EXHIBIT "B"
DIAGRAM OF IMPROVEMENT

[NOT ATTACHED FOR RECORDING, ON FILE WITH ASSOCIATION MANAGEMENT]

DRAFT