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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

PALERMO
ORANGE COUNTY, CALIFORNIA

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EXHIBIT A: PERIMETER WALLS TO BE MAINTAINED WITH PHASE I

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS**

PALERMO
ORANGE COUNTY, CALIFORNIA

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (the "Declaration") is made this 19 day of October, 1993, by Baldwin Builders, a California corporation (the "Declarant").

RECITALS

A. Declarant is the fee owner of certain real property (the "Initial Covered Property") located in the County of Orange, State of California, and described as Lots 1 and A of Tract Map No. 14521, as per map filed in Book 698, Pages 27 to 31, inclusive, of Miscellaneous Maps, records of said County. Said tract (hereinafter referred to as "Tract No. 14521") together with any final tract map, parcel map or lot line adjustment filed or recorded in the records of the County covering any portion of the Covered Property are incorporated herein and by this reference made a part hereof.

B. It is the desire and intention of Declarant to create a multiphased condominium planned development in accordance with Section 1351(f) of the California Civil Code and to establish covenants, conditions, restrictions, rights, easements, liens and charges which will constitute a general scheme for the management, use, occupancy and enjoyment of the Covered Property, all running with the Covered Property for the purpose of enhancing and protecting the value, desirability and attractiveness of the Covered Property and enhancing the quality of life within the Covered Property. All terms used in these Recitals shall mean the same as such terms are hereinafter defined in this Declaration unless the context clearly indicates otherwise.

C. If developed as planned, the Development will contain two hundred ten (210) Condominiums with Units ranging in size from 940 square feet to 1,305 square feet which will be developed in seven Phases and will include recreational facilities consisting of multi-purpose room, weight room, pool, jacuzzi and tot lot. The condominium buildings are to be constructed in modern architectural style. Although Declarant currently intends to sequentially develop the Initial Covered Property and the Annexation Property as aforesaid, Declarant may elect to develop all or any part of the Annexation Property in increments of any size and in any order. The development of the condominium project will be consistent with the overall development plan submitted to the VA and/or the FHA.

D. All persons who purchase Condominiums within the Covered Property shall be Owners and Members.

NOW, THEREFORE, Declarant hereby covenants, agrees and declares that all of the Covered Property shall be held and conveyed subject to the following covenants, conditions, restrictions, rights, easements, liens and charges which are hereby declared to be for the benefit of said interests and shall be enforceable equitable servitudes and shall inure to the benefit of and bind all Owners in accordance with California Civil Code Section 1354 and shall be binding upon all parties having or acquiring any right or title in said interests or any part thereof, and shall inure to the benefit of each Owner thereof and are imposed upon said interests and every part thereof as a servitude in favor of each and every of said interests as the dominant tenement or tenements.

ARTICLE I

DEFINITIONS

Unless the context clearly indicates otherwise, the following terms used in this Declaration are defined as follows:

Section 1.01 - Allowable Charges. "Allowable Charges" shall mean the costs, late charges and interest in the amounts permitted by Section 1366(d) of the California Civil Code which may be recovered by the Association when any Assessment becomes delinquent which, as of the date hereof, permits (1) reasonable costs incurred in collecting delinquent Assessments including reasonable attorneys' fees, (2) a late charge not exceeding ten percent (10%) of the delinquent Assessments or Ten Dollars (\$10.00), whichever is greater, and (3) interest on all sums imposed in accordance with this Section, including the delinquent Assessment, reasonable costs of collection and late charges, at an annual percentage rate not to exceed twelve percent (12%) interest, commencing not sooner than thirty (30) days after the Assessment becomes due. The Association shall be exempt from compliance with the interest rate limitations imposed under Article XV of the California Constitution until and unless Section 1366(e) of the California Civil Code is amended to provide otherwise.

Section 1.02 - Annexation Property. "Annexation Property" shall mean that real property in the County of Orange, State of California, described as Tract No. 14521 excepting therefrom the Initial Covered Property. The maximum number of Condominiums which may be annexed as part of the Annexation Property shall not exceed one hundred sixty-eight (168) Condominiums.

Section 1.03 - Annexed Property. "Annexed Property" shall mean any property that is described in a Supplementary Declaration that has been recorded in the Official Records and has become a part of the Covered Property.

Section 1.04 - Architectural Committee. "Architectural Committee" shall mean the committee or committees provided for in the Article hereof entitled "Architectural Control."

Section 1.05 - Articles and Bylaws. "Articles" and "Bylaws" shall mean the Articles of Incorporation and Bylaws of the Association as the same may from time to time be duly amended.

Section 1.06 - Assessments. "Assessments" shall mean each of the charges levied by the Board pursuant to the provisions of the Association Management Documents for the purposes indicated below:

(a) Cable Television Service Assessment for cable television services which may be levied against an Owner who has subscribed for such services;

(b) Capital Improvement Assessment levied against each Owner in any calendar year applicable to that year only for the purpose of defraying, in whole or in part, the cost of any installation, construction or replacement of a described capital Improvement upon the Common Area to the extent the same is not covered by Reconstruction Assessments, including the necessary fixtures and personal property related thereto;

(c) Penalty Assessment levied against an Owner as a monetary penalty as a disciplinary measure for failure of such Owner to comply with the provisions of the Association Management Documents or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Area that is being maintained by the Association pursuant to the provisions of this Declaration for which the Owner was allegedly responsible or bringing such Owner and his Condominium into compliance with the provisions of the Association Management Documents;

(d) Reconstruction Assessment levied against each Insured Owner to cover the cost to the Association for the repair, replacement or reconstruction of any portion or portions of the Insured Improvements pursuant to the provisions of the Article entitled "Destruction of Improvements" of this Declaration;

(e) Regular Assessment levied against each Owner for such Owner's proportionate share of the estimated Common Expenses for the forthcoming fiscal year;

(f) Special Assessment levied against all Owners to cover the cost of any action or undertaking on behalf of the Association which is not specifically covered under any other Assessment. In the event the

Association undertakes to provide materials or services which benefit a particular Owner, such Owner in accepting such materials and services agrees that the cost thereof shall also be a Special Assessment; and

(g) Special Benefits Assessment levied against an Owner and such Owner's Residence within a particular Special Benefits Area representing such Owner's proportionate share of the Special Benefits Expenses for such Special Benefits Area.

Section 1.07 - Association. "Association" shall mean Palermo Homeowners Association, a nonprofit mutual benefit corporation incorporated under the laws of the State of California, its successors and assigns, for the purpose of managing the Covered Property.

Section 1.08 - Association Common Area. "Association Common Area" shall mean the portions of the Common Area other than Exclusive Use Common Area that are designated by the Association from time to time for the exclusive use of the Association or any designees of the Association for purposes that are consistent with the management and operation of the Covered Property (i.e., office facilities, manager's living quarters, storage rooms or areas, utility installations and structures containing utility installations and control panels).

Section 1.09 - Association Common Area Improvements. "Association Common Area Improvements" shall mean the Improvements upon the Association Common Area.

Section 1.10 - Association Management Documents. "Association Management Documents" shall mean the Articles, Bylaws, Architectural Standards, Declaration, Supplementary Declaration and the Association Rules and any amendments to any of the foregoing.

Section 1.11 - Association Property. "Association Property" shall mean all real property and the Improvements thereon owned in fee, by easement or leased from time to time by the Association. The Association Property within the Initial Covered Property is described as Lot A of Tract Map No. 14521.

Section 1.12 - Association Rules. "Association Rules" shall mean rules adopted, amended and repealed from time to time by the Board pursuant to the Article entitled "Discipline of Members" of the Bylaws.

Section 1.13 - Board. "Board" shall mean the Board of Directors of the Association.

Section 1.14 - California Statutes. "California Statutes" (Sections of the California Civil Code, Business and Professions Code, Code of Civil Procedure or Corporations Code) when referenced in any of the Association Management Documents shall mean each such statute, and any amendments thereto or any successor statute thereof.

Section 1.15 - Close of Escrow. "Close of Escrow" shall mean the date of the recordation in the Official Records of the conveyance of a Condominium within a Phase in a transaction that requires the delivery of a Final Subdivision Public Report.

Section 1.16 - Common Area. "Common Area" shall mean the Covered Property excepting therefrom the Units.

Section 1.17 - Common Expenses. "Common Expenses" shall mean the actual and estimated costs or amounts established by the Board, other than Special Benefits Expenses, which are to be allocated to all of the Owners to be paid for:

(a) maintenance, management, operation, repair and replacement of all real property and the Improvements thereon which the Association is obligated to maintain pursuant to the provisions of the Association Management Documents;

(b) unpaid Capital Improvement Assessments, Reconstruction Assessments, Regular Assessments, Special Assessments and Penalty Assessments that are levied as a means of reimbursing the

Association for costs incurred by the Association in the repair of damage to Common Area other than Exclusive-Use Common Area;

(c) management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees;

(d) to the extent not metered or billed to Owners, utilities, trash pickup and disposal, gardening and other services which generally benefit and enhance the value and desirability of the Covered Property;

(e) premiums on all insurance maintained by the Association pursuant to the Article entitled "Insurance" of this Declaration (except for fidelity insurance obtained by a management agent for its officers, employees and agents);

(f) adequate reserves to cover the deductible amounts of any insurance policies maintained by the Association and for the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain pursuant to this Declaration, including reserves for replacements for structural elements and mechanical equipment of recreational or other facilities maintained by the Association;

(g) taxes paid by the Association;

(h) discharge of any lien or encumbrance levied against the Common Area or portions thereof;

(i) expenses incurred by committees established by the Board;

(j) security systems or services installed by or contracted for by the Association; and

(k) other expenses incurred by the Association for any reason whatsoever in connection with the Common Area that is being maintained by the Association pursuant to the provisions of this Declaration or the costs of any other item or items designated by the Association Management Documents, or in furtherance of the purposes of the Association or in the discharge of any duties or powers of the Association.

Section 1.18 - Common Facilities. "Common Facilities" shall mean the Improvements upon Nonexclusive Use Common Area that are not Structural Condominium Common Area.

Section 1.19 - Condominium. "Condominium" shall mean an estate in real property as defined in Section 1351(f) of the California Civil Code and consists of a fractional undivided interest in common in certain Condominium Common Area, together with a separate interest in space called a Unit and all right, title and interest appurtenant thereto. Said undivided interest shall be in the Condominium Common Area of the Lot in which such Unit is located and shall be determined by a fraction the numerator of which is one (1) and the denominator of which is the total number of Units contained within the Lot on which such Unit is located. Such fractional undivided interest shall be appurtenant to each Unit within such Lot, shall be described in the instrument conveying a Condominium to the Owner of each such Unit and shall not be changed except as provided in the Section entitled "Limitations by FNMA" of the Article entitled "Mortgagee Protection," the Section entitled "Compliance with Plans" of the Article entitled "Destruction of Improvements," or the Section entitled "Change of Condominium Interest" of the Article entitled "Eminent Domain" all of this Declaration.

Section 1.20 - Condominium Building. "Condominium Building" shall mean a building that contains one or more Units, or portions thereof.

Section 1.21 - Condominium Common Area. "Condominium Common Area" shall mean that portion of the Common Area that is not Association Property and, without limiting the generality of the foregoing, specifically including all structural projections within a Unit which are required for the support of a Condominium Building, gas, water, waste pipes, all sewers, all ducts, chutes, conduits, wires and other

utility installations of the structures wherever located (except the outlets thereof when located within the Units), the land upon which the structures are located, the air space above these structures, all bearing walls, columns, floors, the roof, the slab foundation, common stairways and the like. Condominium Common Area shall specifically exclude all garage door opening systems, window glass and all air conditioning equipment notwithstanding that the foregoing may be located in the Condominium Common Area.

Section 1.22 - Condominium Plan. "Condominium Plan" shall mean the condominium plan covering the Condominium Project within the Initial Covered Property, any condominium plan or plans covering a Condominium Project that is annexed to the plan of the Declaration by the recordation of a Supplementary Declaration, and any amendments thereto, as defined in Section 1351(e) of the California Civil Code which are recorded in the Official Records all of which are incorporated herein and by this reference made a part hereof.

Section 1.23 - Condominium Project. "Condominium Project" shall mean and refers to each Lot that is divided into Condominiums which together contain all of the undivided interests in common in the Condominium Common Area of such Lot.

Section 1.24 - County. "County" shall mean the County of Orange, State of California.

Section 1.25 - Covered Property. "Covered Property" shall mean the Initial Covered Property and, subsequent to the annexation thereof, any Annexed Property. The Covered Property is a common interest development as defined in Section 1351(c) of the California Civil Code which is being developed as a condominium planned development.

Section 1.26 - Declarant. "Declarant" shall mean:

(a) Baldwin Building Company, a California general partnership, its successors and assigns, by merger, consolidation or by purchase of all or substantially all of its assets; and

(b) any person or entity, his or its successors and assigns, to which the foregoing Declarant has assigned any or all of its rights and obligations by an assignment expressed in a recorded instrument including, without limitation, a deed, lease, option agreement, land sale contract or assignment as the case may be, transferring such interest if such assignee agrees in writing with Declarant to accept such assignment.

Section 1.27 - Declaration. "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions as it may be amended from time to time.

Section 1.28 - Development. "Development" shall mean the Initial Covered Property and the Annexation Property.

Section 1.29 - DRE. "DRE" shall mean the Department of Real Estate of the State of California.

Section 1.30 - Exclusive Use Common Area. "Exclusive Use Common Area" shall mean those portions of the Common Area the exclusive use of which, subject to the rights of the Association and Declarant, has been granted to the Owner or Owners of particular Units and which, when conveyed, shall be appurtenant to the Unit(s) of any such Owner or Owners. The Exclusive Use Common Area shall be described (1) on the Condominium Plan or on an Exhibit attached to this Declaration or a Supplementary Declaration, (2) by the physical boundaries, either in existence or to be constructed, such as walls, floors and ceilings of a structure or any portion thereof, (3) an entire structure containing Exclusive Use Common Area or (4) any combination thereof. In the event of any discrepancy between the configuration, dimensions and location of any Exclusive Use Common Area as shown on the Condominium Plan or on an Exhibit attached to this Declaration or a Supplementary Declaration, and the configuration, dimensions and location of such Exclusive Use Common Area as physically constructed on the site, the physical, as-built configuration, dimensions and location shall prevail. Particular Exclusive Use Common Area shall include the following:

Internal and external telephone wiring designed to serve a single Unit, but located outside the boundaries of such Unit, will be Exclusive Use Common Area allocated exclusively for the use and enjoyment of the Owner of the Unit served.

Exclusive Use Common Area can also be created pursuant to the Section entitled "Additional Exclusive Use Common Areas" of the Article entitled "Easements and Rights" of this Declaration.

Section 1.31 - Exhibit. "Exhibit" shall mean any document so designated herein and attached hereto or so designated in a Supplementary Declaration and attached thereto and each of such Exhibits is by this reference incorporated in this Declaration or such Supplementary Declaration.

Section 1.32 - Federal Agencies. "Federal Agencies" shall mean collectively one or more of the following agencies to the extent that any such agency is a Mortgagee, Owner, or insurer or guarantor of a Mortgage within the Covered Property and the following letter designation for such agencies shall mean, respectively, the agency specified within the parentheses following such letter designation: FHA (Federal Housing Administration), FHLMC (Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), VA (Department of Veterans Affairs).

Section 1.33 - Final Subdivision Public Report. "Final Subdivision Public Report" shall mean the report issued by the DRE pursuant to Section 11018.2 of the California Business and Professions Code on a portion of the Covered Property, as amended, if applicable.

Section 1.34 - Improvement. "Improvement" shall mean all:

- (a) structures and appurtenances thereto of every type and kind, including but not limited to, buildings, out buildings, walkways, sprinkler and sewer pipes or lines, garages, carports, gazebos, swimming pools and other recreational facilities, roads, driveways, parking areas, fences, screens, screening walls, retaining walls, awnings, patio and entry covers, stairs, decks, landscaping, hedges, slopes, windbreaks, the exterior surfaces of any visible structure, trees and shrubs, poles, signs, solar or windpowered energy systems or equipment, and water softener or heater or air conditioning and heating fixtures and equipment;
- (b) the demolition or destruction by voluntary action of any structure or appurtenance thereto of every type and kind;
- (c) the grading, excavation, filling, or similar disturbance to the surface of the land including, without limitation, change of grade, change of ground level, change of drainage pattern or change of stream bed;
- (d) landscaping, planting, clearing, or removing of trees, shrubs, grass, or plants; and
- (e) any change or alteration of any Improvement including any change of material, exterior appearance, color or texture.

Section 1.35 - Insured Owner. "Insured Owner" shall mean an Owner who owns a Condominium that is covered by the fire and casualty insurance policy maintained by the Association.

Section 1.36 - Lot. "Lot" shall mean a lot shown on the most recently filed tract map describing such lot or a parcel shown on the most recently filed parcel map describing such parcel covering any portion of the Covered Property and filed for record in the County as such lot or parcel may be adjusted from time to time by any recorded lot line adjustment to the extent that such lot or parcel is a part of the Covered Property. "Lot" shall not include any Association Property.

Section 1.37 - Member. "Member" shall mean every person or entity who is an Owner including Declarant so long as Declarant continues to be an Owner.

Section 1.38 - Mortgage and Mortgagee. "Mortgage" and "Mortgagee" shall mean any duly recorded mortgage or deed of trust encumbering a Condominium and the holder of the mortgagee's or beneficiary's interest under any such Mortgage, respectively. "First Mortgage" and "First Mortgagee" shall mean a Mortgage which has priority over all other Mortgages encumbering a specific Condominium and the holder of any such First Mortgage, respectively.

The following additional terms describe Mortgagees or insurers or guarantors of Mortgages who are entitled to specific rights described in the Association Management Documents:

(a) "Eligible Mortgage Holder" shall mean a First Mortgagee who has delivered to the Board a written request for notification on any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders and is therefore entitled to receive notification from the Association and to vote or approve any proposed amendment or action that requires the consent of a percentage of Eligible Mortgage Holders. Wherever the approval of all or a specified percentage of Eligible Mortgage Holders is required it shall be deemed to mean the vote or approval of all or a specified percentage only of those First Mortgagees who have become Eligible Mortgage Holders by reason of having provided such notification to the Board. Wherever the vote or written approval of Eligible Mortgage Holders is required, it shall be deemed to mean such vote or approval of the percentage specified based on one (1) vote for each First Mortgage held.

(b) "Requesting Mortgagee, Insurer or Guarantor" shall mean the Mortgagee, or insurer or guarantor of a Mortgage entitled to receive timely written notification from the Association of certain matters as provided elsewhere in the Association Management Documents. To be entitled to receive such notification, the Mortgagee, insurer or guarantor must deliver to the Association a written request therefor stating the name and address of such Mortgagee, or insurer or guarantor and the address or other identification of the Condominium encumbered by the Mortgage held, insured or guaranteed by such Mortgagee, or insurer or guarantor.

Section 1.39 - Nonexclusive Use Common Area. "Nonexclusive Use Common Area" shall mean the real property and amenities owned or managed by the Association for the common use of all Owners. The Nonexclusive Use Common Area shall consist of the Common Area excepting therefrom any Exclusive Use Common Area and Association Common Area.

Section 1.40 - Official Records. "Official Records" shall mean the Official Records in the Office of the County Recorder of the County.

Section 1.41 - Owner. "Owner" shall mean one or more persons or entities who are alone or collectively the record owner of a fee simple title to a Condominium, including Declarant, excluding those having any such interest merely as security for the performance of an obligation. If a Condominium has been sold under a land sale contract in which the State of California is the vendor, then the vendee shall be deemed to be the Owner of such Condominium.

Section 1.42 - Perimeter Walls. "Perimeter Walls" shall mean the perimeter walls depicted on Exhibit A attached hereto and any Perimeter Walls described on any similar Exhibit attached to a Supplementary Declaration.

Section 1.43 - Phase. "Phase" shall mean each increment of the Covered Property covered by a Final Subdivision Public Report. "First Phase" shall mean the first increment of the Covered Property covered by a Final Subdivision Public Report.

Section 1.44 - Pro Forma Operating Budget. "Pro Forma Operating Budget" shall mean as defined in Section 1365(a) of the California Civil Code which, until said Section is amended to provide otherwise, includes the following:

- (a) The estimated revenue and expenses on an accrual basis;

(b) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 1365.5 of the California Civil Code and the Section entitled "Review of Accounts" of the Bylaws which is printed in bold type and includes all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component that the Association is obligated to maintain;

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

(A) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components that the Association is obligated to maintain;

(B) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components that the Association is obligated to maintain; and

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

(c) A statement as to whether the Board has determined or anticipates that the levy of one or more special Assessments will be required to repair, replace or restore any major component that the Association is obligated to maintain or to provide adequate reserves therefor; and

(d) A general statement setting forth the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement or additions to those major components that the Association is obligated to maintain.

Section 1.45 - Public Agency. "Public Agency" shall mean individually and/or collectively the City, if any, the County, the State of California, and the United States of America, or any agency of any of the foregoing that has authority over all or any portion of the Covered Property or which regulates or has the authority to regulate any of the uses thereon.

Section 1.46 - Residence. "Residence" shall mean a Unit together with any Exclusive Use Common Area appurtenant thereto.

Section 1.47 - Residence Improvements. "Residence Improvements" shall mean the fixtures and equipment within a Residence and shall also include personal property within the individual Residences if such personal property is encumbered by a First Mortgage.

Section 1.48 - Special Benefits Area. "Special Benefits Area" shall mean a particular portion of the Covered Property designated as such in this Declaration or in any Supplementary Declaration which will require particular services for which the Association shall incur expenses which are attributable only to Owners within such portion of the Covered Property. There are no Special Benefits Areas within the Initial Covered Property.

Additional Special Benefits Areas may be created by the provisions of a Supplementary Declaration as to any Annexed Property described in such Supplementary Declaration.

Section 1.49 - Special Benefits Common Area. "Special Benefits Common Area" shall mean, as to any Special Benefits Area, the portion thereof, or the Improvements therein required to be maintained by the Association pursuant to the provisions of this Declaration or any Supplementary Declaration for the exclusive benefit of the Owners within such Special Benefits Area. There are no Special Benefits Common Area within the Initial Covered Property.

Section 1.50 - Special Benefits Expenses. "Special Benefits Expenses" shall mean and refer to the actual and estimated costs or expenses incurred by the Association for the exclusive benefit of Owners within a particular Special Benefits Area and may include, without limitation, any of the kinds of expenses that are described as Common Expenses hereunder but which pertain only to the Residences or Owners within such Special Benefits Area. The Special Benefits Expenses of the Special Benefits Area shall consist of the costs or expenses described below that have been incurred specifically for, or that have been allocated to, such Special Benefits Area or Special Benefits Common Area on the Pro Forma Operating Budget:

- (a) maintenance, management, operation, repair and replacement of all Improvements upon such Special Benefits Common Area which the Association is obligated to maintain pursuant to the provisions of the Association Management Documents;
- (b) unpaid Special Benefits Assessments for such Special Benefits Area;
- (c) a reasonable charge allocated to such Special Benefits Area for the management and administration of such Special Benefits Common Area and Special Benefits Area by the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees;
- (d) to the extent not metered or billed to Owners, utilities, trash pickup and disposal, gardening and other services which generally benefit and enhance only the value and desirability of the Special Benefits Common Area;
- (e) the premiums on all insurance maintained by the Association for the Special Benefits Area or the Special Benefits Common Area, pursuant to the Article entitled "Insurance" of this Declaration (except for fidelity insurance obtained by a management agent for its officers, employees and agents);
- (f) adequate reserves to cover the deductible amounts of any insurance policies maintained by the Association attributable to the Special Benefits Common Area and for the future repair or replacement of, or additions to, those major components of the Improvements within the Special Benefits Common Area which the Association is obligated to maintain pursuant to this Declaration, including reserves for replacements for structural elements and mechanical equipment of recreational or other facilities maintained by the Association;
- (g) taxes paid by the Association for the Special Benefits Common Area;
- (h) discharge of any lien or encumbrance levied against the Special Benefits Common Area or portions thereof;
- (i) expenses incurred by committees established by the Board specifically for the Special Benefits Area;
- (j) security systems or services installed by or contracted for by the Association specifically for the Special Benefits Common Area; and
- (k) other expenses incurred by the Association for any reason whatsoever in connection with the Special Benefits Area.

In the event insurance or any other contracts and services that are being provided for the Special Benefits Area or the Special Benefits Common Area are included in a contract or document that also covers other portions of the Covered Property, a reasonable portion of such costs and fees can be apportioned to the Special Benefits Common Area or Special Benefits Area.

Section 1.51 - Structural Condominium Common Area. "Structural Condominium Common Area" shall mean the portion of the Common Area that is comprised of the Condominium Building, or portion thereof, that houses a Unit or an element of a Unit and shall include any Exclusive Use Common Area which, in

the original construction of the Condominium Building, or in any reconstruction thereof, is attached or affixed thereto. "Structural Condominium Common Area" shall specifically not include any portion of a Condominium Building that is Association Common Area.

Section 1.52 - Supplementary Declaration. "Supplementary Declaration" shall mean a writing annexing additional property extending the plan of this Declaration to such additional property.

Section 1.53 - Trustee. "Trustee" shall mean the insurance trustee appointed by the Board and shall be a commercial bank, or branch thereof, or a trust company in the County, which has agreed in writing to accept such trust; provided, however, if the Board is unable to find such an institution to act as Trustee for reasonable compensation after a diligent search, the Board may designate itself to act as the Trustee.

Section 1.54 - Unit. "Unit" shall mean the separate interest in space as defined in Section 1351(f) of the California Civil Code comprised of the elements of a Condominium not owned in common with the Owners of other Condominiums and shall consist of a residential or living element, together with one or more deck, yard and garage elements. Each Unit shall be identified on the Condominium Plan with a separate number.

As permitted under Section 1351(f) of the California Civil Code, the boundaries of each element of the Unit shall be described (1) on the Condominium Plan, (2) by the physical boundaries, either in existence or to be constructed, such as walls, floors and ceilings of a structure or any portion thereof, (3) an entire structure containing one or more Units, or (4) any combination thereof. In the event of any discrepancy between the configuration, dimensions and location of the elements of the Unit as shown on the Condominium Plan and the configuration, dimensions and location of such elements of the Unit as physically constructed on the site, the physical, as-built configuration, dimensions and location shall prevail and the fences and walls that form or define the structural boundaries shall be either within the element of the Unit or part of the Condominium Common Area as provided below. Any boundaries of a Unit that are not determined by the structure of a wall or fence shall be planes (1) extending from the wall or fence in those instances where the wall or fence does not extend the entire length or width of the boundary, or (2) extending from the point where physical structures or planes intersect as necessary to form the boundaries contemplated by the Condominium Plan all as described below. In accordance with the foregoing, the boundaries of the elements of a Unit shall be governed by the following:

(a) Any elements of a Unit that are shown on the Condominium Plan as not having any physical boundary coincidental with any fences, walls, floors, or Condominium Building surfaces (e.g., air conditioning areas) shall be the space that is bounded by planes as shown on the Condominium Plan.

(b) Any element of a Unit that is shown on the Condominium Plan as being totally within a Condominium Building (e.g., residential or garage elements) shall consist of the interior undecorated surfaces of the perimeter walls, floors, ceilings, windows (if any) and doors of each such element of the Unit and the space encompassed thereby, including the outlets of all utility installations therein and also including the interior surfaces of the firebox of any fireplace extending from the floor to the top of each fireplace, if any, and the space encompassed thereby, which adjoins any such element of the Unit.

(c) Any element of a Unit other than those described in subsections (a) and (b) above (e.g., decks and yards) shall consist of the space that may be filled with air, earth, water, structural Improvements, or any combination thereof, the boundaries of which may consist of (1) physical structures (e.g., Condominium Building walls that extend the entire length of the vertical boundary of the Unit element), (2) a combination of physical structures and planes extending from the physical structures (e.g., fences or Condominium Building walls that form a portion of the vertical boundary with the remainder of the vertical boundary being comprised of a plane or planes that extend from the physical structure of the fences or Condominium Building walls above or below the surface of the land to the point where such planes intersect the horizontal boundaries), and (3) planes that extend from the lower horizontal boundary of the Unit element to the upper horizontal boundary of such Unit element (e.g., the opening in the fence or Condominium Building wall that provides access to the Unit element). Some of the physical structures, or portions thereof, may be deemed to be within the Unit element (e.g., the fences that separate the Unit element and the Condominium Common Area may be totally within the Unit element while the fences that

separate Unit elements shall be party walls, the ownership of which is shared by the Owners who have the use thereof). In accordance with the foregoing, the boundaries of the elements of a Unit described in this Declaration shall be as follows:

(i) The vertical and horizontal boundaries of any portion of a Unit element that are depicted on the Condominium Plan as being coincidental with an exterior surface of any portion of a contiguous Condominium Building shall be deemed to be the decorated exterior surface of such portion of the contiguous Condominium Building.

(ii) The vertical boundaries that separate elements of adjoining yard elements of the Units shall be planes extending vertically through the center of the fence or wall (other than a Condominium Building wall) that separates such adjoining elements of the Unit. Such fence or wall shall constitute a party wall and shall be subject to the provisions of the Article entitled "Party Walls" of this Declaration.

(iii) The vertical boundaries (other than the vertical boundaries that are comprised of the decorated exterior surfaces of a Condominium Building or the vertical boundaries that define the center of the party wall) of any remaining portion of a yard element of a Unit shall be deemed to be either (1) the exterior undecorated surface (defined to mean the surface fronting any Common Area or street) of the fence or wall (including any gate therein) constructed by Declarant to form such perimeter vertical boundaries of such element of the Unit, or in the event there are no such fences or walls, (2) as indicated in subparagraph (vii) below.

(iv) The vertical boundaries of any portion of an element of a Unit that is shown on the Condominium Plan as extending above or below the upper or lower elevation of the contiguous Condominium Building shall be planes extending vertically upward or downward from such elevation for a distance equal to the distance above or below the elevation of such contiguous Condominium Building as shown on the Condominium Plan.

(v) To the extent that the boundaries determined pursuant to subparagraphs (i) through (iv) above do not completely enclose an element of the Unit, the vertical and horizontal boundaries will be extended as indicated below in this paragraph so that such boundaries will intersect to form the element of the Unit contemplated by the Condominium Plan. The vertical boundaries shall be extended by planes extending vertically from the vertical boundaries determined pursuant to paragraphs (i) through (iv) above to a point where such planes intersect with the upper and the lower horizontal boundaries of such element of the Unit. The horizontal boundaries shall be extended by planes extending horizontally from the horizontal boundaries determined pursuant to paragraph (i) above to a point where such planes intersect with the vertical boundaries of such element of the Unit.

(vi) Any boundary of an element of a Unit that has not been determined pursuant to any of the foregoing paragraphs shall be a plane extending vertically or horizontally, as the case may be, between the points where such plane will intersect with boundaries that have been established pursuant to the foregoing paragraphs.

(vii) In the event that it is not possible to enclose an element of a Unit by extending vertically or horizontally, as the case may be, any of the planes that have been established pursuant to the foregoing subparagraphs to a point where such planes intersect, such element of the Unit shall extend from the boundaries that have been established as aforesaid at the angles and for the distances shown for such element of the Unit on the Condominium Plan. The vertical elevations of all such boundaries established pursuant to this subparagraph shall be planes extending vertically at the perimeter of such element of the Unit determined as aforesaid and any horizontal boundaries shall be the elevations that are shown for such elements of the Unit on the Condominium Plan.

In addition, any shutters, awnings, window boxes, doorsteps, stoops, exterior door frames and hardware incident thereto, garage door opening systems, hinges, springs and other hardware incident to garage doors,

air conditioning equipment, screens, windows and window glass, forced air and other heating units and other fixtures designed to serve a single Residence shall be deemed to be a part of the Unit of such Residence even if located outside the boundaries of such Unit.

All boundaries of the Unit elements that are comprised of the physical boundaries of the Unit elements shall be as constructed by the Declarant or as such physical boundaries, or portions thereof, may be reconstructed in the event of any damage or destruction, and as such physical boundaries may have been adjusted by the natural settlement or shifting of the structures.

ARTICLE II

THE ASSOCIATION

Section 2.01 - General Duties and Powers. The Association, through the Board, shall have the duty and obligation to manage and maintain the Covered Property in accordance with the provisions of the Section entitled "Powers and Duties" of the Article entitled "Powers, Duties and Limitations" of the Bylaws and other provisions of the Association Management Documents. Subject to the limitations and restrictions enumerated in the Association Management Documents, including without limitation, the Article entitled "Mortgagee Protection" of this Declaration and the said Article entitled "Powers, Duties and Limitations" of the Bylaws, the Association shall have all of the powers permitted by California law as set forth below:

- (a) The powers granted to a nonprofit mutual benefit corporation permitted by California statute as set forth in Corporations Code Section 7140, Code of Civil Procedure Section 374 and Civil Code Section 1363;
- (b) Standing to institute, defend, settle, or intervene in litigation, arbitration, mediation, or administrative proceedings in its own name as the real party in interest and without joining with it the individual Owners in matters pertaining to the following:
 - (i) Enforcement of the Association Management Documents;
 - (ii) Damage to the Common Area;
 - (iii) Damage to the Residences that the Association is obligated to maintain or repair;
 - (iv) Damage to the Residences which arises out of, or is integrally related to, damage to the Common Areas or Residences that the Association is obligated to maintain or repair;
- (c) The other powers granted to the Association by law.

Such powers shall include, but not be limited to, the right to designate from time to time portions of Common Area other than Exclusive Use Common Area as Association Common Area and the right to join with Declarant in the execution of any lot line adjustment and quitclaim deeds and to accept title to additional property as necessary (1) for the purpose of eliminating encroachments due to engineering errors or errors in construction of any Improvements upon any of the affected property, (2) to permit changes in the development plan in circumstances where such changes are the result of topography, obstruction, hardship, aesthetic or other environmental conditions, (3) are the requirement of a regulatory agency, (4) do not have a significant negative impact upon the Association or the Owners, or (5) to transfer the burden of management and maintenance of any Association Property which in the reasonable judgment of the Board is generally inaccessible or is not likely to be of any particular use or benefit to the Owners.

Section 2.02 - Power of Attorney. In addition to any other rights, duties, obligations and powers granted to the Association herein, and not in limitation of any such rights, duties, obligations and powers, each Owner appoints the Association as attorney-in-fact for the purpose of handling any losses or proceeds from condemnation, destruction or liquidation of all or any part of the Covered Property to the extent such functions are the obligation of the Association as such obligations are more particularly described in the

Association Management Documents. All such proceeds shall be retained in the general funds of the Association except as specifically provided in the Articles entitled "Destruction of Improvements," "Eminent Domain" and "Limitations Upon the Right to Partition and Severance" of this Declaration.

When a partition of the Owners' interest in said Covered Property may be had pursuant to the Section entitled "No Partition" of this Declaration, the power of attorney herein granted may be exercised upon the vote or written consent of Owners holding in the aggregate at least two-thirds (2/3) of the interest in the Condominium Common Area by any two (2) members of the Board who are hereby authorized to record a certificate of exercise in the Official Records which certificate shall be conclusive evidence thereof in favor of any person relying thereon in good faith; provided, however, that such power of attorney shall not apply to the Secretary, U.S. Department of Veterans Affairs, an Officer of the United States of America.

Section 2.03 - Power to Grant Rights. The Association shall have the right to grant utility easements under, through and across any Common Area other than Exclusive Use Common Area as reasonably necessary for the ongoing development and operation of the Covered Property.

Section 2.04 - Membership. Membership of Owners shall be appurtenant to and may not be separated from the interest of such Owner in any Condominium. A Member may own more than one membership in the Association by complying with the qualifications of membership as to more than one (1) Condominium.

Section 2.05 - Transfer. The membership held by any Owner shall not be transferred, pledged or alienated in any way, except that such membership shall automatically be transferred to the transferee of the interest of an Owner required for membership. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. The Association shall have the right to record the transfer upon the books of the Association without any further action or consent by the transferring Owner.

Section 2.06 - Delegation of Membership Rights. A Member who has leased or sold his Condominium to a contract purchaser under an agreement to purchase shall be entitled to delegate to such lessee or contract purchaser, as applicable, his membership rights in the Association. Such delegation shall be in writing and must be delivered to the Board before such lessee or contract purchaser may vote. However, the lessor or contract seller shall remain liable for all charges and Assessments attributable to his Condominium as long as such lessor or contract seller continues to be an Owner.

Section 2.07 - Classes of Membership. The Association shall have two (2) classes of voting membership.

Class A. Class A Members shall be all Owners with the exception of Declarant until the Class B membership has been converted to Class A membership, and after such conversion all Owners shall be Class A Members.

Class B. The Class B Member shall be Declarant. The Class B membership shall forever cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) the second anniversary of the first Close of Escrow to occur in the most recent Phase of the Development; or

(b) the fourth anniversary of the first Close of Escrow to occur in the First Phase.

Section 2.08 - Voting Power. Class A Members shall be entitled to one (1) vote for each Condominium in which they hold the interest required for membership and the Class B Member shall be entitled to three (3) votes for each Condominium in which it holds the interest required for membership. When more than one person owns a portion of the interest in a Condominium required for membership, each such person shall be a Member and the vote for such Condominium shall be exercised as they among themselves determine, but in no event shall the total number of votes for each Condominium exceed the total number permitted for such Condominium as provided in this Section. The Association may, but shall not be obliged to,

refuse to recognize the vote or written assent of any such co-Owner, except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Association.

Section 2.09 - Voting Rights. All voting rights shall be subject to the restrictions and limitations provided in the Association Management Documents. A Member's right to vote shall vest immediately upon the date Regular Assessments are levied against the Condominium of such Member. Except as provided in the Article entitled "Enforcement of Bonded Obligations" of this Declaration, wherever a provision of the Association Management Documents requires the approval or written assent of Members other than Declarant, it shall be deemed to mean:

(a) as long as there is a Class B membership, the vote or written assent of a bare majority of the Class B voting power and the prescribed majority of the total Class A voting power; and

(b) after the Class B membership has been converted to Class A membership, the vote or written assent of a bare majority of the total voting power of the Association as well as the vote or written assent of a prescribed majority of the total voting power of Members other than Declarant.

Section 2.10 - Approval of All Members. Unless elsewhere otherwise specifically provided in the Association Management Documents, any provision of the Association Management Documents which requires the vote or written consent of either the voting power of the Association or of Members other than Declarant shall be deemed satisfied by the following:

(a) the vote in person or by proxy of the specified percentage of all of the votes which are entitled to be cast. Said vote shall be at a meeting duly called and noticed pursuant to the provisions of the Bylaws dealing with annual or special meetings of the Members; and

(b) written consents signed by the specified percentage of all of the votes which are entitled to be cast. Said vote by written consent shall be solicited pursuant to the procedures provided in the Bylaws.

Nothing in this Section or in any other provision of any of the Association Management Documents shall preclude Members from assenting to the amendment of any of the Association Management Documents by joining in the execution of, or attaching their written consent to, such amendment.

Section 2.11 - Special Benefits Area Approval. Notwithstanding any other provision of the Association Management Documents, any action expressly for the benefit of a Special Benefits Area or the Owners of Condominiums therein which requires a vote of the membership shall require the approval of the prescribed percentage of the class or classes of membership or the approval of Members other than Declarant of only those Owners within such Special Benefits Area.

Section 2.12 - Certificate Evidencing Approvals. The certificate of any officer or officers authorized by resolution of the Board or of the president and secretary certifying that the required voting power of the Association has approved the execution, delivery and/or recordation of an amendment to any of the Association Management Documents, any Supplementary Declaration or any other document requiring the approval of the voting power of the Association shall be deemed conclusive proof thereof.

ARTICLE III

ASSESSMENTS

Section 3.01 - Agreement to Pay. Subject to limitations contained in the Association Management Documents, the Association, through its Board, shall fix, establish and collect from time to time Assessments sufficient to perform its obligations under the Association Management Documents. Each Owner, including Declarant to the extent Declarant is an Owner as defined herein, is deemed to covenant and agree to pay such Assessments to the Association.

Section 3.02 - Collection and Disbursement. Funds paid to the Association as a capital contribution pursuant to Section 3.17 of the Declaration are to be deposited to a segregated account. All other funds of the Association may be commingled so that the Association may qualify for higher yielding accounts at banking or savings and loan institutions as long as the accounting records of the Association reflect deposits and disbursements in a manner that will insure that the funds collected as Capital Improvement Assessments, Reconstruction Assessments, Regular Assessments and Cable Television Service Assessments will be used only for the purposes for which such funds were collected.

Section 3.03 - Assessment Increases.

(a) Except as provided in this Section, the Board shall levy Assessments sufficient to perform its obligations under the Association Management Documents. However, annual increases in Regular Assessments or Special Benefits Assessments for any fiscal year, as authorized by Section 1366(b) of the California Civil Code, shall not be imposed unless the Board has complied with Section 1365(a) of the California Civil Code with respect to that fiscal year, or has obtained the approval of the percentage of the Owners prescribed in subsections (b) and (c) of this Section of the Declaration. The provisions of Section 1365(a) of the California Civil Code require the Association to prepare and distribute a Pro Forma Operating Budget annually within a certain prescribed period of time prior to the beginning of the Association's fiscal year as provided in Article VIII of the Bylaws.

(b) The Board may not impose a Regular Assessment that is more than twenty percent (20%) greater than the Regular Assessment for the Association's preceding fiscal year, or impose Assessments for any other act or undertaking of the Association which in the aggregate exceed five percent (5%) of the Common Expenses of the Association for that fiscal year, without the approval of Owners constituting a quorum casting a majority of the votes at a meeting or election of the Association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of the California Corporations Code and Section 7613 of the California Corporations Code. A Special Assessment levied pursuant to subdivision (c) of Section 1365.5 of the California Civil Code shall not be subject to the five percent (5.0%) limitation contained in the preceding sentence. For the purposes of this Section, quorum means more than fifty percent (50%) of the Owners of the Association.

(c) In addition to the foregoing, the Board may not impose a Special Benefits Assessment in a Special Benefits Area that is more than twenty percent (20%) greater than the Special Benefits Assessment for such Special Benefits Area for the Association's preceding fiscal year, or impose Assessments for any other act or undertaking of the Association for such Special Benefits Area which in the aggregate exceed five percent (5%) of the Special Benefits Expenses of such Special Benefits Area for that fiscal year, without the approval of Owners within such Special Benefits Area constituting a quorum casting a majority of the votes at a meeting or election of the Association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of the California Corporations Code and Section 7613 of the California Corporations Code. A Special Assessment levied for such Special Benefits Area pursuant to subdivision (c) of Section 1365.5 of the California Civil Code shall not be subject to the five percent (5.0%) limitation contained in the preceding sentence. For the purposes of this Section, quorum means more than fifty percent (50%) of the Owners of such Special Benefits Area.

(d) The Board shall provide notice by first-class mail to the Owners of any increase in any of the Assessments described in subparagraphs (b) and (c) of this Section not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

(e) This Section does not limit Assessment increases necessary for emergency situations. For purposes of this Section, an emergency situation is any one of the following:

- (i) an extraordinary expense required by an order of a court;
- (ii) an extraordinary expense necessary to repair or maintain the Covered Property or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered; and

(iii) an extraordinary expense necessary to repair or maintain the Covered Property or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the Pro Forma Operating Budget. However, prior to the imposition or collection of an Assessment under this subsection, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Members with the notice of Assessment.

(f) In the event the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all Common Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy, issue a supplemental estimate of the Common Expenses and to the extent permitted in this Section determine the revised amount of the Regular Assessment and the installments thereof, if applicable, allocable to each Condominium, and the date or dates when due. The Board shall provide notice by first-class mail to all Members of any increase in Regular Assessments not less than thirty (30) nor more than sixty (60) days prior to the date upon which such increased Assessment becomes due.

(g) In the event the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all Special Benefits Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy, issue a supplemental estimate of the Special Benefits Expenses and to the extent permitted in this Section determine the revised amount of the Special Benefits Assessment and the installments thereof, if applicable, allocable to each Condominium within the Special Benefits Area, and the date or dates when due. The Board shall provide notice by first-class mail to all Members within such Special Benefits Area of any increase in Special Benefits Assessments not less than thirty (30) nor more than sixty (60) days prior to the date upon which such increased Assessment becomes due.

(h) In the event the amount budgeted to meet Common Expenses for the then current year proves to be excessive in light of the actual Common Expenses, the Board in its discretion may either reduce the amount of the Regular Assessment or may abate collection of Regular Assessments as it deems appropriate except that as long as Declarant is offering Condominiums for sale pursuant to a Final Subdivision Public Report, the Regular Assessment may not be decreased by ten percent (10%) or more without the express written consent of Declarant and the DRE.

(i) In the event the amount budgeted to meet Special Benefits Expenses in any Special Benefits Area for the then current year proves to be excessive in light of the actual Special Benefits Expenses, the Board in its discretion may either reduce the amount of the Special Benefits Assessment or may abate collection of Special Benefits Assessments as it deems appropriate except that as long as Declarant is offering Condominiums for sale pursuant to a Final Subdivision Public Report, the Special Benefits Assessment may not be decreased by ten percent (10%) or more without the express written consent of Declarant and the DRE.

Notwithstanding the foregoing, an increase in the amount of an Assessment that is the result of annexing a Phase on which the DRE has issued a Final Subdivision Public Report shall not require membership approval even if such increase does result in an increase in the amount of the Assessment that is more than twenty percent (20%) greater than the Assessment for the preceding fiscal year provided that the annexation of such Phase and the maintenance of any additional Improvements resulting from such annexation was reflected in the Pro Forma Operating Budget for the Development approved by the DRE and provided further that such increase in the Assessment is permitted or not prohibited under any California Statute in effect at the time of such increase.

Section 3.04 - Assessment Allocation. Assessments shall be fixed for each Condominium on which Assessments have commenced in accordance with the provisions of this Declaration as hereinafter provided in this Section.

(a) Penalty Assessments. Penalty Assessments levied against an individual Owner shall be fixed (1) at the amount necessary to reimburse the Association for costs incurred by the Association in performing any repair and maintenance of damage for which such Owner was allegedly responsible, or (2) as determined from time to time by the Board as a disciplinary measure for failure of such Owner to comply with the provisions of the Association Management Documents;

(b) Special Assessments for Materials or Services. In the event an Owner accepts materials or services provided by the Association, the Special Assessment levied against such Owner shall be the amount necessary to reimburse the Association for the costs incurred in providing such materials and services.

(c) Cable Television. In the event the Board elects to contract with a cable television service company to provide service for the benefit of Owners, Cable Television Service Assessments shall be levied against Owners who have subscribed with the Association for such services.

(d) Special Benefits Assessments. Special Benefits Assessments as to a particular Special Benefits Area shall be fixed at an equal amount for each Condominium within such Special Benefits Area.

(e) Capital Improvement Assessments and Reconstruction Assessments for Structural Condominium Common Area. Reconstruction Assessments and Capital Improvement Assessments for the repair, replacement or reconstruction of Structural Condominium Common Area shall be determined for each Unit to be assessed by multiplying the total amount required to be collected by a fraction, the denominator of which is the total square feet of floor area of the residential elements of all Units to be assessed and the numerator of which is the total square feet of floor area of the residential element of each such Unit as such square footage is shown on the Condominium Plan or Plans describing such Units.

(f) Reconstruction Assessments for Residence Improvements. A Reconstruction Assessment levied for the repair, replacement or reconstruction of any Residence Improvements covered by the fire and casualty insurance policy maintained by the Association shall be levied individually against the Owner of such Residence Improvements in the amount necessary to cover the cost of repair, replacement or reconstruction in excess of insurance proceeds available for such purpose.

(e) Assessments for All Other Purposes. Regular Assessments, Capital Improvement Assessments and Reconstruction Assessments for the repair, replacement, or reconstruction of Improvements other than Structural Condominium Common Area and Special Assessments for any other act or undertaking of the Association shall be fixed at an equal amount for each Condominium.

All Assessments may be collected at intervals selected by the Board except that Regular Assessments and Special Benefits Assessments must be paid in regularly scheduled monthly installments.

Section 3.05 - Certificate of Payment. The Association shall, upon demand, furnish to any Owner liable for Assessments a certificate in writing signed by an authorized agent of the Association or by the president setting forth whether the Assessments on such Owner's Condominium have been paid, and the amount of delinquency, if any. A reasonable charge may be collected by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any Assessment therein stated to have been paid.

Section 3.06 - Exempt Property. All properties dedicated to and accepted by, or otherwise owned or acquired by, a Public Agency for nonresidential public purposes shall be exempt from the Assessments created herein.

Section 3.07 - Date of Commencement.

(a) The Regular Assessments shall commence with respect to all Condominiums in a Phase on the first day of the month following the first Close of Escrow to occur within such Phase or on the first day

of the month following the conveyance of the Association Property, if any, in such Phase to the Association, whichever occurs earlier.

(b) The Special Benefits Assessments shall commence with respect to all Condominiums within a Special Benefits Area on the date that Regular Assessments commence against such Condominiums.

(c) Reconstruction Assessments may be levied against any Insured Owner. All other Assessments may be levied against an Owner when Regular Assessments have commenced against such Owner's Condominium.

The first Regular Assessment and Special Benefits Assessment shall be adjusted according to the number of months remaining in the fiscal year.

Section 3.08 - No Offsets. All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason.

Section 3.09 - Homestead Waiver. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of California now in effect or in effect from time to time hereafter.

Section 3.10 - Taxation of Association. In the event that any taxes are assessed against Common Area other than Exclusive Use Common Area, or the personal property of the Association, rather than against the individual Condominiums, said taxes shall be added to the annual Regular Assessments, or, if necessary, a Special Assessment may be levied against the Condominiums in an amount equal to said taxes, to be paid in two (2) installments thirty (30) days prior to the due date of each tax installment.

Section 3.11 - Delinquency. Any Assessment provided for in this Declaration which is not paid shall be delinquent fifteen (15) days after such Assessment was due (the "delinquency date") and Allowable Charges may be recovered if an Assessment becomes delinquent. The Association may at its option, and without waiving the right to judicially foreclose its lien against the Condominium, pursue any available remedies, including, without limitation, bringing an action at law against the Owner personally obligated to pay the same, and/or upon compliance with the notice provisions set forth in the Section entitled "Personal Obligation; Lien" of this Article, to foreclose the lien against the Condominium under the power of sale granted herein. Each Owner vests in the Association, or its assigns, the right and power to bring all actions at law or any lien foreclosure against such Owner or other Owners for the collection of such delinquent Assessments.

Section 3.12 - Limitation on Fees. The Association shall comply with Section 1366.1 and 1368(c) of the California Civil Code and, until such Sections are amended to provide otherwise, shall not:

(a) impose or collect an Assessment or fee that exceeds the amount necessary to defray the costs for which it is levied; and

(b) impose or collect any Assessment, penalty, or fee in connection with a transfer of title or any other interest except the Association's actual cost to change its records and that authorized in connection with Section 6.01(o) of the Bylaws to provide copies of Association Management Documents, copies of financial statements and statements of unpaid Assessments and Allowable Charges.

Section 3.13 - Personal Obligation; Lien. An Assessment and any Allowable Charges shall be a personal obligation and debt of the Owner of the Condominium at the time the Assessment or Allowable Charges are levied and shall not pass to successors in title unless assumed by the successors in title. The amount of the Assessment, plus any Allowable Charges, shall be a lien on the Owner's Condominium from and after the time the Association causes to be recorded in the Official Records a notice of delinquent assessment which shall state (1) the amount of the Assessment and Allowable Charges, (2) a description of the Owner's Condominium against which the Assessment and Allowable Charges are levied, (3) the name of the record

Owner of the Condominium against which the lien is imposed, and (4) in order for the lien to be enforced by nonjudicial foreclosure as hereinafter provided, the name and address of the trustee authorized by the Association to enforce the lien by sale. The notice of delinquent assessment shall be signed by the officers authorized for such purpose by resolution of the Board or by the president of the Association. Upon payment of the sums specified in the notice of delinquent assessment, the Association shall cause to be recorded a further notice stating the satisfaction and release of the lien thereof. A lien created pursuant to this Section shall be prior to all other liens recorded subsequent to the notice of delinquent assessment, 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.

Section 3.14 - Not Subject to Lien. Penalty Assessments and Allowable Charges incurred in connection with delinquent Penalty Assessments may not be characterized nor treated as an Assessment which may become a lien against an Owner's Condominium enforceable in accordance with the Section entitled "Foreclosure Sale" of this Article. Nothing in this Declaration, however, shall prevent the Association from bringing an action at law or in equity against an Owner to collect Penalty Assessments.

Section 3.15 - Foreclosure Sale. Said lien created pursuant to this Article may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Section 2934a of the California Civil Code. Any sale by a trustee provided for above is to be conducted in accordance with the provisions of Sections 2924 et seq. and Section 1367 of the California Civil Code applicable to the exercise of powers of sale in mortgages and deeds of trust. Upon the affirmative vote of a majority of the voting power of the Association, the Association, through its duly authorized agents, shall have the power to bid on the Condominium, using Association funds, or funds borrowed for such purpose, at the sale, and to acquire and hold, lease, mortgage and convey the same. Nothing in this Section prohibits actions against any Owner to recover sums for which a lien is created pursuant to this Article or prohibits the Association from taking a deed in lieu of foreclosure.

Section 3.16 - Subordination of Assessment Liens. The lien of the Assessments and Allowable Charges provided for in this Declaration shall be subordinate to the lien of any First Mortgage upon any Condominium. The foreclosure of any lien provided for in this Article for the payment of Assessments and Allowable Charges shall not operate to affect or impair the lien of a First Mortgage and the foreclosure of the lien of a First Mortgage or the sale under a power of sale included in such First Mortgage (such events being hereinafter referred to as "Events of Foreclosure") shall not operate to affect or impair such Assessment lien, except that any persons who obtain an interest through any of the Events of Foreclosure, and the successors in interest, shall take title free of such Assessment lien or any personal obligation for said charges as shall have accrued up to the time of any of the Events of Foreclosure, but subject to the Assessment lien for all said charges that shall accrue subsequent to the Events of Foreclosure. Notwithstanding the foregoing, any delinquent Special Benefits Assessments in a Special Benefits Area that were extinguished pursuant to this paragraph may be reallocated and assessed to all Condominiums within such Special Benefits Area as a Special Benefits Expense and any other delinquent Assessments that were extinguished pursuant to this paragraph may be reallocated and assessed to all Condominiums as a Common Expense.

A First Mortgagee's rights pursuant to this Section shall not be affected by the failure of such First Mortgagee to deliver a notice to the Board.

The lien of the Assessments and Allowable Charges as aforesaid shall also be subordinate to the interests of the Department of Veterans Affairs of the State of California as the vendor under its Cal-Vet loan contracts to the same extent that the said liens are made subordinate to the liens or charges of First Mortgages as provided above.

Section 3.17 - Capitalization of Association. A capital contribution in the amount equal to one-sixth (1/6th) of the amount of the annual Regular Assessment levied against a Condominium must be made to the Association for each Condominium in the First Phase and, as long as required by any of the Federal Agencies, must be paid (i) through escrow upon the Close of Escrow for the sale of such Condominium in

a transaction that requires the delivery of a Final Subdivision Public Report, (ii) when the control of the Board has been transferred to the Owners other than Declarant, or (iii) six months from and after the date of the Close of Escrow for the first Condominium within the First Phase, whichever of (i), (ii) or (iii) occurs earlier. Each Owner in the Initial Covered Property shall be required to deposit into the sale escrow for the purchase of his Condominium an amount equal to one-sixth (1/6th) of the amount of the annual Regular Assessment which shall be disbursed therefrom at Close of Escrow to the Association or to the Declarant if such amount has already been paid for such Condominium to the Association by Declarant. The capital contribution is not to be considered as an advance payment of Regular Assessments. Declarant is prohibited from using any working capital funds to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while it is in control of the Association.

ARTICLE IV

ARCHITECTURAL CONTROL

Section 4.01 - Architectural Committee. The Architectural Committee shall consist of not fewer than three (3) nor more than five (5) persons as fixed from time to time by resolution of the Board. Declarant shall initially appoint the Architectural Committee. Declarant shall retain the right to appoint, augment or replace all members of the Architectural Committee until one (1) year after the occurrence of the first Close of Escrow within the Initial Covered Property. Declarant shall retain the right to appoint, augment or replace a majority of the members of the Architectural Committee until (1) five (5) years after the occurrence of the first Close of Escrow within the Covered Property, or (2) Close of Escrow has occurred on ninety percent (90%) of the Condominiums within the Development, whichever of (1) or (2) shall first occur, at which time the right to appoint, augment or replace all members of the Architectural Committee shall automatically be transferred to the Board. As long as Declarant has the right to appoint some but not all of the members of the Architectural Committee, the Board shall have the right but not the obligation to fill the remaining vacancies on the Architectural Committee. Persons appointed by the Board to the Architectural Committee must be Members; however, persons appointed by Declarant to the Architectural Committee need not be Members, in Declarant's sole discretion. The address of the Architectural Committee shall be the address established for giving notice to the Association unless another address is specified for such purpose in the Architectural Standards or Architectural Committee Rules. Such address shall be the place for the submittal of plans and specifications and the place where the current Architectural Standards shall be kept.

Section 4.02 - Architectural Standards. The Board may, from time to time, adopt and promulgate Architectural Standards to be administered through the Architectural Committee. The Architectural Standards may include among other things those restrictions and limitations upon the Owners set forth below:

- (a) time limitations for the completion of the Improvements for which approval is required pursuant to the Architectural Standards;
- (b) conformity of completed Improvements to plans and specifications approved by the Architectural Committee;
- (c) such ~~other~~ limitations and restrictions on Improvements as the Board in its reasonable discretion shall adopt, including, without limitation, the regulation of the placement, kind, shape, height, materials, species and location of any Improvement; and
- (d) a description of the Improvements which, if completed in conformity with the Architectural Standards, do not require the approval of the Architectural Committee.

Section 4.03 - Functions of Architectural Committee.

(a) It shall be the duty of the Architectural Committee to consider and act upon proposals or plans submitted pursuant to the terms of this Declaration or the Architectural Standards, and to perform such other duties delegated to it by the Board.

(b) The Architectural Committee may delegate its plan review responsibilities to one or more members of such Architectural Committee. Upon such delegation, the approval or disapproval of plans and specifications by such persons shall be equivalent to approval or disapproval by the entire Architectural Committee.

(c) The Architectural Committee may, from time to time, subject to the approval of the Board, adopt, amend and repeal Architectural Committee Rules, may require the prepayment of a deposit to be applied toward the payment of any Special Assessment levied by the Board if such Owner fails to restore any portion of the Covered Property to a clean and attractive condition and may assess a reasonable fee as appropriate for the type and nature of the Improvement, to cover the cost of inspections that may be necessary to insure compliance and in connection with the review of plans and specifications for proposed Improvements, including without limitation, a procedure for approval of preliminary plans and drawings, as well as final approval, the number of sets of plans to be submitted, and may require such detail as it deems proper, including without limitation, floor plans, site plans, elevation drawings, and descriptions or samples of exterior material and colors.

(d) Unless all of the rules of the Architectural Committee have been complied with, such plans and specifications shall be deemed not submitted.

Section 4.04 - Allowable Modifications. An Owner shall have the right to make certain modifications in accordance with Section 1360 of the California Civil Code which, until amended to provide otherwise, provides that subject to the provisions of the Association Management Documents and other applicable provisions of law, if the boundaries of the Unit are contained within a building, the Owner of such Unit may do the following:

(a) make any Improvements within the boundaries of such Owner's Unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the Covered Property; or

(b) modify a Unit, at the Owner's expense, to facilitate access for persons who are blind, visually handicapped, deaf, or physically disabled, or to alter conditions which could be hazardous to these persons. These modifications may also include modifications of the route from the public way to the door of the Unit for the purposes of this paragraph if the Unit is on the ground floor or already accessible by an existing ramp or elevator. The modifications shall be consistent with applicable building code requirements and shall be consistent with the intent of otherwise applicable provisions of the Association Management Documents pertaining to safety or aesthetics. The modifications external to the dwelling shall not prevent reasonable passage by other residents, and shall be removed by the Owner when the Unit is no longer occupied by persons requiring those modifications who are blind, visually handicapped, deaf, or physically disabled.

Any change in the exterior appearance of a Unit shall be in accordance with the Association Management Documents and applicable provisions of law.

Section 4.05 - Approval.

(a) No Improvements shall be made upon the Covered Property including those made pursuant to California Civil Code Section 1360 as provided above except in compliance with plans and specifications therefor which have been submitted to and approved by the Architectural Committee except as may otherwise be provided in the Architectural Standards or in a Supplementary Declaration. An Owner who intends to modify a Unit pursuant to the foregoing Section entitled "Allowable Modifications" shall submit plans and specifications to the Architectural Committee to determine whether the modifications comply with

such Section. The Architectural Committee shall not deny approval of the proposed modifications which comply with the provisions of subparagraph (b) of said Section without good cause.

(b) The Architectural Committee shall review plans and specifications submitted for its approval as to style, exterior design, appearance and location and shall approve such plans and specifications only if it deems that the proposed Improvement will not be detrimental to the appearance of the Development as a whole; that the Improvement complies with the Architectural Standards; that the appearance of any Improvements will be in harmony with the surrounding structures; that the construction of any Improvement will not detract from the beauty and attractiveness of the Development or the enjoyment thereof by the Owners; and that the upkeep and maintenance of any Improvement will not become a burden on the Association. The Architectural Committee (1) may determine that such Improvement cannot be approved because of its effect on existing drainage, utility or other easements, (2) may require submission of additional plans and specifications or other information or materials prior to approving or disapproving plans and specifications submitted, or (3) may condition its approval of plans and specifications for any Improvement on such changes therein as it deems appropriate such as, and without limitation, the approval of such Improvement by a holder of an easement which may be impaired thereby or upon approval of any such Improvement by the appropriate Public Agency. Any Architectural Committee approval conditioned upon the approval by a Public Agency or an easement holder shall not imply the Association is enforcing any government codes or regulations or provisions of any easement agreement, nor shall the failure to make such conditional approval imply that any such Public Agency or easement holder approval is not required.

Section 4.06 - Nonliability for Approval. Plans and specifications are not approved for (1) engineering design, (2) compliance with zoning and building ordinances, and other applicable statutes, ordinances or governmental rules or regulations, (3) compliance with the requirements of any public utility, (4) any easements or other agreement, or (5) preservation of any view and by approving such plans and specifications neither the Architectural Committee, the members thereof, the Association, the Owners, the Board nor Declarant, nor agents, employees, attorneys or consultants of any of the foregoing, assume liability or responsibility therefor, or for any defect in any Improvement constructed from such plans and specifications or for any obstruction or impairment of view caused or created as the result of any Improvements approved by the Architectural Committee.

Section 4.07 - Appeal. In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board within the time limitation stated in the Section entitled "Performance Dates" of this Article. The Board shall submit such request to the Architectural Committee for review, whose written recommendations are to be submitted to the Board.

Section 4.08 - Evidence of Approval.

(a) As provided elsewhere in the Association Management Documents, Declarant is not subject to the provisions of the Association Management Documents pertaining to architectural control. Any Improvements constructed by Declarant shall automatically be in compliance with the Association Management Documents and shall not be subject to further architectural control until and unless there has been a change or alteration made by a successor in title to Declarant as to any Residence in the material, texture, color or appearance of any such Improvement upon such Residence. Normal maintenance, repair or reconstruction by any successor in title to Declarant in the event of a destruction, in substantial conformance with the Improvements constructed by Declarant, shall not be deemed to be an Improvement that requires approval pursuant to the provisions of this Article. If the Improvements upon such Residence comply with the provisions of the Association Management Documents, the Architectural Committee shall, upon request, issue a statement (hereinafter a "Compliance Statement") which will evidence such compliance. If any of the Improvements upon such Residence do not comply with the provisions of the Association Management Documents, the Architectural Committee shall, upon such request, issue a statement (hereinafter a "Noncompliance Statement") delineating the corrective action that is required to bring such Improvements into compliance with the Association Management Documents. The Compliance Statement or Noncompliance Statement, as applicable, must be provided within the time limitation set forth in the Section entitled "Performance Dates" of this Article. In the event the Architectural Committee has

issued a Noncompliance Statement as to any such Residence, the Architectural Committee shall provide a Compliance Statement, upon request, after the corrective work has been satisfactorily completed which shall then evidence that the Improvements upon such Residence comply with the provisions of the Association Management Documents. Any Compliance or Noncompliance Statement issued by the Architectural Committee shall be executed by any person or persons authorized by resolution of the Board or by the president and secretary of the Association. The signatures on a Compliance Statement shall be notarized. A Compliance Statement shall be conclusive evidence of compliance with the provisions of the Association Management Documents as to the Improvements described in the Compliance Statement and further approval of any such Improvements shall not be required unless there is a change or alteration in material, exterior appearance, color or texture in such Improvements. The Association shall be entitled to collect a fee to cover the cost of inspections and other costs in connection with the issuance of any Compliance Statements and Noncompliance Statements in accordance with the provisions of this Declaration contained in the Section entitled "Limitation on Fees" of the Article entitled "Assessments" and the Section entitled "Functions of Architectural Committee" of this Article. Failure to schedule an inspection or to issue a Compliance Statement or Noncompliance Statement for any reason within the time limitation established herein shall be deemed to mean that all existing Improvements do comply with the Association Management Documents and any such requesting Owner, purchaser, Mortgagee or prospective Mortgagee shall be entitled to receive a Compliance Statement evidencing such compliance.

Section 4.09 - Performance Dates. Failure to make the inspections and responses required to be made pursuant to the provisions of this Article shall have the effect indicated below in this Section.

(a) In the event the Architectural Committee fails to approve or disapprove plans and specifications within thirty (30) days after the same have been duly submitted in accordance with any rules regarding such submission adopted by the Architectural Committee, such plans and specifications will be deemed approved.

(b) The written request for an appeal to the Board of a decision rendered by the Architectural Committee must be received by the Board not more than fifteen (15) days following the final decision of the Architectural Committee.

(c) The Board shall render its written decision in connection with a written appeal to the Board of a final decision of the Architectural Committee within forty-five (45) days following receipt of the request for appeal. Failure of the Board to render such decision within such period of time shall be deemed a decision in favor of the appellant.

(d) If for any reason an inspection has not been made within forty-five (45) days of notification by the Owner of the completion of an Improvement or the Owner requesting such inspection has not been notified of any noncompliance within thirty (30) days after such inspection, the Improvement shall be deemed to be completed in substantial conformance with approved plans and specifications.

(e) The Architectural Committee shall provide to any Owner, prospective Owner, Mortgagee or prospective Mortgagee of a Residence who has submitted a written request therefor a statement as to the compliance or noncompliance, as the case may be, of the Improvements upon such Residence made by Owners other than Declarant with the provisions of the Association Management Documents provided that the Architectural Committee, after notice of not less than three (3) days delivered to the Owner of such Residence, was afforded the right to enter upon the affected Residence at a reasonable time specified by the Architectural Committee.

Section 4.10 - Nonconformity. In the event an Improvement was commenced without the required approval of the Architectural Committee, or, if such Improvement was not completed within the time limitation established for such Improvement in the Architectural Standards or in substantial conformance with the approved plans and specifications, a notice of noncompliance or noncompletion shall be delivered to the violating Owner and the Architectural Committee shall correct the violation or take other appropriate action in accordance with the procedure described in the Article entitled "Discipline of Members" of the Bylaws.

Section 4.11 - Variances. The Board may authorize a variance from compliance with the architectural controls set forth in this Article when circumstances such as topography, natural obstructions, hardship, aesthetic, or environmental consideration may require; provided, however, that no variance from the use restrictions contained in the Article entitled "Use Restrictions" of this Declaration may be granted. Written evidence of such variance must be delivered to such Owner and a copy of the resolution of the Board authorizing such variance must be retained in the permanent records of the Association. If such variances are granted, no violation of the covenants, conditions and restrictions contained in the Association Management Documents 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 the Association Management Documents for any purpose except as to the particular Residence and particular provision of this Article covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all government laws and regulations affecting his use of his Residence including, but not limited to, zoning ordinances and lot setback lines or requirements imposed by any governmental or municipal authority.

Section 4.12 - Reconstruction After Destruction. The reconstruction after destruction by casualty or otherwise of any Residences which is accomplished in substantial compliance with the provisions of the Section entitled "Compliance with Plans" of the Article entitled "Destruction of Improvements" of this Declaration shall not require compliance with this Article.

ARTICLE V

INSURANCE

Section 5.01 - Obligation to Insure. The Association shall obtain and maintain in effect insurance coverage in the amounts and with endorsements deemed adequate by the Board which shall be not less than the coverages hereinafter required in this Section. All coverages must be consistent with Public Agency insurance laws.

(a) Public Liability Insurance. The commercial general liability insurance policy shall insure the Association, Declarant for as long as Declarant is an Owner, and the agents and employees of each and the Owners, and their respective family members, guests, employees, tenants or agents against any liability incident to the ownership or use of the Common Area or any other areas including any commercial spaces (even if such commercial spaces are leased to others) and public ways under the supervision of the Association. The limits of such insurance shall not be less than One Million Dollars (\$1,000,000) for claims arising out of a single occurrence for personal injury, bodily injury, deaths of persons and property damage. Coverage under this policy shall include without limitation liability of the insureds for property damage, bodily injury and deaths of persons in connection with the operation, maintenance or use of the Common Area. If such policy does not include "severability of interest" in its terms, a specific endorsement will be required precluding the insurer from denying the claim of an Owner because of negligent acts of the Association or other Owners.

(b) Fire and Casualty Insurance. The master or blanket policy of fire and casualty insurance shall cover all of the insurable Improvements within each Phase of the Covered Property in which a Close of Escrow has occurred, including Residence Improvements and fixtures and building service equipment that are part of the Common Area as well as common personal property and supplies belonging to the Association. The term "insurable Improvements," as used in this Article, shall mean those Improvements which are capable of being insured and specifically do not include items that are usually excluded from insurance coverage.

The policy shall be in an amount equal to one hundred percent (100%) of the insurable replacement value of all such insurable Improvements and shall provide for loss or damage settlement on the current replacement cost, without deduction for depreciation or coinsurance, of all of the property covered by the policy.

Such insurance must afford protection against at least loss or damage by fire and other perils normally covered by the standard extended coverage endorsement, and such other perils which are customarily covered and required by private institutional mortgage investors with respect to condominium projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement. The policy shall name as insured the Association, for the use and benefit of the Owners, designated by name or may be issued in the name of the Trustee for the use and benefit of the Owners. Loss payable clause shall be in favor of the Association or the Trustee as trustee for each Owner and each such Owner's Mortgagee(s), if any.

(c) Worker's Compensation Insurance. The Board shall purchase and maintain in force worker's compensation insurance, to the extent that the same shall be required by law, for all employees of the Association.

Section 5.02 - Notice of Cancellation or Modification. All insurance policies maintained by the Association must provide that such policies may not be cancelled, reduced or substantially modified without at least ten (10) days' prior written notice to the Association and to each First Mortgagee listed as a scheduled First Mortgagee in the policy.

Section 5.03 - Waiver by Owners. All insurance obtained by the Association shall be maintained by the Association for the benefit of the Association, the Owners and the Mortgagees as their interests may appear. As to each of said policies which will not be voided or impaired thereby, the Owners hereby waive and release all claims against the Association, the Board, other Owners, Declarant and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

Section 5.04 - Required Waiver. All policies of physical damage insurance shall provide for waiver of the following rights to the extent such waivers are obtainable from the respective insurers:

- (a) subrogation of claims against the Owners or tenants of the Owners;
- (b) any defense based on co-insurance;
- (c) any right of set-off, 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, in the event the building is not repaired, rebuilt or replaced following loss, any right to pay under the insurance the lesser of the replacement value of the Improvements insured or the fair market value thereof;
- (f) notice of the assignment of any Owner of its 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.

Section 5.05 - Annual Insurance Review. The Board shall at least annually determine whether the amounts and types of insurance it has obtained provide adequate coverage in light of increased construction costs, inflation, practice in the area in which the Covered Property is located, or any other factor which tends to indicate that either additional insurance policies or increased coverage under existing policies are necessary or desirable to protect the interest of the Owners and of the Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

Section 5.06 - Rights of Owners to Insure. Nothing contained in this Declaration shall preclude an Owner from insuring Improvements not insured by the Association pursuant to the subsection entitled "Fire and Casualty Insurance" of this Article. Should any Owner separately insure his Residence or any part thereof against loss by fire or other casualty, and should any loss intended to be covered by insurance carried by the Association occur and the proceeds payable thereunder be reduced by reason of insurance carried by such Owner, such Owner shall assign the proceeds of such insurance carried by it to the extent of such reduction to the Trustee for application by the Board to the same purposes as the reduced proceeds are to be applied. In the event that such Owner has failed to pay such amount within thirty (30) days of a written demand therefor by the Association or the Trustee, the Board may levy a Special Assessment against such Owner and his Condominium for such amount. It is the responsibility of each Owner to insure his personal property against loss by fire or other casualty and to carry public liability insurance covering his individual liability for damage to persons or property occurring inside his individual Residence. All such policies as may be carried by the Owners shall contain waivers of subrogation of claims against the Association, the Board, other Owners, Declarant and the agents and employees of each of the foregoing with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only; provided, however, such other policies shall not adversely affect or diminish any liability under any insurance obtained by the Association. Duplicate copies or certificates of such other policies shall be deposited with the Board.

Section 5.07 - Requirements of Federal Agencies. Notwithstanding the foregoing provisions of this Article, the Association shall obtain and maintain in effect such insurance policies written with insurance carriers that meet the requirements of the Federal Agencies with coverages and endorsements established from time to time by any of the Federal Agencies which, as of the recordation of this Declaration, include without limitation those specifically itemized below, except to the extent that any such policies, coverages and endorsements are not available or have been waived in writing by the particular Federal Agency that had imposed the requirements.

(a) **Hazard Insurance.** Unless a higher maximum is required by California law, the maximum deductible amount must be the lesser of Ten Thousand Dollars (\$10,000) or one percent (1%) of the policy face amount. Funds for such deductible amounts must be included in the Association's reserves and must be so designated. The following endorsements are required:

(i) an Inflation Guard Endorsement, when it can be obtained;

(ii) Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land-use law will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.);

(iii) Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. This coverage should provide for the insurer's minimum liability per accident to at least equal the lesser of Two Million Dollars (\$2,000,000) or the insurable value of the building(s) housing the boiler or machinery; and

(iv) Agreed Amount Endorsement.

The insurance policy should also provide that any Insurance Trust Agreement will be recognized, the right of subrogation against Owners will be waived, the insurance will not be prejudiced by any acts or omissions of Owners that are not under the control of the Association and the policy will be primary even if an Owner has other insurance that covers the same loss. These requirements are usually covered by a Special Condominium Endorsement. The Association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use.

(b) **Liability.** The Association shall obtain such other coverage in kinds and amounts usually required by mortgage investors in other projects in the area including, where applicable and available,

comprehensive automobile liability, bailee's liability, elevator collision liability, garage keeper's liability, host liquor liability, workers' compensation and employer's liability and contractual liability.

(c) **Fidelity Insurance.** Fidelity insurance coverage is not required by any Federal Agency unless the Covered Property is comprised of more than twenty (20) Residences. The blanket fidelity insurance shall cover losses resulting from dishonest or fraudulent acts on the part of anyone who handles or is responsible for funds held or administered by the Association, including directors, officers, trustees, employees or volunteers of the Association. Where the Association delegates some or all of the responsibility for the handling of funds to a management agent, fidelity insurance is required for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association whether or not such persons receive compensation for services. A management agent who handles funds for the Association should also be covered by its own fidelity insurance which must provide the same coverage required by the Association and must submit evidence of such coverage to the Association. The Association shall be named as an additional insured in the management agent's insurance policy. The fidelity insurance should cover the maximum funds that will be in the custody of the Association or its management agent at any time while the insurance is in force, but must be written in an amount of not less than the highest amount required by any of the Federal Agencies. Fidelity insurance shall name the Association as insured and shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression. All fidelity insurance maintained by the Association must provide that such fidelity insurance may not be cancelled or substantially modified without at least ten (10) days' prior written notice to the Association or the Trustee and each Mortgage servicing contractor that is servicing any Federal Agency owned or securitized Mortgage.

(d) **Flood Insurance.** The Association shall obtain and maintain a policy of flood insurance if required by any of the Federal Agencies to cover Improvements that have been identified by the Director of the Federal Emergency Management Agency ("FEMA") as being within a Special Flood Hazard Area ("SFHA"). The policy should cover all buildings and any other common property. In the event the Condominium Project consists of high-rise or other vertical buildings, the Association shall obtain a separate flood insurance policy for each building that houses Units. The amount of flood insurance should be at least equal to the lesser of one hundred percent (100%) of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Administration program. For Condominium Projects that consist of high-rise buildings or other vertical buildings, the building coverage shall equal one hundred percent (100%) of the insurable value of the building including machinery and equipment that are part of the building. The contents coverage must include one hundred percent (100%) of the insurable value of all contents, including any machinery and equipment that are part of the building but which are owned in common by the Owners. If the required coverage exceeds the maximum coverage available under the National Flood Insurance Administration's programs, the coverage should then be in an amount equal to the maximum amount that is available under the National Flood Insurance Administration's programs. Unless a higher deductible amount is required by California law, the maximum deductible amount for policies covering the Common Area or policies covering each building in a high-rise or vertical Condominium project shall be the lesser of Five Thousand Dollars (\$5,000) or one percent (1%) of the policy's face amount. Funds for such deductible amounts must be included in the Association's reserves and must be so designated. A separate Association endorsement is required if not already a part of the policy.

(e) **Mortgage Clause.** All policies documenting insurance for hazard and flood insurance coverages obtained by the Association must have the "standard mortgage clause" or equivalent endorsement providing that coverage of a Mortgagee under the insurance policy will not be adversely affected or diminished by an act or neglect of the Mortgagor, which is commonly accepted by private institutional mortgage investors in the area in which the Covered Property is located, unless such coverage is prohibited by applicable law. Each Mortgage owned by FNMA must name as Mortgagee either FNMA or the servicer of the Mortgage held by FNMA encumbering the Condominium. When a servicer is named as the Mortgagee, its name should be followed by the phrase "its successors and assigns." If the Mortgage is owned in whole by FHLMC the name of the servicer of the Mortgage followed by the phrase "its successors and assigns, beneficiary" should be named as Mortgagee instead of FHLMC. The Mortgage

clause must be endorsed to fully protect FHLMC's interests or the interest of FHLMC and the servicer where applicable. If FHLMC must be named as Mortgagee, the endorsement should show the servicer's address in lieu of FHLMC's address. A mortgage clause in favor of Mortgagees holding Mortgages on Condominiums is not required on a policy insuring the Association Property.

ARTICLE VI

ENFORCEMENT OF BONDED OBLIGATIONS

In the event that the Improvements to the Common Area required to be completed by the Declarant have not been completed prior to the issuance of a Final Subdivision Public Report and the Association is insured under a bond or other arrangement (the "Bond") to secure performance of the commitment of Declarant to complete such Improvements, the following provisions shall apply:

(a) 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 Improvements for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for such Improvements in the planned construction statement appended to the Bond. If the Association has given an extension in writing for the completion of any Common Area Improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of such extension.

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

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

ARTICLE VII

REPAIR AND MAINTENANCE

Section 7.01 - By Association. Except to the extent that an Owner may be obligated to maintain and repair as hereinafter provided, and without limiting the generality of the statement of duties and powers contained in the Association Management Documents, the Association acting through its Board and its officers shall have the duty to accomplish the following upon the Covered Property or other land in such manner and at such times as the Board shall prescribe:

(a) manage, operate, control, maintain, repair, restore, replace and make necessary Improvements to the Common Area of any Phase in which a Close of Escrow has occurred, except any portion thereof that is to be maintained by the Owners as hereinafter provided in this Article, including, without limitation, the following:

(i) the exterior surfaces of all Condominium Buildings, to include the painting thereof, including, without limitation, the exterior walls of Condominium Buildings that form the boundary of a Unit or element thereof or of any Exclusive Use Common Area, or any portion thereof;

(ii) private streets and adjacent streetscapes within the Covered Property in conformance with the standard of maintenance established by the Public Agency responsible for public streets and streetscapes;

(iii) Exclusive Use Common Areas, or portions thereof, that are not required to be maintained and repaired by an Owner pursuant to the provisions of this Declaration or pursuant to an instrument recorded in the Official Records pursuant to the Section entitled "Additional Exclusive Use Common Areas" of the Article entitled "Easements and Rights" of this Declaration; and

(iv) Special Benefits Common Area;

(b) maintain, repair, restore, replace and make necessary Improvements to the Unit, or portions thereof, that are in a Phase on which a Close of Escrow has occurred indicated below:

(i) interior surface boundaries that are not floor or ground surfaces of the deck elements of a Unit, including, without limitation, the painting thereof;

(ii) exterior surface boundaries (defined to mean the side fronting Common Area or public rights-of-way) of any fences or walls of a yard element of a Unit; and

(c) maintain, repair, restore, replace and reconstruct the Perimeter Walls described in this Declaration or on any Supplementary Declaration annexing additional property hereto;

(d) maintain all other areas, facilities, equipment, services or aesthetic components of whatsoever nature as may from time to time be requested by the vote or written consent of a majority of the voting power of the Association; and

(e) accomplish any of the foregoing activities or any maintenance, repair, restoration or replacement of any other Improvements that are described in a Supplementary Declaration covering any subsequent Phase of the Development.

The costs of any such maintenance and repair of Special Benefits Common Area pursuant to this Section shall be Special Benefits Expenses of the Special Benefits Area that is to receive the benefit of such maintenance. The costs of any other maintenance and repair shall be Common Expenses except as otherwise specified in this Declaration for costs which are to be paid in the form of Special Assessments, Reconstruction Assessments or Capital Improvement Assessments. The costs of temporary relocation during the repair and maintenance of the areas within the responsibility of the Association shall be borne by the Owner of the Unit affected.

Any Exhibits depicting or delineating maintenance areas or obligations of the Association are for illustrative purposes only. The "as-built" condition of all such maintenance areas and obligations as built by Declarant shall be controlling.

Section 7.02 - By Owner. Each Owner shall:

(a) maintain, repair, replace and restore in a clean, sanitary and attractive condition all portions of his Unit that are not maintained by the Association including, without limitation, the following:

(i) the interior walls, ceilings, floors and doors of the residential or living element and the garage element of a Unit, and the plumbing, electrical and heating systems servicing his Residence;

(ii) all glass for his own Residence, and Owners shall be responsible for the interior and exterior cleaning of such glass;

- (iii) garage door opening systems and hinges, springs and other parts of the garage door mechanism;
- (iv) air conditioning areas and air conditioning equipment that services the Unit of such Owner; and
- (v) all plants or other growing things emplaced or located within the Unit. All plants shall be permitted to encroach into or onto the Common Areas, subject to the Article entitled "Architectural Control" of this Declaration; and

(b) maintain, repair, replace and restore the Exclusive Use Common Area, or portion thereof, indicated below:

all internal and external telephone wiring designed to serve the Unit of such Owner.

Owners shall perform day-to-day cleaning and sweeping of the Exclusive Use Common Area appurtenant to their Units so that such Exclusive Use Common Areas are routinely maintained in a clean, sanitary and attractive condition.

Owners shall be relieved of their obligations under this Section to the extent that such obligations are the responsibility of the Association.

Section 7.03 - Repair of Damage. In the event the Board shall determine that any portion of the Covered Property required to be maintained by the Association has been damaged or destroyed by any negligent or malicious act or omission of any Owner, his family, guests, employees, tenants, or agents, such Owner shall be responsible for the cost of repairing such damage in accordance with the Article entitled "Discipline of Members" of the Bylaws. Any increase in insurance payable by the Association which is the result of damage by any negligent or malicious act or omission of a particular Owner, or any of such Owner's family, guests, employees, tenants or agents, shall also be paid by such Owner. The Board shall have the power to levy a Penalty Assessment against such Owner for the cost of repair or for an amount equal to any such increase in premium.

Section 7.04 - Noncompliance by Owner. In the event that an Owner fails to accomplish any installation, maintenance or repair required by this Article, after approval by two-thirds (2/3rds) vote of the Board, the Board shall give to such Owner a notice describing such deficiency and give such Owner an opportunity to have a hearing as provided in the Section entitled "Enforcement" of the Article entitled "Discipline of Members" of the Bylaws.

Section 7.05 - Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore the underground facilities or public utilities which are located within easements in the Common Area owned by such public utilities.

Section 7.06 - Transfer of Association Property.

(a) The Association Property within a Phase shall be conveyed to the Association prior to or concurrently with the first Close of Escrow to occur within such Phase. Declarant shall convey the Association Property to the Association free of all liens and encumbrances except current real property taxes and assessments (which taxes and assessments shall be prorated as of the date of conveyance), title exceptions of record and the covenants, conditions, reservations and restrictions contained in this Declaration and the instrument which conveys the Association Property to the Association.

(b) The Association shall be deemed to have accepted the obligation to maintain the Improvements required to be maintained by the Association within any Phase (1) when such Improvements have been completed in substantial conformance with the plans and specifications therefor, and (2) when a Close of Escrow has occurred within such Phase. The issuance of a certificate by the architect who

designed; any such Improvements stating that such Improvements are in substantial conformance with the original plans and specifications shall be satisfactory evidence of such completion.

The Association shall release Declarant from the Bond defined in the Article entitled "Enforcement of Bonded Obligations" of this Declaration as to any Improvements accepted for maintenance as provided above.

(c) One joint inspection shall be made between the Declarant, the Declarant's landscape contractor, the Association and the Association's landscape contractor for the purpose of compiling one list of corrective work, if any, that needs to be accomplished to complete any Improvements intended to be maintained by the Association in conformance with the plans and specifications therefor. For purposes of this inspection, Declarant shall designate the persons to represent the Declarant and the Declarant's landscape contractor and the Board shall designate the persons to represent the Association and the Association's landscape contractor. Any such corrective work approved by the Declarant shall be accomplished by the Association's landscape contractor at a cost approved and paid by the Declarant and the acceptance by the Association of such payment from the Declarant shall be deemed acceptance of such Improvements by the Association. The Association shall diligently cause all of such corrective work to be completed in conformance with the plans and specifications as soon as reasonably possible following agreement between the Declarant and the Association as to the corrective work required and the cost thereof. Failure by the Association or its landscape contractor to commence the work of completing such corrective work and to diligently prosecute such work to completion shall not relieve the Association of its obligation to assume the maintenance of all or any portion of the Improvements required to be maintained by the Association pursuant to this Section.

Section 7.07 - Temporary Relocation. The Association may cause the temporary, summary removal of any occupant of a Residence for such periods and at such times as may be necessary for the prompt, effective treatment of wood-destroying pests or organisms. The Association shall give notice of the need to temporarily vacate a Residence to the occupants and to the Owners of such Residence not less than fifteen (15) days nor more than thirty (30) days prior to the date of the temporary relocation. The notice shall state the reason for the temporary relocation, the date and time of the beginning of treatment, the anticipated date and time of termination of treatment, and that the occupants will be responsible for their own accommodations during the temporary relocation. Notice by the Association shall be deemed complete upon either:

(a) personal delivery of a copy of the notice to the occupants, and sending a copy of the notice to the Owner of the affected Residences, if Owner is not the occupant, by first-class mail, postage prepaid; or

(b) by sending a copy of the notice to the occupants at the Residence address and a copy of the notice to the Owner of the affected Residence, if Owner is not the occupant, by first-class mail, postage prepaid.

Notices to Owners pursuant to this Section shall be mailed to the most current address shown for such Owner on the books of the Association. For purposes of this Section, "occupant" means an Owner, resident, guest, invitee, tenant, lessee, sublessee, or other person in possession of a Residence.

ARTICLE VIII

EASEMENTS AND RIGHTS

Section 8.01 - Nature of Easements. Unless otherwise set forth herein, all easements reserved to Declarant herein shall be nonexclusive.

Section 8.02 - Oil and Mineral Rights; Ingress and Egress.

(a) Oil and Mineral Rights. All oil, minerals, natural gas, and other hydrocarbons by whatsoever name known, geothermal resources, metalliferous or other ores, and all products derived from any of the foregoing, that may be within or under the Covered Property, and all rights associated with the foregoing, together with the perpetual right of drilling, mining, exploring and operating therefor and storing in and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from lands other than the Covered Property, oil or gas wells, tunnels and shafts into, through or across the subsurface of the Covered Property and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines without, however, the right to drill, mine, store, explore and operate through the surface or the upper five hundred (500) feet of the subsurface of the Covered Property; and

(b) Ingress and Egress. Easements over the private streets within the Covered Property for ingress, egress, use and enjoyment for the benefit of the Annexation Property;

Section 8.03 - Easements for Construction and Marketing Activities. There is hereby reserved to Declarant, together with the right to grant and transfer same:

(a) Improvements. Easements (1) over the Common Area for the purpose of constructing, erecting, operating and maintaining thereon, therein or thereunder roads, streets, walks, driveways, parkways and park areas, and (2) over the Covered Property, for the installation and maintenance of electric, telephone, cable television, water, gas, irrigation lines, sanitary sewer lines and drainage facilities;

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

(c) Construction and Sales. Easements for construction, display, maintenance, sales and exhibit purposes over the Common Area other than Exclusive Use Common Area in connection with the erection and sale or lease of Condominiums within the Covered Property provided, however, that such use shall not be for a period beyond the sale by Declarant of all Condominiums within the Development;

(d) Utilities Shown on Tract Map. Easements over the Covered Property for the installation and maintenance of electric, telephone, cable television, water, gas, sanitary sewer lines and drainage facilities as shown on any recorded final tract or parcel map covering the Covered Property;

(e) Completing Improvements. Easements over the Common Area for the purpose of completing Improvements required to be made by Declarant provided that access for such purpose is not otherwise reasonably available;

(f) Repairs. Easements over and upon the Common Area for the purpose of making repairs pursuant to contracts of sale made with Unit purchasers;

(g) Redesign Improvements. The easement and right to redesign any portion of the Improvements which have been constructed, or are proposed to be constructed, to effect changes to Units and Common Area to (1) alter the vertical or horizontal boundaries and/or dimensions of any Unit, and/or (2) adjust the location and/or the configuration of any Common Area Improvements, including without limitation, the location of any Exclusive Use Common Area, subject to the following limitations and restrictions:

(i) In no event shall the number of Condominiums in a Condominium Project be changed;

(ii) In no event shall Declarant redesign any portion of a Phase, or any Improvements thereon, in a manner that physically modifies, affects or changes any Units which, as of the date of such redesign, are the subject of a sale or are not owned by Declarant unless the purchaser or Owner of such Unit consents to such redesign in writing.

Each Owner, by accepting the conveyance of a Condominium, and each Mortgagee, by the recordation of its Mortgage encumbering a Condominium, shall be deemed to have irrevocably granted to Declarant a power of attorney coupled with an interest as their attorney-in-fact to effect an amendment to the Condominium Plan if such amendment is necessary or desirable to reflect any inconsistency between the Units and the Common Area as shown on the recorded Condominium Plan or on an Exhibit attached to this Declaration and the physical as-built location and structure of such Units and Common Area as constructed by the Declarant.

The easements reserved to Declarant, or granted and conveyed by Declarant, pursuant to this Section shall not unreasonably interfere with the use and enjoyment by the Owners of the Covered Property and any damage, repair or restoration necessitated by any such installation, construction or maintenance shall be completed by the holder of the easement that has entered upon the Covered Property for any such purpose within a reasonable time after the occurrence of such damage or need for restoration.

Declarant's rights to come on the Nonexclusive Use Common Area under this Section shall terminate upon the earlier of (i) the expiration of seven (7) years from the date of the conveyance of the Association Property within the Initial Covered Property to the Association, or (ii) the sale by Declarant of all Condominiums within the Development, whichever is first to occur, provided, however, in no event shall Declarant's rights hereunder terminate prior to the exoneration of any Bond in favor of the Association described in the Article entitled "Enforcement of Bonded Obligations" of this Declaration.

Section 8.04 - Easements for Owners. There is hereby reserved to Declarant, together with the right to grant and transfer same:

(a) Ingress, Egress and Recreational Rights. Easement on and upon the Nonexclusive Use Common Area, which, when granted and conveyed by Declarant shall be appurtenant to each Condominium in each Phase of the Covered Property, for ingress, egress, use and enjoyment (which includes, without limitation, the unrestricted right of ingress and egress to such Owner's Residence);

(b) Access for Maintaining Telephone Wiring. Easement on and upon the Common Area, which when granted and conveyed by Declarant shall be appurtenant to the Residence that receives the benefit thereof, for reasonable access for maintaining the internal and external telephone wiring servicing such Residence; and

(c) Exclusive Use Common Area Easement. Easement on and upon the Exclusive Use Common Area designated for each Unit on the Condominium Plan, this Declaration or in a Supplementary Declaration which, when granted and conveyed by Declarant shall be appurtenant to such Unit for the purposes designated for such Exclusive Use Common Area in a Condominium Plan, this Declaration, or a Supplementary Declaration.

Such easements when granted and conveyed by Declarant pursuant to this Section shall be subject to all of the easements, covenants, conditions, restrictions and other provisions contained in the Association Management Documents, including any prior rights of the Association.

Section 8.05 - Easements for Association. There is hereby reserved to Declarant, together with the right to grant and transfer the same to the Association, easements over the Covered Property, or portion thereof, as follows:

(a) Utility Purposes. Easement over, under, through and across Condominium Common Area other than Exclusive Use Common Area for utility purposes which include but are not limited to the installation, maintenance, repair and replacement of utility facilities as reasonably necessary to the ongoing

development, operation and use of the Covered Property, together with the right of the Association to grant and transfer same to any utility company subject to the terms and conditions set forth in the form of easement document provided by such utility company;

(b) Repair and Maintenance. Easement over the Covered Property for the purpose of performing the repair and maintenance obligations described in Article VII of this Declaration and emergency repairs or other work necessary for the maintenance of the Covered Property;

(c) Discharge Obligations. Easement over the Covered Property for the purpose of permitting the Association to discharge any other obligations and powers as described in the Association Management Documents; and

(d) Drainage. Easement, which shall be for the benefit of and appurtenant to the Association Property receiving the benefit thereof, over any contiguous portion of the Covered Property for surface drainage and drainage from such Association Property over, under, through and across drainage Improvements installed by the Declarant together with the right to maintain and repair any such drainage Improvements.

Any damage to Improvements upon the Covered Property resulting from the exercise of any of the easement rights granted pursuant to this Section shall be repaired by the entity exercising such rights within a reasonable time after the occurrence of such damage unless otherwise specified in the document by which such easement was conveyed.

Section 8.06 - Support, Settlement and Encroachment.

(a) There is hereby reserved to Declarant, together with the right to grant and transfer the same, the following reciprocal easements for the purposes set forth below:

(i) an easement appurtenant to each Residence which is contiguous to another Residence or Association Property which Residence shall be the dominant tenement and the contiguous Residence or Association Property shall be the servient tenement; and

(ii) an easement appurtenant to the Association Property contiguous to a Residence or other Association Property, which Association Property shall be the dominant tenement and which contiguous Residence or Association Property shall be the servient tenement.

(b) Said easements shall be for the purposes of:

(i) encroachments by reason of construction, reconstruction, repair, shifting, settlement, or other movement of any portion of the Improvements; and

(ii) maintenance of all such Improvements by the Association or Owner who is required to perform such maintenance pursuant to the provisions of this Declaration.

(c) The ~~easement~~ shall extend (i) for as long as the physical boundaries of the Improvements, after such construction, reconstruction, repairs, shifting, settlement, or other movement, are in substantial conformance with the description of such physical boundaries contained in the Declaration and the Condominium Plan; and (ii) for whatever period the encroachment exists.

The rights and obligations of owners of the dominant tenements shall not be altered in any way by said encroachments, settlement or shifting provided, however, that in no event shall an easement for encroachment be created in favor of an owner of the dominant tenement if said encroachment occurred due to the willful misconduct of any such owner. In the event any portion of a structure on the Covered Property is partially or totally destroyed and then repaired or rebuilt, each such owner agrees that minor encroachments over adjoining Residences or Association Property shall be easements for the maintenance of said encroachments as long as they shall exist.

Section 8.07 - Utilities and Cable Television. Wherever sanitary sewer house connections, water house connections, air conditioning connections or ducts, electricity, gas, telephone and cable television lines or drainage facilities are installed within the Covered Property, the Association or any Owner as the owner of any property served by said connections, lines or facilities shall have the right, and there is hereby reserved to Declarant, together with the right to grant and transfer the same to any such owner, an easement to the full extent necessary for the full use and enjoyment of such portion of such connections which service such owner's property, and to enter, or have utility or cable television companies enter upon any portion of the Covered Property including without limitation, upon the Residences in or upon which said connections, lines or facilities or any portion thereof lie, to repair, replace and generally maintain said connections, lines and facilities as and when the same may be necessary, provided that any damage caused by such entry shall be repaired by such owner, utility or cable television company as promptly as possible after completion of work thereon.

Section 8.08 - Additional Exclusive Use Common Areas. There is hereby reserved to Declarant, together with the right to grant and transfer same, easements over the Common Area, or any portion thereof that is not Exclusive Use Common Area or Association Common Area, for the exclusive use by an Owner or Owners of contiguous property as a yard, recreational, gardening, and/or landscaping area, and for minor encroachment of any Improvements thereon and the repair and maintenance thereof. Any such easement when conveyed shall be deemed to be Exclusive Use Common Area (notwithstanding that all or a portion thereof may be located on Association Property) to the same extent as if so described in this Declaration, Condominium Plan or any Supplementary Declaration. Such easement shall not be effective unless approved by the Board. The Board shall approve any such easement if it has determined that it would be in the best interests of the Association and the remaining Owners to create such Exclusive Use Common Areas for the benefit of any particular Owner or Owners of any such contiguous property. For example and without limitation, it would be beneficial to the Association and the remaining Owners to transfer the burden of management and maintenance of any property which in the reasonable judgment of the Board is generally inaccessible to the remaining Owners or is not likely to be used by the remaining Owners. Upon conveyance, such Exclusive Use Common Area shall be appurtenant to the property of the Owner who has the exclusive use thereof. Such easement may contain modifications of the covenants, conditions and restrictions as they pertain to such easement area and shall also be subject to any additional terms, conditions and restrictions that may be imposed by the Board.

Section 8.09 - Public Bicycle and Pedestrian Trails. There is hereby reserved to Declarant, together with the right to grant and transfer the same, an easement for public ingress and egress over any bicycle, pedestrian, equestrian or other trails shown on any recorded final tract or parcel map covering the Covered Property. The reservation of this easement shall not imply any right of public use of the Covered Property or Improvements.

Section 8.10 - Subordination. Except as may be otherwise provided in the grant or dedication of an easement, any easement conveyed in favor of a Public Agency shall be prior and superior to all other easements described herein, and any easement conveyed pursuant to the provisions of this Article to a utility company shall be prior and superior to all other easements described herein except any easement in favor of a Public Agency. Grantor and any grantee by acceptance of a conveyance of any easement described in this Declaration, whether or not so stated in such conveyance document, agree that such easement shall be subordinate to any such prior and superior easements and further agree to execute any document acknowledging such subordination that may be required by the holder of any such prior easement.

Section 8.11 - Delegation of Use. Any Owner may delegate his right of enjoyment to the Nonexclusive Use Common Area to the members of his family or his tenants who reside on his Residence or to a vendee under a land sales contract subject to the covenants, conditions and restrictions contained in the Association Management Documents and the rules and regulations adopted by the Board. In the event and for so long as an Owner delegates said rights of enjoyment to his tenants or a vendee, said Owner shall not be entitled to the use and enjoyment of any facilities or equipment belonging to or controlled by the Association for the use and enjoyment of its Members.

Section 8.12 - Waiver of Use. No Owner may exempt himself from personal liability for Assessments duly levied by the Association, or release the Condominium owned by him from the liens, charges and other provisions of the Association Management Documents by waiver of the use and enjoyment of the Nonexclusive Use Common Area or the abandonment of his Condominium.

ARTICLE IX

USE RESTRICTIONS

Section 9.01 - Commercial Use. Subject to the subsection entitled "Construction and Sales" of the Section entitled "Easements for Construction and Marketing" of the Article entitled "Easements and Rights" of this Declaration, no part of a Residence shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any nonresidential purposes except that a Residence may be used for business, commercial, manufacturing, mercantile, storing, vending, or similar nonresidential purposes provided that the existence of such nonresidential activity is not apparent or detectable by sight, sound or smell from the exterior of a Residence and such nonresidential activity does not generate an unreasonable amount of traffic or unreasonably limit parking for other Owners and their guests, employees, or agents.

Section 9.02 - Signs. No sign or billboard of any kind shall be displayed to the public view on any portion of the Covered Property except (1) such signs as may be used by Declarant or its sales agents in connection with the development of the Covered Property and sale of the Condominiums, (2) signs that are installed or displayed by the Association; provided, however, that in accordance with Section 712 of the California Civil Code, an Owner may display on his Residence, or on real property owned by others with their consent, or both, signs which are reasonably located, in plain view of the public, are of reasonable dimensions and design, do not adversely affect public safety, including traffic safety, and which advertise the property for sale, lease, or exchange, or advertise directions to the property or the Owner's or agent's address and telephone number. As provided in said Section 712 of the California Civil Code, a sign which conforms to an ordinance adopted in conformity with Section 713 of the California Civil Code shall be deemed to be of reasonable dimension and design. Declarant shall repair any damage to or complete any restoration of the Covered Property caused or necessitated by the display of signs by Declarant or its sales agents within a reasonable time after the occurrence of such damage or need for restoration.

Declarant's rights to display signs under this Section shall terminate upon the earlier of (i) the expiration of seven (7) years from the date of the conveyance of the Association Property in the Initial Covered Property to the Association, or (ii) the sale by Declarant of all Condominiums within the Development, whichever shall first occur.

Section 9.03 - Nuisance. No noxious or offensive trade or activity shall be permitted upon any part of the Covered Property, nor shall anything be done thereon which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective Residence, or which shall in any way increase the rate of insurance on any other Condominium or the Covered Property.

Section 9.04 - Temporary Residences. No garage, trailer, camper, motor home or recreational vehicle shall be used as a dwelling structure although the Board may adopt rules that would permit the temporary use of such structure or vehicles for such purpose on a limited basis under prescribed conditions such as, but not limited to, the period of time that the residential dwelling structure may be under construction or renovation.

Section 9.05 - Vehicles.

(a) The following terms used in this Section are defined to mean as follows:

- (i) "Commercial Vehicle" shall mean a truck of greater than one ton capacity;
- (ii) "Recreational Vehicle" shall mean any recreational vehicle or equipment designed to be used for recreational purposes, to include, without limitation, trailers, boats, campers, trailer

coaches, buses, house cars, camp cars, motor homes (if the motor homes are a size larger than seven (7) feet in height and/or greater than one hundred twenty-four (124) inches in wheel base length) or any other similar type of equipment or vehicle; and

(iii) "Temporary Parking" shall mean temporary parking for washing and polishing of vehicles and activities related thereto, temporary parking for loading and unloading of vehicles, parking of vehicles belonging to guests of Owners and temporary parking of commercial vehicles being used in the furnishing of services to the Association or the Owners.

(b) Except for Temporary Parking, no Commercial Vehicle, Recreational Vehicle or any other similar type of equipment or vehicle shall hereafter be permitted to remain upon the Covered Property unless placed or maintained within an enclosed area, or unless obscured from view of adjoining streets, Association Property and Residences by a solid wall or fence or appropriate screen; and

(c) No automobile, Commercial Vehicle, Recreational Vehicle or any other motorized vehicle may be dismantled, rebuilt, repaired, serviced or repainted on the Covered Property unless performed within a completely enclosed structure located on a Residence which completely screens the sight and sound of such activity from streets, Association Property and neighboring Residences.

The Board may adopt rules for the regulation of the admission and parking of vehicles within the Covered Property, including the assessment of Penalty Assessments to Owners who violate, or whose family, guests, employees, tenants or agents violate, such rules.

Section 9.06 - Use of Common Area. The Board may establish reasonable rules and regulations as it deems appropriate in its sole discretion with regard to the use and enjoyment of any portion of the Common Area that is not Exclusive Use Common Area, including, without limitation, designating portions thereof as Association Common Area, for "parking" and "guest parking" or granting the exclusive use of portions thereof for a limited period of time for parking purposes to Owners who are temporarily being denied vehicular access to their Residences because of any construction, reconstruction, repair or maintenance activity being conducted by the Board or conducted by others with the consent of the Board.

Section 9.07 - Animals. No livestock, reptiles, poultry or other animals of any kind shall be raised, bred or kept upon the Covered Property, except that dogs, cats or other household pets may be kept on the Residences, provided they are not kept, bred or maintained for any commercial purpose, or in numbers deemed unreasonable by the Board.

Notwithstanding the foregoing, no animals may be kept on the Residences which in the good faith judgment of the Board result in any annoyance or are obnoxious to residents in the vicinity. All animals permitted to be kept by this Section shall be kept on a leash when on any portion of the Covered Property except when confined within a Residence.

Section 9.08 - Restrictions on Drilling Operations. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted upon or in the Covered Property nor, subsequent to the recording of this Declaration, shall oil wells, tanks, tunnels, or mineral excavations or shafts be installed upon the surface of the Covered Property or within five hundred (500) feet below the surface of such properties. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon the Covered Property.

Section 9.09 - Unsightly Items. All weeds, rubbish, debris, or unsightly material or objects of any kind shall be regularly removed from the Residences and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, trash cans, woodpiles, storage areas, machinery and equipment shall be prohibited upon any Residence unless obscured from view of adjoining streets or portions of the Covered Property from a height of six (6) feet or less.

Section 9.10 - Antennae: Roof Structures.

(a) Antennae. No television, radio, or other electronic towers, aerials, antennae or devices of any type for the reception or transmission of radio or television broadcasts or other means of communication shall hereafter be erected, constructed, placed or permitted to remain on the Covered Property unless they are (1) contained within a building or underground conduits; (2) completely obscured from view from any streets or any other portion of the Covered Property, or (3) screened from view by an appropriate screen that has been approved in writing by the Architectural Committee.

(b) Solar Energy Systems. As provided in Section 714 of the California Civil Code, reasonable restrictions on the installation of solar energy systems that do not significantly increase the cost of the system or significantly decrease its efficiency or specified performance, or which allow for an alternative system of comparable cost, efficiency, and energy conservation benefits may be imposed by the Architectural Committee. Whenever approval is required for the installation or use of a solar energy system, the application for approval shall be processed and approved by the Architectural Committee in the same manner as an application for approval of an architectural modification to the property, and shall not be willfully avoided or delayed. "Solar energy system" as used herein shall mean as such term is defined in Section 801.5 of the California Civil Code. Failure to comply with Section 714 of the California Civil Code could result in the payment of actual damages and a civil penalty and the prevailing party in any action to enforce compliance with said Section 714 of the California Civil Code shall also be awarded reasonable attorneys fees.

(c) Other Roof Structures. No other appliances or installations on exterior roofs of structures including, without limitation, roof-top turbine ventilators, shall be permitted unless they are installed in such a manner that they are not visible from streets or any other portion of the Covered Property.

Section 9.11 - Drainage. All drainage of water from any Residence shall drain or flow into adjacent streets or alleys and shall not be allowed to drain or flow upon, across, or under any other portion of the Covered Property unless an easement for such purpose is granted. An Owner shall not alter the drainage of water which exists pursuant to the drainage plan originally created at the time of the initial sale of his Condominium by Declarant except through the use of a positive drainage device which does not materially affect the concentration or flow direction of drainage water under said drainage plan.

Section 9.12 - Garages. No garage doors shall be permitted to remain open except for a temporary purpose, and the Board may adopt rules for the regulation of the opening of garage doors, including the assessment of Penalty Assessments to Owners whose garage doors have remained open in violation of such rules.

Section 9.13 - Window Covers. Curtains, drapes, shutters or blinds may be installed as window covers. No window shall be covered with aluminum foil, newspapers or other material not designed for use as a window cover.

Section 9.14 - California Vehicle Code. The applicable Public Agency shall be allowed to impose and enforce all provisions of the applicable California Vehicle Code sections or local ordinances on any private streets contained within the Covered Property.

Section 9.15 - Leases. Any agreement for the leasing or rental of a Condominium (hereinafter in this Section referred to as a "lease") shall be in writing and shall provide that the terms of such lease shall be subject in all respects to the provisions of the Association Management Documents and any applicable agreements between the Association and any of the Federal Agencies. Any Owner who shall lease his Condominium shall be responsible for assuring compliance by such Owner's lessee with the Association Management Documents. No Condominium shall be leased for any period less than seven (7) days. The Development and the Condominiums shall be operated to the extent reasonably possible in a manner that will satisfy guidelines or regulations that permit the Federal Agencies to purchase, insure, or guarantee First Mortgages encumbering Condominiums.

Section 9.16 - View. Each Owner by acceptance of a deed or other conveyance of a Condominium acknowledges that any construction or Improvement by Declarant, the Association or any other Owner, or any owner of any other property may change, impair, obstruct or otherwise affect any view that such Owner may have enjoyed at the time of the purchase of his Condominium. The Association Management Documents do not contain any provisions intended to protect any view or to guarantee that any views that an Owner may have enjoyed will not be impaired or obstructed in the future by changes to other property. Each Owner further acknowledges that any rights acquired do not include the preservation of any view and further consents to such obstruction and/or impairment. No representations or warranties of any kind, express or implied, have been given by Declarant, or its officers, employees, partners, subsidiaries, affiliated companies, or directors and agents of any of them in connection with the preservation of views and each Owner and/or the Association agree to hold Declarant, and all of such officers, employees, partners, subsidiaries, affiliated companies, and directors and agents of any of them free of liability from such damages, costs, expenses or charges incurred in connection therewith, such as, but not limited to, attorneys' fees and court costs and costs arising from any changes, obstruction or impairment of the view from such Owner's Residence.

Section 9.17 - Post Tension Slabs. Building structures within the Covered Property may have been constructed using post tension concrete slabs (defined to mean concrete slabs that contain a grid of steel cables under high tension). Each Owner, by acceptance of a deed to his Condominium, acknowledges that modification or alteration of concrete slab floors contained within his Condominium could damage the integrity of such post tension slabs and could cause serious personal injury or property damage. Each Owner and/or the Association agree to hold Declarant and all partners, subsidiaries and affiliated companies of Declarant, and all of the officers, employees, directors and agents of any of them, free of liability from such damages, costs, expenses or charges incurred in connection therewith, such as, but not limited to, attorneys' fees and court costs and costs incurred by reason of injury to property or injury to persons caused by any modification or alteration of such post tension slabs.

Section 9.18 - Transfer of Title Disclosures. An Owner shall comply with the provisions of California Civil Code Section 1368 which until amended to provide otherwise provides that an Owner shall, as soon as practicable before transfer of title to a Condominium or execution of a real property sales contract therefor (defined in Section 2985 of the California Civil Code to mean an agreement wherein one party agrees to convey title to real property to another party upon the satisfaction of specified conditions set forth in the contract which does not require conveyance of title within one (1) year from the date of formation of the contract), provide the following to the prospective purchaser:

- (a) A copy of the Association Management Documents;
- (b) In the event the Association Management Documents are amended to contain a restriction limiting the occupancy, residency, or use of a Condominium on the basis of age in a manner different from that provided in California Civil Code Section 51.3 pertaining to senior citizens housing restrictions, a statement that the restriction is only enforceable to the extent permitted by said Section 51.3 and a statement specifying the applicable provisions of said Section 51.3; and
- (c) A true statement in writing from an authorized representative of the Association as to the amount of any Assessments levied upon the Owner's Condominium which are unpaid on the date of the statement. The statement shall also include true information on Allowable Charges which, as of the date of the statement, are or may be made a lien upon the Owner's Condominium pursuant to the Section entitled "Personal Obligation; Lien" of the Article entitled "Assessments" of this Declaration.

ARTICLE X

DESTRUCTION OF IMPROVEMENTS

Section 10.01 - Definitions. The following terms used in this Article are defined to mean as follows:

(a) "Insured Improvements" shall mean the Improvements on the Covered Property insured under the fire and casualty insurance policy maintained by the Association and shall consist of Structural Condominium Common Area, Association Common Area Improvements, Residence Improvements and Common Facilities.

(b) "Affected Condominium" shall mean a Condominium the Unit of which is housed by partially or totally destroyed insured Structural Condominium Common Area or contains partially or totally destroyed insured Residence Improvements.

(c) "Affected Association Common Area Improvements" shall mean partially or totally destroyed insured Association Common Area Improvements.

(d) "Affected Common Facility" shall mean a partially or totally destroyed insured Common Facility.

(e) "Acceptable Range of Reconstruction Cost" shall mean that the amount of the insurance proceeds paid for partially or totally destroyed Insured Improvements together with the amount of any deductible amount designated in the fire and casualty insurance policy maintained by the Association totals at least ninety percent (90%) of the estimated cost to repair, replace or reconstruct such partially or totally destroyed Insured Improvements.

(f) "Substantial Destruction" shall mean a destruction of Insured Improvements representing at least seventy-five percent (75%) of the current replacement cost value of all Insured Improvements upon the Covered Property.

Section 10.02 - Board Action. The Board is hereby designated to represent the Owners in any proceedings, negotiations, settlements or agreements that pertain to the allocation of any losses, awards, or proceeds from the destruction of all or a part of any Insured Improvements as hereinafter provided in this Article.

(a) Acceptable Range of Reconstruction Cost. The Board shall ascertain the cost of repair, replacement or reconstruction of such Insured Improvements by obtaining fixed price bids from at least two (2) reputable contractors, which bids shall include the obligation of the contractor to obtain a performance bond, if the Board deems that such bids are necessary or appropriate. The Board shall further have full authority to negotiate with representatives of the insurer and to make settlement with the insurer for less than full insurance coverage on the damage. Any settlement made by the Board in good faith shall be binding upon all Owners with the exception of the Administrator of Veterans Affairs, an Officer of the United States of America. After the settlement has been approved by the Board, any two (2) directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim.

(b) Notice of Reconstruction Assessments. The Board shall promptly cause notice to be delivered to all affected Insured Owners if, during the process of determining the Acceptable Range of Reconstruction Cost, it appears likely that the repair, replacement or reconstruction of a partially or totally destroyed Insured Improvement will result in the levying of Reconstruction Assessments against such Owners. Such notice shall specify the estimated amount of any such Reconstruction Assessment.

(c) Vote of Members. The Board shall call a special meeting or shall distribute written ballots to the Insured Owners for action to be taken without a meeting to determine whether not to proceed with the repair, replacement or reconstruction of partially or totally destroyed Insured Improvements upon the happening of any one of the following events:

(i) a Substantial Destruction;

(ii) a determination that the requirements of the Acceptable Range of Reconstruction Cost have not been met;

(iii) receipt of a written request of Insured Owners representing at least five percent (5%) of the total voting power of the Insured Owners requesting such action; or

(iv) failure or inability to make a determination as to the Acceptable Range of Reconstruction Cost within sixty (60) days of the date of the destruction.

Section 10.03 - Reconstruction. The repair, replacement or reconstruction of the Insured Improvements shall commence as soon as practicable following any one of the following events:

(a) a determination that the requirements of the Acceptable Range of Reconstruction Cost have been met, except that if Reconstruction Assessments must be levied, such work shall not commence until ten (10) days have elapsed following the delivery of the notice of the Reconstruction Assessment to all Insured Owners required to pay Reconstruction Assessments. The notice of estimated Reconstruction Assessment required to be delivered to each such Insured Owner as hereinabove provided in this Article shall satisfy this condition if the actual amount of the Reconstruction Assessment does not exceed the estimated amount set forth in the said notice;

(b) approval of such action by not less than thirty-four percent (34%) of the voting power of the Insured Owners other than Declarant; or

(c) failure to receive written approval not to proceed with the repair, replacement or reconstruction of the required percentage of Eligible Mortgage Holders and Owners required under the Article entitled "Mortgagee Protection" of this Declaration within one hundred twenty (120) days of the date of the destruction.

Notwithstanding the foregoing, the Board may delegate its responsibility to repair, replace or reconstruct any damage to Residence Improvements to the Owner of such Residence Improvements if the Board deems that such damage is less than the amount that would require notice to Requesting Mortgagees pursuant to the Article entitled "Mortgagee Protection" of this Declaration. Any such repair, replacement or reconstruction shall be commenced and completed as soon as practicable following such damage.

Section 10.04 - Proceeds of Insurance. All insurance proceeds covering the Insured Improvements shall be paid to the Trustee unless the proceeds from a single claim do not exceed Ten Thousand Dollars (\$10,000), in which event such insurance proceeds shall be paid directly to the Association to be used as provided in this Article. The Trustee shall hold, distribute and expend such proceeds for the benefit of Owners, Mortgagees and others as their respective interests shall appear. In the event any portion of the insurance proceeds were paid to a Mortgagee of a Mortgage encumbering an Affected Condominium, such amount shall be paid to the Board by the Owner of such Affected Condominium. In the case of payment of such proceeds to a mortgagee of a mortgage encumbering an Affected Common Facility or Affected Association Common Area Improvement, such amount shall be paid in equal amounts by all Insured Owners. In the event any Insured Owner or Owner of an Affected Condominium fails to pay such amount within thirty (30) days of a written demand therefor by the Association, the Board may levy a Special Assessment against any such Owner and his Condominium for such amount.

Section 10.05 - Reconstruction Assessments. If necessary, the Board shall levy a Reconstruction Assessment against any Insured Owner of Residence Improvements to cover the cost of the repair, replacement or reconstruction of any damage to such Residence Improvements in excess of the insurance proceeds available for such purpose and shall levy Reconstruction Assessments against all Insured Owners at such time and in such amount determined necessary to cover the costs of repair, replacement or reconstruction in excess of insurance proceeds of all other Insured Improvements.

Section 10.06 - Compliance with Plans.

(a) Condominium Buildings. Any reconstruction of a Condominium Building undertaken pursuant to this Article shall substantially conform to the Condominium Building as initially constructed by the Declarant so that the Units, Association Common Area and the Exclusive Use Common Area affected by such Condominium Building are restored to essentially the same configuration, dimensions and location as initially established pursuant to the provisions of this Declaration. In determining whether the plans for a reconstructed Condominium Building are substantially in conformance as stated above, the Board may take into consideration the availability and expense of the labor and materials in the original construction of such Condominium Building. If such labor or material is not available or is prohibitively expensive at the time of reconstruction, the Board may permit the substitution of other labor or material as it deems proper. In the event the Condominium Plan is amended, such instrument must be executed by all persons or entities whose signatures would be required to record that Condominium Plan pursuant to Section 1351(e) of the California Civil Code. Said persons or entities shall also execute such other document or take such other actions as required to make such amendment effective.

(b) Common Area Other than Condominium Buildings. Any reconstruction of Common Area other than Condominium Buildings undertaken pursuant to this Article shall substantially conform to the original plans and specifications unless other action is approved by a majority of the voting power of the Association.

Section 10.07 - Abatement of Regular Assessments. If the Board determines that any Residence has become uninhabitable by reason of its total or partial destruction, it may exempt such Owner from the payment of that portion of the Regular Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and the use of the uninhabitable Residence. The exemption may include, but shall not be limited to, the portion of such Regular Assessment attributable to refuse disposal and domestic water supplied to the Residence.

Section 10.08 - Certificate of Intention Not to Reconstruct. In the event there has been a decision not to reconstruct pursuant to this Article, the Board shall execute, acknowledge and record in the Official Records not later than one hundred twenty-five (125) days from the date of destruction, a certificate declaring the intention of the Association not to rebuild. If no such certificate is so filed within said time limitation, it shall be conclusively presumed that the Association has determined to undertake reconstruction pursuant to this Article.

Section 10.09 - Partition. In the event that a certificate described in the Section entitled "Certificate of Intention Not to Reconstruct" of this Article is recorded within the time period provided therein, the right of any Owner to partition through legal action as described in the Article hereof entitled "Limitations Upon the Right to Partition and Severance" shall forthwith revive.

Section 10.10 - Determination of Allocable Proceeds. The amount of insurance proceeds "allocated" or "allocable" to an Affected Condominium, Affected Common Facility, or Affected Association Common Area Improvement shall be determined pursuant to this Section as follows:

(a) In the event the insurance carrier allocates insurance proceeds among Affected Condominiums, Affected Common Facilities and Affected Association Common Area Improvements and such allocation is approved by the Board, such allocation shall be final and binding upon the Owners, Association and mortgagees.

(b) In the event the insurance carrier fails to allocate the insurance proceeds, such allocation shall be determined by multiplying the amount of insurance proceeds available for distribution by a fraction, the denominator of which is the total decrease of M.A.I. appraised fair market value of all of the partially or totally destroyed Insured Improvements for which insurance proceeds have been paid by reason of the casualty and the numerator of which is the decrease of M.A.I. appraised fair market value of each such Affected Condominium, Affected Common Facility and Affected Association Common Area

Improvement. The appraised values shall be determined by an M.A.I. appraiser selected by the Trustee. Such allocation shall be final and binding on the Owners, the Mortgagees and the Association.

Section 10.11 - Distribution of Insurance Proceeds. In the event there has been a decision not to repair, replace or reconstruct any partially or totally destroyed Insured Improvements, the Trustee shall distribute the insurance proceeds allocated to each Affected Condominium, Affected Common Facility and Affected Association Common Area Improvement as follows:

(a) in the case of proceeds allocated to an Affected Condominium, to the Owner of the Affected Condominium subject to the prior rights of all Mortgagees holding Mortgages encumbering such Affected Condominium; and

(b) in the case of Affected Common Facilities and Affected Association Common Area Improvements, to the Board for retention in the general funds of the Association subject to the prior rights of all mortgagees holding mortgages encumbering the particular Affected Common Facility or Affected Association Common Area Improvement for which such insurance proceeds have been allocated.

Allocable proceeds paid to mortgagees shall be paid in the order of their recorded priority on the Affected Condominium, Affected Common Facility, or Affected Association Common Area Improvement, as the case may be.

Section 10.12 - Payment of Mortgagees. Any insurance proceeds paid to a mortgagee pursuant to this Article shall be paid in the amount required by such mortgagee, but not to exceed (1) the outstanding indebtedness secured by said mortgage, or (2) the insurance proceeds allocated to such Affected Condominium, Affected Common Facility, or Affected Association Common Area Improvement as hereinabove provided in this Article, whichever of (1) or (2) is the lesser.

Section 10.13 - Requirements of Federal Agencies. In addition to the foregoing, the Board must also comply with the requirements of the Article entitled "Mortgagee Protection" of this Declaration as to notice which must be provided to Requesting Mortgagees, Insurers and Guarantors. Notwithstanding the foregoing Sections of this Article, any partially or totally destroyed Improvements will be repaired, replaced, reconstructed or restored substantially to their condition prior to the destruction unless there has also been compliance with the requirements of the said Article entitled "Mortgagee Protection." The vote or consent of Eligible Mortgage Holders required under said Article may be solicited concurrently or subsequent to the vote of the Insured Owners required under this Article.

ARTICLE XI

EMINENT DOMAIN

The Declarant shall represent itself in all proceedings, negotiations, settlements or agreements for the condemnation by eminent domain, or by sale under threat thereof, of any portion of the Covered Property owned by Declarant that is within a Phase in which Regular Assessments have not yet commenced and any proceeds for such condemnation shall be paid to Declarant. In the event of condemnation by eminent domain, or by sale under threat thereof, of any other portion of the Covered Property, the Board shall represent the Owners in all proceedings, negotiations, settlements or agreements in accordance with the provisions of this Article.

Section 11.01 - Definition of Taking. The term "taking" as used in this Article shall mean condemnation by eminent domain, or by sale under threat thereof, of all or part of any Phase within the Covered Property in which a Close of Escrow has occurred.

Section 11.02 - Representation by Board. In the event of a taking, the Board shall, subject to the right of all Mortgagees who have requested the right to join the Board in the proceedings, represent all of the Owners in the affected Phases in which a Close of Escrow has occurred in an action to recover all awards. No Owner shall challenge the good faith exercise or the discretion of the Board in fulfilling its duties under

this Article. The Board is further empowered, subject to the limitations herein, as the sole representative of the Owners in all aspects of condemnation proceedings not specifically covered herein. The award or proceeds shall be payable to the Association for the use and benefit of the Owners in such affected Phases and their Mortgagees as their interest may appear.

Section 11.03 - Award for Certain Common Area. Any awards received on account of the taking of Common Area in a Phase in which a Close of Escrow has occurred other than Structural Condominium Common Area and Exclusive Use Common Area, such as and without limitation recreational facilities or Association Common Area, shall be paid to the Association and shall be retained in the general funds of the Association subject to the prior rights of any mortgagee holding an encumbrance upon any such Common Area for which such award has been paid.

Section 11.04 - Award for Condominium. In the event of a taking of property other than that described in the Section entitled "Award for Certain Common Area" of this Article, the Board shall distribute the award forthcoming from the taking authority according to the provisions of this Section after deducting therefrom fees and expenses related to the condemnation proceeding including, without limitation, fees for attorneys and appraisers and court costs. In the event that the taking is by judgment of condemnation and said judgment apportions the award among the Owners and their respective Mortgagees, the Board shall distribute the amount remaining after such deductions among such Owners and Mortgagees on the allocation basis set forth in such judgment. In the event that the taking is by sale under threat of condemnation, or the condemnation award is not apportioned among the affected Owners by court judgment or by agreement between the condemning authority and each of the affected Owners, the Board shall distribute the award among the affected Owners and their respective Mortgagees according to the relative decrease in values of the Residences affected by the condemnation as determined by an M.A.I. appraiser selected by the Board. In no event shall any portion of such award be distributed by the Board to an Owner and/or the Mortgagees of his Condominium in a total amount greater than the portion allocated hereunder to such Condominium.

Section 11.05 - Inverse Condemnation. The Board is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

Section 11.06 - Revival of Right to Partition. Upon a taking which renders more than seventy-five percent (75%) of the Residences in any Condominium Project incapable of being restored to at least ninety-five percent (95%) of their floor area and substantially their condition prior to the taking, the right of any Owner within such Condominium Project to partition through legal action as described in the Article entitled "Limitations Upon the Right to Partition and Severance" of this Declaration shall forthwith revive. The determination as to whether Residences partially taken are capable of being so restored shall be made by the Board, and this decision shall be final and binding on all Owners and Mortgagees.

Section 11.07 - Personal Property and Relocation Allowances. Where all or part of the Covered Property is taken, each Owner shall have the exclusive right to claim all of the award made for his personal property, and any relocation, moving expense, or other allowance of a similar nature designed to facilitate relocation. Notwithstanding the foregoing provisions, the Board shall represent each Owner in an action to recover all awards with respect to such portion, if any, of Owners' personal property which is taken with all or part of the Covered Property as is at the time of any taking, as a matter of law, part of the real estate comprising the Condominium, and shall allocate to such Owner so much of any awards as is attributable in the taking proceedings, or failing such attribution, attributable by the Board to such portion of Owners' personal property.

Section 11.08 - Change of Condominium Interest. In the event of a taking, and notwithstanding the Article entitled "Amendment Provisions" of this Declaration, in the event it is necessary to record an amendment to a Condominium Plan, such instrument must be executed by all persons or entities whose signatures would be required to record that Condominium Plan pursuant to Section 1351(e) of the California Civil Code or any similar statute then in effect and such other documents as required to make such amendment effective.

Section 11.09 - Requirements of Federal Agencies. In addition to the requirements of this Article, the Board and the Owners must also comply with the requirements of the Article entitled "Mortgagee Protection" of this Declaration in the event of any taking.

ARTICLE XII

PARTY WALLS

Section 12.01 - Definition. Each fence which is placed on the dividing line between elements of adjoining Units shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. A party wall shall be considered to adjoin and abut against the property line separating elements of adjoining Units from the bottom of the foundation over the full length and height of any fence.

Section 12.02 - Use. Owners whose adjoining elements of Units are separated by a party wall shall equally have the right to use such party wall, except that each shall have the right to the exclusive use of the surface of the party wall on his side. Neither such Owner shall use any portion of such party wall so as to interfere with the use and enjoyment of the other Owner.

Section 12.03 - Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of the structural integrity of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

Section 12.04 - Destruction. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has the use thereof may restore it, and if the other Owners thereafter make use of the party wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 12.05 - Right to Contribution Runs With Land. The right of an Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 12.06 - Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, said dispute shall be submitted to the Board for a resolution thereof. In the event the Board cannot or will not resolve such dispute, it shall employ an arbitrator for said purpose. Said arbitrator shall be selected at the discretion of the Board but shall be a member of the American Arbitration Association. The arbitrator who is chosen by the Board shall resolve said dispute pursuant to the prevailing rules of the American Arbitration Association and the requirements of the law of the State of California.

ARTICLE XIII

ANNEXATIONS

Real property may be annexed to and become subject to this Declaration by any of the methods set forth hereinafter in this Article, as follows:

Section 13.01 - Plan of Development. Declarant intends to sequentially develop the Annexation Property on a phased basis; however, Declarant may elect not to develop all or any part of such real property, to annex such real property to this Declaration in increments of any size whatsoever, or to develop more than one such increment at any given time and in any given order. Moreover, Declarant reserves the right to subject all or any portion of the Annexation Property to the plan of this Declaration or one or more separate declarations of covenants, conditions and restrictions which subjects said property to the jurisdiction and powers of a homeowner association or other entity with powers and obligations similar to the Association and which is not subject to the provisions of this Declaration. Although Declarant shall

have the ability to annex the Annexation Property as provided in this Article, Declarant shall not be obligated to annex all or any portion of such property, and such property shall not become subject to this Declaration unless and until a Supplementary Declaration shall have been so executed and recorded.

Section 13.02 - Annexation Without Approval. All or any part of the Annexation Property may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Association without the approval, assent or vote of the Association or its Members, provided that:

(a) the annexation shall have occurred within seven (7) years from date of the recordation of this Declaration;

(b) prior to annexation pursuant to this Section, plans for the development of any Phase being developed as a FHA and/or VA project must be submitted to the VA, and VA must determine that such plans are in accordance with the previously approved general plan and so advise Declarant;

(c) the recordation of the Supplementary Declaration annexing a new Phase is effected prior to the third anniversary of the first Close of Escrow to occur after the issuance of the most recently issued Final Subdivision Public Report for the most recent Phase of the Covered Property; and

(d) the DRE has agreed to issue a Final Subdivision Public Report which shall be deemed to be evidence that Declarant has furnished proof satisfactory to the DRE that: (1) no proposed annexation will result in overburdening of the common interests of the then existing Owners and (2) no proposed annexation will cause a substantial increase in Assessments against existing Owners which was not disclosed in Final Subdivision Public Reports under which pre-existing Owners purchased their interests.

All Improvements annexed pursuant to this Section shall be consistent with the initial Improvements in structure type and quality of construction.

Section 13.03 - Annexation Pursuant to Approval. Upon approval in writing of the Association, pursuant to the vote or written assent of sixty-seven percent (67%) of the total voting power of Members other than Declarant as such voting power is determined pursuant to the Section entitled "Voting Rights" of the Article entitled "The Association" of this Declaration, any person who desires to add real property to the plan of this Declaration other than the Annexation Property and to subject such property to the jurisdiction of the Association, may file or record a Supplementary Declaration. The provisions of this Section shall also apply to the Annexation Property subsequent to the expiration of the power of Declarant to annex such property without the approval of the Members as provided in this Article.

Section 13.04 - Effectuation of Annexation. Upon the satisfaction of all of the conditions contained in this Article, the recordation of a Supplementary Declaration in the Official Records shall constitute and effectuate the annexation of the Annexed Property described therein, making said Annexed Property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter said Annexed Property shall be part of the Covered Property and all of the Owners of Condominiums in said Annexed Property shall automatically be Members. The Supplementary Declaration shall incorporate by reference all of the covenants, conditions, restrictions, easements and other provisions of this Declaration, and may contain such complementary additions or modifications of the covenants, conditions and restrictions in this Declaration as may be necessary to reflect the different character, if any, of the Annexed Property as are not inconsistent with the plan of this Declaration. Except as permitted by this Declaration, in no event, however, shall any such Supplementary Declaration revoke, modify or add to the covenants established by this Declaration or by any prior Supplementary Declaration with respect to property covered by this Declaration at the time of the recording of the said Supplementary Declaration.

Section 13.05 - Mergers or Consolidations. Upon a merger or consolidation of the Association with another association which merger or consolidation must be approved by the vote or written assent of sixty-seven percent (67%) of the total voting power of Members other than Declarant, the Association's properties, rights and obligations may, by operation of law, be transferred to the 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 the covenants, conditions and restrictions established by this Declaration within the Covered Property, together with the covenants, conditions and restrictions established upon any other property as one plan.

Section 13.06 - Deannexation. Any instrument deleting or deannexing any portion of the Covered Property from the coverage of this Declaration must be executed by Declarant, and, if any portion of such Covered Property is owned by any persons or entities other than Declarant, also by such other Owner(s) and must be recorded in the Official Records. Any portion of the Covered Property that is not within a Phase may be deleted or deannexed from the coverage of this Declaration at any time. Any other portion of the Covered Property may be deleted or deannexed from coverage of this Declaration as long as the portion of the Covered Property that is being deleted or deannexed is not a part of a Phase in which (1) a Close of Escrow has occurred, (2) Association Property has been conveyed to the Association, or (3) Assessments have commenced.

ARTICLE XIV

MORTGAGEE PROTECTION

Section 14.01 - Priority of Mortgage Lien. No breach of the covenants, conditions or restrictions, nor the enforcement of any lien provisions contained in this Declaration, shall affect, impair, defeat or render invalid the lien or charge of any mortgage made in good faith and for value encumbering any portion of the Covered Property, but all of said covenants, conditions and restrictions shall be binding upon and effective against any owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to such portion of the Covered Property.

Section 14.02 - Curing Defaults. A Mortgagee, or the immediate transferee of such Mortgagee, who acquires title by judicial foreclosure, deed in lieu of foreclosure or trustee's sale shall not be obligated to cure any breach of the provisions of this Declaration which is noncurable or of a type which is not practical or feasible to cure. The determination of the Board made in good faith as to whether a breach is noncurable or not feasible to cure shall be final and binding on all Mortgagees.

Section 14.03 - Resale. It is intended that any Mortgage to facilitate the resale of any Condominium after judicial foreclosure, deed in lieu of foreclosure or trustee's sale is a loan made in good faith and for value and the Mortgagee of such Mortgage shall be entitled to all of the rights and protections afforded to other Mortgagees.

Section 14.04 - Limitations by FNMA.

(a) Eligible Mortgage Holders shall have the right to join the decision-making about certain amendments to the Association Management Documents. Amendments of a material nature must be agreed to by Owners who represent at least sixty-seven percent (67%) of the total voting power of the Association. In addition, approval must be obtained of Eligible Mortgage Holders who represent at least fifty-one percent (51%) of the votes of Condominiums that are subject to Mortgages held by Eligible Mortgage Holders. A change to any provision of the Association Management Documents pertaining to any of the following would be considered material:

- (i) voting rights;
- (ii) increases in Assessments that raise the previously assessed amount by more than twenty-five percent (25%), Assessments, Assessment liens, or the priority of Assessment liens;
- (iii) reductions in reserves for maintenance, repair and replacement of the Common Area other than Exclusive Use Common Area;
- (iv) responsibility for maintenance and repairs;

- (v) reallocation of interests in the Common Area or rights to their use;
- (vi) redefinition of any Unit boundaries;
- (vii) convertibility of Units into Common Area or of Common Area into Units;
- (viii) expansion or contraction of a Condominium Project or the addition, annexation or withdrawal of property to or from a Condominium Project;
- (ix) hazard or fidelity insurance requirements;
- (x) imposition of any restrictions on the leasing of Units;
- (xi) imposition of any restrictions on the right of an Owner to sell or transfer such Owner's Condominium;
- (xii) a decision by the Association, when there are more than fifty (50) Condominiums, to establish self-management if professional management had been previously required by the Association Management Documents or by an Eligible Mortgage Holder;
- (xiii) restoration or repair of a Condominium Project (after damage or partial condemnation) in a manner other than that specified in the Association Management Documents;
- (xiv) any provisions that expressly benefit Mortgagees, insurers or guarantors.

(b) Any action to terminate the legal status of the Covered Property after substantial destruction or condemnation occurs must be agreed to by Owners who represent at least sixty-seven percent (67%) of the voting power of the Association and by Eligible Mortgage Holders who represent at least fifty-one percent (51%) of the votes of Condominiums that are subject to Mortgages held by Eligible Mortgage Holders. The termination of the legal status of the project for reasons other than substantial destruction or condemnation of the property must be agreed to by Eligible Mortgage Holders that represent at least sixty-seven percent (67%) of the votes of Condominiums that are subject to Mortgages held by Eligible Mortgage Holders. A proposal as to any of the foregoing actions shall be deemed approved as to any Eligible Mortgage Holder who fails to submit a response to any written proposal for amendment within thirty (30) days of receipt of proper notice of the proposal provided that such notice was delivered by certified or registered mail with a "return receipt" requested.

Section 14.05 - Limitations by FHLMC. In addition to any requirements contained in the Section entitled "Limitations by FNMA" above, and except as provided by statute in case of condemnation or substantial loss to the Units and/or common elements of a Condominium Project, unless sixty-seven percent (67%) of First Mortgagees (based on one vote for each First Mortgage owned) or sixty-seven percent (67%) of Owners other than Declarant have given their prior written approval, the Association may not:

- (a) by act or omission seek to abandon or terminate the Condominium Project;
- (b) change the pro rata interest or obligations of any Units for purposes of (1) levying Assessments or charges, allocating distributions of insurance proceeds or condemnation awards, or (2) determining the pro rata share of ownership in the Condominium Common Area;
- (c) partition or subdivide a Unit;
- (d) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Condominium Common Area. The granting of easements for public utilities or other public purposes consistent with the intended use of the Condominium Common Area is not a transfer within the meaning of this clause;

(e) use hazard insurance proceeds for losses to any Condominium property (whether to Units or Condominium Common Area) for other than repair, replacement or reconstruction of the Condominium property; and

(f) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance or exterior maintenance of Residences.

Section 14.06 - Notice. A Requesting Mortgagee, Insurer or Guarantor shall be entitled to timely written notice of:

(a) Destruction or Taking. Destruction, taking or threatened taking that affects either a material portion of the Condominium Project or the Unit securing the Mortgage held, insured or guaranteed by such Requesting Mortgagee, Insurer or Guarantor. As used in this Declaration, "damaged" or "taking" shall mean damage to or taking of the Condominium Common Area exceeding Ten Thousand Dollars (\$10,000) or damage to or taking of a Unit exceeding One Thousand Dollars (\$1,000);

(b) Default in Performance. Default in the performance or payment of Assessments or charges or in the performance of other obligations imposed by the Association Management Documents by the Owner whose Condominium is encumbered by a Mortgage held, insured or guaranteed by such Requesting Mortgagee, Insurer or Guarantor which default remains uncured for a period of sixty (60) days;

(c) Lapse, Cancellation or Modification of Insurance. Any lapse, cancellation or material modification of any insurance policy maintained by the Association; and

(d) Action Requiring Consent. Any proposed action which under the Association Management Documents requires the consent of a specified percentage of the voting power of Eligible Mortgage Holders.

Section 14.07 - Mortgagees Furnishing Information. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage.

Section 14.08 - Conflicts. In the event of any conflict between any of the provisions of this Article and any of the other provisions of the Association Management Documents, the provisions of this Article shall control.

Section 14.09 - Priority of Mortgages. Nothing in the Association Management Documents shall give an Owner, or any other party, priority over the rights of a First Mortgagee in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of any Units or Condominium Common Area.

Section 14.10 - Federal Agency Agreement. The Board may enter into agreements with any of the Federal Agencies as necessary to satisfy guidelines or regulations of any such Federal Agency which would permit such Federal Agency to purchase, insure or guarantee, as applicable, First Mortgages encumbering Condominiums.

ARTICLE XV

GENERAL PROVISIONS

Section 15.01 - Enforcement. The Association or any Owner shall have the right of action against any Owner, and any Owner shall have a right of action against the Association to enforce by proceedings at law or in equity, all restrictions, conditions, covenants and reservations, now or hereafter imposed by the provisions of the Association Management Documents or any amendment thereto, including the right to prevent the violation of such restrictions, conditions, covenants, or reservations and the right to recover damages or other dues for such violation, except with respect to the enforcement of Assessments liens,

architectural control and Association Rules. With respect to the enforcement of Assessment liens, architectural control and Association, the Association shall have the exclusive right to the enforcement thereof unless the Association refuses or is unable to effectuate such enforcement, in which case any Owner shall have the right to undertake such enforcement. Notwithstanding the foregoing or any other provision of the Association Management Documents, judicial proceedings must be instituted before any items of construction can be altered or demolished in connection with any summary abatement or similar means of enforcing restrictions against any Condominium Improvement or its use.

Section 15.02 - No Waiver. Failure by the Association or by any Owner to enforce any covenant, condition, restriction or reservation contained in any of the Association Management Documents in any certain instance or on any particular occasion shall not be deemed a waiver of such right on any such future breach of the same or any other covenant, condition, restriction and reservation.

Section 15.03 - Cumulative Remedies. All rights, options and remedies of Declarant, the Association, the Owners or Mortgagees under the Association Management Documents are cumulative, and no one of them shall be exclusive of any other, and Declarant, the Association, the Owners and the Mortgagees shall have the right to pursue any one or all of such rights, options and remedies or any other remedy or relief which may be provided by law, whether or not stated in the Association Management Documents.

Section 15.04 - Severability. Invalidation of any one or a portion of these covenants, conditions, restrictions or reservations by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 15.05 - Term. The covenants, conditions and restrictions of this Declaration shall run with and bind the Covered Property and shall inure to the benefit of and be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors and assigns, for a term of sixty (60) years from the date this Declaration is recorded, after which time said covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument signed by not less than sixty-seven percent (67%) of the then Owners has been recorded agreeing to terminate said covenants, conditions and restrictions in whole or in part and there has been compliance with the applicable provisions of the Article entitled "Mortgagee Protection" of this Declaration.

Section 15.06 - Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development of a residential community or tract and for the maintenance of the Covered Property. 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.

Section 15.07 - Singular Includes Plural. Whenever the context of this Declaration requires the same, the singular shall include the plural and the masculine shall include the feminine and the neuter.

Section 15.08 - Nuisance. The result of every act or omission where any provision, condition, restriction, covenant, easement, or reservation contained in this Declaration is violated in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a private nuisance, shall be applicable against every such result, and may be exercised by the Association or any Owner. Such remedy shall be deemed cumulative and not exclusive.

Section 15.09 - Attorneys' Fees. In the event action is instituted to enforce any of the provisions contained in this Declaration, the party prevailing in such action shall be entitled to recover from the other party thereto reasonable attorneys' fees and costs of such suit as determined by the court or by arbitration as part of the judgment.

Section 15.10 - Notices. Any notice to be given to an Owner, the Association, an Eligible Mortgage Holder or a Requesting Mortgagee, Insurer or Guarantor under the provisions of this Declaration shall be in writing and shall be deemed to have been properly delivered when directed to such addressee at the address furnished by such addressee for the purpose of notice and placed in the first class United States

mail, postage prepaid. Notice to Owners shall also be deemed to have been properly delivered when personally delivered or delivered to a common carrier for personal delivery to the addressee, or delivered to a person giving such notice by electronic means. If no address was furnished by an Owner or the Association for the purpose of notice, the notice to an Owner may be delivered to the principal office of the Association and the street address of such Owner's Condominium, and notice to the Association may be delivered to the address of its principal place of business. In the case of co-Owners any such notice may be delivered or sent to any one of the co-Owners on behalf of all co-Owners and shall be deemed delivery on all such co-Owners.

The affidavit of an officer or authorized agent of the Association declaring under penalty of perjury that a notice has been mailed to any Owner or Owners, to any Mortgagee or Mortgagees, to any insurer or guarantor or to all Owners or all Mortgagees, or all insurers or all guarantors to the address or addresses shown on the records of the Association, shall be deemed conclusive proof of such mailing, whether or not such notices are actually received.

Section 15.11 - Conflicts Between Documents. The terms and provisions set forth in this Declaration are not exclusive, as Owners shall also be subject to the terms and provisions of the other Association Management Documents. In the event of a conflict between any provisions of any of the Association Management Documents with the provisions of another Association Management Document, the order of superiority of such documents shall be (1) Articles, (2) Declaration, (3) Supplementary Declaration, (4) Bylaws, (5) Architectural Standards, and (6) Association Rules and the provisions of any such document shall be superseded by the provisions of the document shown above to be superior to such document to the extent of such conflict.

Section 15.12 - Effect of Declaration. This Declaration is made for the purposes set forth in the Recitals to this Declaration and Declarant makes no warranties or representations, express or implied as to the binding effect or enforceability of all or any portion of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances and regulations applicable thereto.

Section 15.13 - Personal Covenant. To the extent the acceptance or conveyance of a Condominium creates a personal covenant between the Owner of such Condominium and Declarant or other Owners, such personal covenant shall terminate and be of no further force or effect from or after the date when a person or entity ceases to be an Owner except to the extent this Declaration may provide otherwise with respect to the payment of money to the Association.

Section 15.14 - Nonliability of Officials. To the fullest extent permitted by law, neither the Board, the Architectural Committee, and other committees of the Association or any member of such Board or committee shall be liable to any Owner or the Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees or persons reasonably believed to be the scope of their duties.

Section 15.15 - Construction By Declarant. Nothing in this Declaration shall limit the right of Declarant to alter the Residences still owned by Declarant or the Nonexclusive Use Common Area, or to construct such additional Improvements as Declarant deems advisable prior to completion of Improvements upon and sale of the entire Development. Such right shall include but shall not be limited to erecting, constructing and maintaining on the Covered Property such structures and displays as may be reasonably necessary for the conduct of the business of completing the work and disposing of the same by sale, lease or otherwise. Declarant shall repair any damage to and complete any restoration of the Covered Property caused or necessitated by such activities of Declarant within a reasonable time after the occurrence of such damage or need for restoration. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title by a purchase from Declarant to establish on the Covered Property additional licenses, 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 Development. Declarant reserves the right to alter its construction plans and designs as it deems appropriate. Declarant shall exercise its rights contained in

this provision in such a way as not to unreasonably interfere with the Owners' rights to use and enjoy the Covered Property.

Declarant's rights under this Section shall terminate upon the earlier of (i) the expiration of seven (7) years from the date of the conveyance of the Association Property within the Initial Covered Property to the Association, or (ii) the conveyance by Declarant of the last Condominium within the Development, whichever is first to occur; provided, however, that in no event shall Declarant's rights hereunder terminate prior to the exoneration of any Bond in favor of the Association described in the Article entitled "Enforcement of Bonded Obligations" of this Declaration.

Section 15.16 - Special Rights. Declarant shall not be subject to any provisions of the Association Management Documents pertaining to architectural control and use restrictions. In addition, as long as Declarant continues to own Condominiums within the Covered Property and/or continues to have the right to annex the Annexation Property, or any portion thereof, without the approval of the Owners, the written approval of the Declarant shall be required to (1) annex property other than the Annexation Property to the plan of this Declaration, (2) amend any provision of the Association Management Documents, (3) levy a Capital Improvement Assessment for the construction of additional Common Facilities or Association Common Area Improvements not contemplated for the Covered Property by the Declarant or a Special Assessment for any other act or undertaking of the Association, and (4) decrease the standard of maintenance or services being provided for the Common Facilities and Association Common Area Improvements.

Section 15.17 - Inapplicability to Government Property. The provisions of this Declaration shall not be applicable to any portion of the Covered Property owned by a Public Agency and held for a nonresidential public purpose but shall apply to any Residence owned by a Public Agency.

Section 15.18 - FHA and/or VA. No material amendment to the Declaration shall be made without compliance with the Article entitled "Mortgagee Protection" of the Declaration. So long as there is a Class B membership, the approval of FHA and VA is required for any amendment of this Declaration, a draft of which shall be submitted to VA and FHA for approval prior to approval by the membership.

ARTICLE XVI

AMENDMENT PROVISIONS

Section 16.01 - Vote of Association. Subject to the other provisions of this Declaration, including, without limitation, the rights of Mortgagees, this Declaration may be amended as follows:

(a) Until there has been a Close of Escrow, cancellations, amendments or modifications of this Declaration shall be effective when executed by Declarant, and, if any portion of the Covered Property is owned by any persons or entities other than Declarant, by such other Owner(s) of the Covered Property. Until there has been a Close of Escrow within any Annexed Property described in a Supplementary Declaration, cancellation, amendment or modification of such Supplementary Declaration shall be effective when executed by Declarant, and, if any portion of the Annexed Property described in such Supplementary Declaration is owned by any persons or entities other than Declarant, by such other Owner(s) of such Annexed Property. Thereafter, any amendments shall require the vote or written assent of a majority of the voting power of Members other than Declarant as such voting power is determined pursuant to the Section entitled "Voting Rights" of the Article entitled "The Association" of this Declaration and shall also require compliance with the provisions of this Declaration contained in the Article entitled "Mortgagee Protection" and the Sections entitled "Special Rights" and "FHA and/or VA" of the Article entitled "General Provisions." Such amendments shall not be effective until they are recorded in the Official Records.

(b) Notwithstanding the foregoing, any provision of the Association Management Documents which expressly requires the approval of a specified percentage of the voting power of the Association for

action to be taken under said provision can be amended only with the affirmative vote or written assent of not less than the same percentage of the voting power of the Association.

Section 16.02 - Petition to Amend. The Association or any Owner may petition the superior court of the County for an order reducing the percentage of affirmative votes necessary to amend this Declaration pursuant to Section 1356 of the California Civil Code.

Section 16.03 - Amendments by Declarant. Notwithstanding any other provisions of this Article, for so long as Declarant owns any portion of the Covered Property or the Annexation Property, Declarant shall have the right to unilaterally amend this Declaration without the approval of the Members or any Mortgagees in order to make any modifications or additions that are required by any of the Public Agencies as a condition to approving the documents or the Development, or any construction thereon.

ARTICLE XVII

PROTECTION FROM LIENS

Section 17.01 - Association to Defend. In the event that a lawsuit is brought against all or substantially all of the Owners within a Condominium Project which will or could result in any lien or encumbrance being levied against an entire Condominium Project, the Association shall defend such lawsuit and the costs of such defense shall be a Special Assessment against all of the Owners within such Condominium Project joined as defendants in such lawsuit; provided, however, in the event that an insurance carrier is obligated to provide such defense under a policy of insurance carried by the Association, the Association shall be relieved of the obligation to provide such defense. Nothing contained herein shall in any way limit the rights of any Owner or Owners to retain counsel of their choice to represent them in such lawsuit at their own expense. In such event, such Owner or Owners shall not be relieved of liability for the Special Assessment provided for in this Section.

Section 17.02 - Liens Against Condominiums. The filing of liens against Condominiums shall comply with California Civil Code Section 1369 and until such section is supplemented or amended to provide otherwise, shall be as provided in this Section. No labor performed or services or materials furnished within a Condominium Project with the consent of, or at the request of, an Owner or such Owner's agent or contractor shall be the basis for the filing of a lien against any other Condominium of any other Owner in such Condominium Project unless that other Owner has expressly consented to or requested the performance of the labor or furnishing of the materials or services. However, express consent shall be deemed to have been given by the Owner of any Condominium in the case of emergency repairs thereto. Labor performed or services or materials furnished for the Common Area, if duly authorized by the Association, shall be deemed to be performed or furnished with the express consent of each Owner. An Owner may remove his Condominium from a lien against two or more Condominiums or any part thereof by payment to the holder of the lien of the fraction of the total sum secured by the lien which is attributable to such Condominium.

Section 17.03 - Other Liens. In the event that a lien or encumbrance not covered by California Civil Code Section 1369 is attached to all or substantially all of a Condominium Project by reason of a judgment or otherwise, the Association shall promptly take the appropriate steps to remove such lien, including but not limited to the payment of money and the posting of a bond. The Association shall have the power to borrow money and to take such other steps as are necessary to free a Condominium Project of such liens. Simultaneously with any action taken pursuant to this Section, the Association shall levy a Special Assessment against all of the Owners whose Condominiums were subject to the lien or encumbrance which caused the Association to act pursuant to said Section equal to each such Owner's pro rata share of such lien or encumbrance. In the event that such Special Assessment is not paid prior to the delinquency date (as defined in the Section entitled "Delinquency" of the Article entitled "Assessments" of this Declaration), the Board may effect the remedies contained in Section 1367 of the California Civil Code and the Article entitled "Assessment" of this Declaration.

Section 17.04 - Reimbursement. In the event that it shall be proven in a court of law of competent jurisdiction over the claim or claims causing the Association to take action under this Article that a judgment resulting in a lien on all or a portion of the Condominium Project was primarily due to the acts or omissions of a particular Owner or Owners or the families or agents thereof, such Owner or Owners shall reimburse the Association for all expenses incurred by it pursuant to the provisions of this Article. Upon such reimbursement the Association shall distribute the funds received to the Owners against whom Special Assessments were levied pursuant to the provisions of this Article.

ARTICLE XVIII

LIMITATIONS UPON THE RIGHT TO PARTITION AND SEVERANCE

Section 18.01 - No Partition. The right of partition is hereby suspended, except that the right to partition shall revive and a Condominium Project may be sold as a whole when the conditions for such action set forth in the Articles of this Declaration entitled "Destruction of Improvements" and "Eminent Domain" have been met; provided, however, notwithstanding the foregoing, any Owner may bring an action for partition by sale of the Condominium Project in which his Condominium is located as provided in Section 1359 of the California Civil Code upon the occurrence of any of the events therein provided. Provided, further, that if any Condominium shall be owned by two (2) or more co-tenants, nothing herein contained shall be deemed to prevent a judicial partition as between such co-tenants.

Section 18.02 - No Severance. The elements of a Condominium and other rights appurtenant to the ownership of a Condominium are inseparable and each Owner agrees that he shall not, while this Declaration or any similar declaration is in effect, make any conveyance of less than the entire Condominium and such appurtenances. Any deed, Mortgage or other conveyance of an Owner that purports to convey less than all elements of a Condominium shall be deemed to transfer and convey the entire Condominium, including the omitted interests even though such omitted interests were not expressly mentioned in such conveyance document unless the foregoing provisions or such conveyance are found to be invalid for any reason in which event any conveyance, encumbrance, judicial sale, or other transfer by an Owner (voluntary or involuntary) of less than all elements of a Condominium will be void. The provisions of this Section shall terminate on the date that judicial partition shall be decreed.

Section 18.03 - Proceeds of Partition Sale.

(a) Whenever an action is brought for the partition by sale of a Condominium Project, whether upon the occurrence of any of the events provided in Section 1359 of the California Civil Code or upon the revival of the right to partition pursuant to the Articles of this Declaration entitled "Destruction of Improvements" or "Eminent Domain," the Owners of Condominiums in such Condominium Project shall share in the proceeds of such sale in the same proportion as their interest in such Condominium Project. As used in the foregoing sentence, such interest of each Owner shall be determined by comparing an independent appraisal of an Owner's Condominium conducted by an M.A.I. appraiser selected by the Board to the total of such appraised valuation for all Condominiums in such Condominium Project.

(b) The distribution of the proceeds of any such partition sale shall be adjusted as necessary to reflect any prior distribution of insurance proceeds or condemnation award as may have been made to Owners and their Mortgagees pursuant to the Articles of this Declaration entitled "Destruction of Improvements" and "Eminent Domain." In the event of any such partition and sale, the liens and provisions of all Mortgages or Assessment liens encumbering Condominiums within the Condominium Project or Projects so encumbered shall extend to each applicable Owner's interest in the proceeds of such partition and sale. The interest of an Owner in such proceeds shall not be distributed to such Owner except upon the prior payment of any Mortgage or Assessment lien encumbering such proceeds as aforesaid.

ARTICLE XIX

SPECIAL REQUIREMENTS OF THE COUNTY

Section 19.01 - Conditions of Approval. The obligations imposed upon the Association and the Owners and the rights of the County contained in this Article are conditions of approval of the Development by the County. In the event any of the provisions of this Article conflict with any other provisions of the Association Management Documents, the provisions of this Article shall prevail.

Section 19.02 - Implementation of Best Management Practices. The provisions of this Article are intended to be guidelines that are to be (i) used to minimize the amount of watering, water run-off and the use of fertilizers, pesticides and herbicides, and (ii) a disclosure to the Association and to the Owners that the discharge of debris, chemicals, oils or any other pollution materials into the storm drain system is prohibited.

Section 19.03 - Assumption of Post Construction Best Management Practices. As a condition to the recordation of the final tract map for the Development, Declarant has been required to incorporate structural and non-structural Best Management Practices as prescribed by the County in a manner meeting the approval of the Manager, Subdivision Division of the County in consultation with the Managers, Flood Programs and Environmental Resources, all as more particularly described in such conditions of approval, the post-construction maintenance of which must be assumed by the Association and the Owners. The Owners have the obligation to maintain, repair, restore, replace and make all necessary Improvements to their Units in accordance with the provisions of Section 7.02. The Association has the obligation to maintain, repair, restore, replace and make all necessary Improvements to the Common Area in accordance with the provisions of Section 7.01 of the Declaration and the further duty, in accordance with Section 6.01 of the Bylaws, to enforce the provisions of the Association Management Documents which include, in accordance with Section 7.04 of this Declaration and Section 10.02 of the Bylaws, the right to accomplish any maintenance, repair, restoration or replacement of any Improvements that are to be individually maintained by the Owners if such Owners fail to adequately perform such maintenance, repair, restoration or replacement.

The Association has the right, pursuant to Section 6.01 of the Bylaws, to contract with a management company and to delegate to such management company any of its duties and powers which include the obligation to (i) perform any of the maintenance and the inspections that are required for compliance with the obligations described in this Article, and (ii) report all violations to the Board for action. However, since a management company is not subject to the provisions of the Association Management Documents, as further provided in Section 6.01(e) of the Bylaws, any such delegation does not relieve the Association of its obligation to ensure compliance with all of such duties and obligations.

Section 19.04 - Association and Owner Obligations. The foregoing obligations of the Association and Owners imposed by the provisions of the Association Management Documents include the following:

- (a) Litter control to include Association and individual trash collection, proper trash storage and collection procedures, emptying of trash receptacles and cleaning of trash storage areas;
- (b) Inspection of catch basins, cleanouts and inlets on a monthly basis and cleaning if necessary which must occur prior to the stormy season and no later than October 15th of each year;
- (c) Periodic cleaning of catch basins and/or storm drains that have become clogged by sediment and debris accumulations or by the illicit dumping of waste material to provide the following benefits:
 - (i) removal of pollutant loads from the storm drain system;
 - (ii) reduction of high pollutant concentration during the "first flush" event;

- (iii) prevention of clogging of the downstream stormwater conveyance system.
- (c) Sweeping of private streets and parking areas no later than October 15th of each year;
- (d) Dechlorination of pool water prior to discharging into the storm drain system. Residual chlorine is to be less than 0.1ppm.

Section 19.05 - Landscaping and Irrigation System. The landscape maintenance shall be consistent with Orange County's Water Conservation Resolution and the County's Management Guidelines for Use of Fertilizers and Pesticides ("MGFPs"). Water conservation practices and fertilizer, pesticide and herbicide restrictions to be instituted for the Covered Property include the following:

- (a) All plant materials in a group should have the same watering requirements so that the irrigation controllers can be set to deliver the appropriate minimum amounts of water;
- (b) Plant materials should be selected that minimize the need for fertilizer and pesticides;
- (c) The landscape areas are to act as a filtration area for the first storm event and shall assist in filtering out contaminants during the "first flush;"
- (d) The storage of fertilizers and/or pesticides on the Covered Property shall be prohibited;
- (e) The transportation, accident mitigation and disposal of fertilizers and pesticides will be in accordance with the MGFPs and workers must be trained in the proper use, transportation, accident mitigation and disposal of fertilizers and pesticides in accordance with the MGFP Sections 2.2.2 and 3.2.3., or any successor provisions thereof. The current MGFPs that need to be observed include the following:
 - (i) Pesticides are to be used only after recommendation from a state licensed pest control advisor (MGFP Section 3.3.1);
 - (ii) Pesticides will only be applied by or under the direct supervision of a state-licensed or certified pesticide applicator or by workers with equivalent training (MGFP Section 3.3.2); and
 - (iii) Soil testing and fertilizer recommendations will be conducted by a qualified fertilizer specialist (MGFP Section 2.3.1).
- (f) Native and drought-resistant plants should be used that adapt to local soil conditions and are resistant to pests and adequate soil drainage techniques should be used that will minimize the need for fertilizer and pesticides;
- (g) Watering practices should be established that minimize fungus and mildew potential;
- (h) Special controllers and heads that allow several start times for watering should be utilized in order to limit the amount of water surface runoff and upper and lower slopes should have different irrigation operating times;
- (i) Excessive use of water is not permitted;
- (j) Flow restrictors are to be installed on all outdoor water spigots; and
- (k) Buckets together with bio-degradable cleaning products are to be used for the washing of vehicles.

Section 19.06 - Catch Basin Stenciling. The letters and/or symbols on the catch basins being maintained by the Association shall be inspected for legibility during the annual cleaning operation and the letters and/or symbols shall be re-stencilled if they are not legible.

Section 19.07 - Newsletter Reminders. Reminders should be included in newsletters distributed to Owners that the individually maintained areas are to be kept clean from debris and waste materials and that dumping of debris or waste materials into the storm drain system is prohibited.

Section 19.08 - Amendment. Any amendment to this Article of the Declaration shall require the prior written consent of the County.

Section 19.09 - Enforcement. The County shall have the right to enforce by proceedings at law or in equity, all restrictions, conditions, covenants, and reservations now or hereafter imposed by the provisions of this Article of the Declaration, or any amendment thereto, to the same extent as the Association or any Owner.

IN WITNESS WHEREOF, Declarant has executed this instrument the day and year first hereinabove written.

BALDWIN BUILDERS, a California corporation

By: Ronald A. Freeman
Its: Jr. Vice President

By: _____
Its: _____

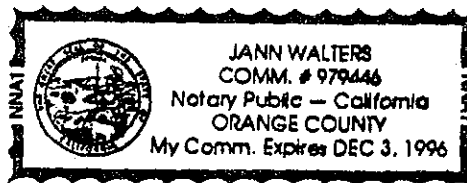
STATE OF CALIFORNIA)
)
COUNTY OF ORANGE)

ss.

On 11-9-93 before me, JANN WALTERS, a notary public in and for said State, personally appeared RONALD A. FREEMAN, personally known to me (~~or proved to me on the basis of satisfactory evidence~~) to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Signature Jann Walters



(Seal)

LEGEND:

-  RETAINING WALL TO BE MAINTAINED BY HOMEOWNER'S ASSOCIATION
-  SOUND/VIEW WALL TO BE MAINTAINED BY HOMEOWNER'S ASSOCIATION

PALERMO
 Tract No. 14521
 Exhibit A - LOT 1

