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RESTATED DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
FOUR SEASONS AT WESTSHORE

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**RESTATED DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
FOUR SEASONS AT WESTSHORE**

This Restated Declaration of Covenants, Conditions and Restrictions for Four Seasons at Westshore (the "Declaration") is made by K. Hovnanian Forecast Homes Northern, Inc., a California corporation ("Declarant").

RECITALS

A. Four Seasons at Westshore in the City of Sacramento, Sacramento County, is a "Master Planned Development" as defined California Department of Real Estate Regulation 2792.32. If developed in accordance with the initial development and improvement plans approved by the City of Sacramento, Four Seasons at Westshore will consist of approximately 556 detached Residences, approximately 100 additional attached Residences located within one or more buildings which may be up to 3 stories in height, and Common Area recreational facilities, landscaping, and private roadways.

B. This Declaration shall initially apply only to the real property more particularly described in attached Exhibit "A" (the "Development"), as the initial phase of a multi-phased planned development known as Four Seasons at Westshore. All or portions of the real property more particularly described in attached Exhibit "B" (the "Subsequent Phase Property") may be made subject to this Declaration by annexation in accordance with the terms of Article 14 of this Declaration. As property is annexed, the annexed property shall become part of the "Development," as defined herein. The Development and the Subsequent Phase Property are hereafter referred to as the "Overall Development."

C. Declarant intend to improve the Development's Lots with Residences, and sell and convey the Lots to Owners, subject to the protective covenants, conditions, restrictions, limitations, reservations, liens, grants of easements, rights, rights of way, charges and equitable servitudes as set forth in this Declaration. Declarant further intends to establish the Development is a senior housing development that is intended to qualify for the "housing for older persons" exemption from the prohibitions on discrimination based on familial status contained in the Federal Fair Housing Act, including those provision adopted pursuant toe the Fair Housing Amendments Act of 1988 and the Housing for Older Persons Act of 1995. Declarant also intends the Development qualify as a "senior citizen housing development" as that term is defined in California Civil Code Section 51.3.

D. Declarant hereby declares that all of the Development shall be held, sold and conveyed subject to the following covenants, easements, restrictions, conditions, associations and reservations, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Development. These covenants, easements, restrictions, conditions, associations and reservations: (i) create a general plan and scheme for the subdivision development, sale and use of the Development as a "planned development" as that term is defined in California Civil Code section 1351(k); (ii) are for the benefit and protection of the Development and for the protection and enhancement of the desirability, value and attractiveness of all Lots and Common Area located therein; (iii) run with the Development and bind all parties having or acquiring any right, title or interest in the Development or any part thereof; and (iv) inure to the benefit of the successors and assigns of each Owner of any property within the Development.

E. The Association and the Westshore Community Association will share in the responsibility for the maintenance of the water quality of the City-owned Lake which abuts a portion of the Overall Development. The Westshore master planned community is located adjacent to the Four Seasons at Westshore development and also abuts the City-owned Lake. The Westshore Community Association and its members is not a part of the Overall Development and homeowners within the Westshore community will not be Members of the Four Seasons at Westshore Community Association. The Four Seasons at Westshore Community Association will be subject to a Water Quality Contribution Agreement with the Westshore Community Association for the sharing of the expenses associated with maintaining the water quality of the Lake.

F. Declarant previously encumbered the Development with the Declaration of Covenants, Conditions and Restrictions for Four Seasons at Westshore, Recorded on September 18, 2007, as Document No. 20070918, at Page 1097, Official Records of Sacramento County (the "Prior Declaration"). Pursuant to Section 16.1 of the Prior Declaration, Declarant, having not conveyed a Lot to a purchaser, may rescind the Prior Declaration. Declarant, by executing and Recording this Declaration, hereby rescinds and revokes the Prior Declaration. Upon the Recording of this Declaration, the Prior Declaration shall have no force or effect on any portion of the Development.

G. Notwithstanding the anticipated development of the Overall Development in accordance with the plan of phased development contemplated by this Declaration, nothing in this Declaration shall be construed or interpreted to commit Declarant to the development of any portion of the Subsequent Phase Property in accordance with any present planning, or to the annexation of all or any part of the Subsequent Phase Property to this Declaration, whether or not it is so developed.

H. All of the covenants, conditions, and restrictions set forth in this Declaration shall constitute enforceable equitable servitudes as provided in California Civil Code Section 1354, shall constitute covenants that shall run with the land comprising the Development, and shall be binding upon and inure to the benefit of each Owner of any portion of such real property or of any interest therein and their heirs, successors, and assigns.

ARTICLE 1 DEFINITIONS

1.1 Definitions, Generally. When the words and phrases described in this Article are used in the Declaration, they will have the meanings set forth in this Article. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine, and neuter shall each include the masculine, feminine, or neuter, as the context requires. The use of the term "may" in this Declaration indicates discretion or choice, and the use of the term "shall" in this Declaration mean imperative, mandatory or imposing an absolute duty.

1.2 Absolute Majority. "Absolute Majority" shall mean a majority of the Total Voting Power of the Association.

1.3 Additional Charges. "Additional Charges" shall mean all costs, fees, charges, and expenditures, including without limitation, interest, late charges, attorneys' fees, Recording and filing fees, and all other costs actually incurred by the Association in collecting and/or enforcing payment of Assessments, fines, and/or penalties.

1.4 Architectural Review Committee. "Architectural Review Committee" shall mean the committee created pursuant to Article 8 of this Declaration.

1.5 Architectural Rules. "Architectural Rules" shall mean the rules and regulations adopted by the Architectural Review Committee pursuant to Section 8.5 of this Declaration.

1.6 Articles. "Articles" shall mean the Articles of Incorporation of the Association, as they may be amended from time to time, and as filed with the Office of the Secretary of State of California.

1.7 Assessment. "Assessment" shall mean a charge levied by the Association against an Owner and his or her Lot as provided in Article 6 of this Declaration. "Assessment" shall include any or all of the following:

(a) Regular Assessments, which shall have the meaning set forth in Section 6.5 of this Declaration.

(b) Enforcement Assessments, which shall have the meaning set forth in Section 6.8 of this Declaration.

(c) Reimbursement Assessments, which shall have the meaning set forth in Section 6.7 of this Declaration.

(d) Special Assessments, which shall have the meaning set forth in Section 6.6 of this Declaration.

1.8 Association. "Association" shall mean the Four Seasons at Westshore Community Association, a California nonprofit mutual benefit corporation, its successors and assigns.

1.9 Association Maintenance Area. "Association Maintenance Area" shall mean (a) all underground water, sewer, and storm drain facilities located within and below the public alleyways and private Common Area alleyways within the Development; (b) all non-asphalt or enhanced surface treatments located within the public right-of-ways within the Development; and (c) any additional areas designated in a Declaration of Annexation or Supplemental Declaration. The initial Association Maintenance Areas are more particularly described in attached Exhibit "C". Additional Association Maintenance Areas may be designated in a Declaration of Annexation or Supplemental Declaration. In the event the City informs the Association in writing that the City elects to be solely responsible for the maintenance of any Association Maintenance Area, such area shall no longer be designated an Association Maintenance Area.

1.10 Board of Directors. "Board of Directors" or "Board" shall mean the governing body of the Association.

1.11 Bylaws. "Bylaws" shall mean the Bylaws of the Association as they shall be adopted by the Members and any duly-adopted amendments thereof.

1.12 City. "City" shall mean the City of Sacramento, and its various departments, divisions, employees and representatives.

1.13 Common Area. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners and Residents of the Development. The initial Common Area are more particularly described in attached Exhibit "C". Additional Common Area may be designated in a Declaration of Annexation or Supplemental Declaration.

1.14 Contract Purchaser/Contract Seller. "Contract Purchaser" and "Contract Seller" shall mean the purchaser and the seller, respectively, under an installment land contract in which title to the property is transferred after the final installment payment is made.

1.15 County. "County" shall mean Sacramento County, California, and its various departments, divisions, employees and representatives.

1.16 Cost Center. "Cost Center" shall mean the designation assigned to a discrete portion of the Development for the purpose of expense accounting and Assessment, all as more particularly provided in Section 6.5(b)(ii), below. Multiple Cost Centers are anticipated when the Association is maintaining property or Common Area for the benefit of the Owners of Lots within a defined area.

1.17 Declarant. "Declarant" shall mean K. Hovnanian Forecast Homes Northern, Inc., a California corporation. The term "Declarant" shall also mean any successor or assign of Declarant, provided a certificate, signed by Declarant and Declarant's successor or assign, is Recorded against the portion of the Development which the successor or assign assumes the rights and duties of Declarant.

1.18 Declaration. "Declaration" shall mean this instrument, as it may be amended from time to time, together with any Supplemental Declarations and Declarations of Annexation Recorded in accordance with Article 14, below.

1.19 Declaration of Annexation. "Declaration of Annexation" shall mean a declaration annexing real property to the Development and subjecting the real property described therein to this Declaration, all as more particularly described in Article 14, below.

1.20 Development. "Development" shall mean: (a) the real property described in attached Exhibit "A", and (b) the real property described in a Declaration of Annexation, together with all Improvements now located or hereafter constructed or installed thereon, and all appurtenances thereto.

1.21 Director. "Director" shall mean a member of the Board of Directors of the Association.

1.22 Governing Documents. "Governing Documents" shall mean the Articles, Bylaws, Declaration, Rules (including the Architectural Rules), and the policies and resolutions duly adopted by the Board.

1.23 Improvement. "Improvement" shall mean all structures, fixtures, and improvements including, for example and without limitation, Residences, buildings, exterior lighting fixtures, landscaping, paving, fences, signs, motors, pumps, or lights.

1.24 Lake. "Lake" shall mean the 26 acre lake located within the Development constructed by Declarant and owned by the City.

1.25 Lake Lot. "Lake Lot" shall mean any plot of land shown upon a Subdivision Map which abuts or shares any boundary with the Lake.

1.26 Lake Maintenance Agreement. "Lake Maintenance Agreement" shall mean the Lake Maintenance Agreement between Declarant and the City, Recorded April 18, 2006, as in Book 20060418, at Page 0231, Official Records of Sacramento County.

1.27 Lot. Except as otherwise provided in Section 1.34, "Lot" shall mean any plot of land shown upon a Subdivision Map, with the exception of the Common Area lots. If a Project is created within the Development, the term "Lot" may also apply to the Project's separate interests as more particularly provided in a Supplemental Declaration.

1.28 Member. "Member" shall mean an Owner, and refers to membership in the Association.

1.29 Member in Good Standing. "Member in Good Standing" shall mean a Member of the Association who is current in the payment of all dues, Assessments, fines, penalties, and other charges imposed in accordance with the Governing Documents, or has not otherwise had his or her Membership rights suspended under those circumstances described in Article 10, below.

1.30 Mortgage. "Mortgage" shall mean a deed of trust as well as a mortgage in the conventional sense. "First Mortgage" shall mean any Recorded Mortgage on a Lot with first priority over other Mortgages on such Lot. "Mortgagee" shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

1.31 Owner. "Owner" shall mean any person, firm, corporation or other entity, including Declarant and, in which fee title to a Lot or a Project is vested as shown by the official records of the office of the County Recorder, including Contract Sellers, but excluding Contract Purchasers and excluding those having such interest merely as security for the performance of an obligation. If a Lot or Project is transferred or conveyed to a trust, the Owner is the trustee or the co-trustees of such trust. A person or entity is not an Owner due to (a) community property or other equitable rights not shown of Record; or (b) rights of adverse possession not shown of Record. Where the context requires, the term "Owner" shall include the members of the Owner's household and the Owner's guests, tenants/lessees and invitees, provided that such persons are not "Owners" for purposes of exercising voting rights in the Association. If a Project Association is formed for a Project, the Project Association shall be deemed the "Owner" of the Project for purposes of this Declaration.

1.32 Permitted Health Care Resident. "Permitted Health Care Resident" shall mean a person hired to provide live-in, long-term, or terminal health care to a Qualifying Resident.

1.33 Phase. "Phase" shall mean all the real property subject to a Declaration of Annexation or Supplemental Declaration, unless "Phase" is otherwise defined in such Declaration of Annexation or in the Supplemental Declaration.

1.34 Project. "Project" shall mean any real property located within the geographic boundaries of the Overall Development that is developed as an apartment project or is subject to a separate declaration which creates condominium project or an additional planned development, as those terms are defined in California Civil Code Section 1351(f) or (k). A Project may or may not be annexed to this Declaration. If annexed to this Declaration, a Project may be designated as a Cost Center of the Association. A Project's community association shall be referred to as a Project Association. The owners of the separate interests with the Project, consisting of residential lots or condominium units, may or may not be Members of the Association, depending upon the terms of the Declaration of Annexation, if any, annexing the Project to this Declaration. Unless specifically established in a Declaration of Annexation, an individual lot or condominium unit within a Project shall not be a "Lot" for the purposes of this Declaration and the owner of a Project lot or condominium unit shall not be an "Owner" or "Member" for the purposes of this Declaration.

1.35 Project Association. "Project Association" shall mean the community association established as part of a common interest development Project located within the Development. Any Project Association established shall be an "association" as defined in California Civil Code Section 1351(a).

1.36 Qualified Permanent Residence. "Qualified Permanent Resident" shall mean a person who meets either of the following requirements:

(a) Companion to Qualifying Resident. The person residing with the Qualifying Resident prior to the death, hospitalization, or other prolonged absence of, or the dissolution of marriage with, the Qualifying Resident and the person was forty-five (45) years or older, or was a spouse, cohabitant (defined as persons who live together as husband and wife or as domestic partners within the meaning of California Family Code Section 297), or person providing primary physical or economic support to the Qualifying Resident; or

(b) Adult Dependent Child. The person is a permanently physically or mentally impaired or terminally ill adult who is a dependent child of the Qualifying Resident or Qualified Permanent Resident as defined in Section 1.36(a), above,) unless the Board determines that there are special circumstances to disallow a particular dependent child as a Qualified Permanent Resident. For the purposes of this section, "special circumstances" means a condition wherein such a dependent child is or may be harmful to himself or herself or others.

1.37 Qualifying Resident. "Qualifying Resident" shall mean a person fifty-five (55) years of age or older.

1.38 Record; Recordation; Filed. "Record," "Recordation", and "Filed" shall mean, with respect to any document, the recordation or filing of such document in the official records of the County recorder's office.

1.39 Residence. "Residence" shall mean a residential structure located upon a Lot which is designed for human residential use and occupancy.

1.40 Resident. "Resident" shall mean any person who resides in a Residence on a Lot within the Development whether or not such person is an Owner.

1.41 Rules. "Rules" shall mean the rules and regulations governing the use, occupancy, management, administration, and operation of the Development or any part thereof as adopted and published by the Board of Directors from time to time, and the Architectural Rules as adopted and published by the Architectural Review Committee from time to time.

1.42 Subdivision Map. "Subdivision Map" shall mean the final subdivision or parcel map Filed with the County Recorder for any portion of the Development.

1.43 Supplemental Declaration. "Supplemental Declaration" shall mean any declaration (as defined in California Civil Code Section 1351(h)), Recorded pursuant to Section 14.3, below, which supplements this Declaration and which may affect solely a particular Phase.

1.44 Total Voting Power. "Total Voting Power" shall mean the total number of votes of all Members entitled to vote at a particular time, excluding any votes of Members that are not at the time of such vote a Member in Good Standing.

1.45 Water Quality Contribution Agreement. "Water Quality Contribution Agreement" shall mean any agreement between the Association and the owner of, or the owners association for, any property that is not annexed to the Development but which utilizes the Lake for storm-drainage purposes.

ARTICLE 2 COMMUNITY ASSOCIATION

2.1 Management and Operation. The Association, through the Board of Directors, shall manage, operate, and create community events and programing for the Development in accordance with the applicable provisions of the Governing Documents and the applicable provisions of California law. The Association shall have all of the powers set forth in the Governing Documents together with general power to do any and all things that a nonprofit mutual benefit corporation may lawfully do under the laws of the State of California, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Governing Documents.

2.2 Membership. Every Owner of a Lot shall be a Member of the Association and shall remain a Member thereof until such time as his or her Lot ownership ceases for any reason. With the exception of the Class C Membership, all memberships in the Association shall be appurtenant to and may not be separated from ownership of a Lot and shall not be transferred, encumbered, pledged, alienated, or otherwise hypothecated in any way, except in connection with the sale or encumbrance of the Lot to which it is appurtenant.

2.3 Voting.

(a) Commencement of Voting Rights. Voting rights attributable to the ownership of Lots shall not vest until Regular Assessments against those Lots have been levied by the Association.

(b) Classes of Membership. The Association shall have the following three classes of voting membership:

(i) Class A Members. Class A Members shall initially be all Owners except Declarant.

(ii) Class B Members. Declarant shall be the only Class B Member. The Class B Membership shall convert to Class A Membership as provided in the Bylaws.

(iii) Class C Members. Declarant shall be the only Class C Member. The Class C Member shall have the right to appoint a majority of the Board, as more particularly described in the Bylaws. Class C membership shall terminate as provided in the Bylaws.

(c) Membership Voting Rights. Only Members in Good Standing shall be entitled to vote. The voting rights and other privileges of each class of membership and the conversion of Declarant's Class B membership into Class A memberships shall be as set forth in Article 3 of the Bylaws. Unless expressly provided otherwise in the Declaration of Annexation, all voting rights for Projects shall be exercised by the board of directors of the Project Association.

(d) Suspension of Voting Rights. A Member's voting rights may be temporarily suspended under those circumstances described in Section 10.4(b), below.

(e) Limitations on Declarant Voting Rights. With the exception of any membership vote pursuant to Section 3.8, below (relating to the enforcement of bonded obligations), the

provisions of the Governing Document requiring approval of a prescribed majority of the voting power of the Association other than Declarant are not intended to preclude Declarant from casting votes attributable to any Lots owned by Declarant. Provisions in the Governing Documents requiring approval by the Association's Members shall require the approval of a simple majority of the Class B voting power as well as the approval of the prescribed majority of the Class A voting power. Once the Class B membership has been converted to Class A membership, the intent is to require the approval of an Absolute Majority of the Association's Members as well as the approval of the prescribed majority of the Total Voting Power of the Association other than Declarant.

2.4 Board of Directors. The affairs of the Association shall be managed by or under the direction of a Board of Directors. The number and qualifications of Directors shall be as established in the Bylaws, and the members of the Board shall be elected as provided in the Bylaws. The Board of Directors shall have all of the powers and duties set forth in any provision of the Governing Documents, including without limitation such powers and duties as may be expressly set forth in this Declaration.

2.5 Association Rules. The Board of Directors shall have the power and the authority to establish, promulgate, amend, repeal, and enforce such rules and regulations, which shall be known as "Rules", as the Board deems necessary for the management and operation of the Development and the conduct of business and affairs of the Association. The Rules may concern, but need not be limited to, matters pertaining to use of the Common Area, signs, collection and disposal of refuse, minimum standards for maintenance of property, parking and traffic regulations, rental or leasing of Lots, the keeping of pets on Lots, and any other subject matter within the jurisdiction of the Association as provided in the Governing Documents or by law.

2.6 Manager and Other Personnel. The Board of Directors shall have the power and authority to employ a manager and such other persons or entities as the Board shall deem appropriate to assist it in managing the Development and conducting the business and affairs of the Association, as more particularly set forth in the Bylaws.

2.7 Capital Improvements. The Board of Directors shall have the power and authority to provide for the construction, reconstruction, installation, or acquisition of capital improvements upon the Common Area, provided that in any fiscal year expenditures for capital improvements shall not exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year except upon the approval of at least a majority of both the Class A and Class B Members. This limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital improvements so long as the expenditure is for the purpose for which the fund was established nor shall it apply to any reconstruction governed by Article 12 of this Declaration.

2.8 Sale or Transfer of Association Property. The Board of Directors shall have the power to sell the Association's property provided that the Board shall not, in any fiscal year, sell property owned by the Association having a value in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year without approval of at least a majority of both the Class A and Class B Members.

2.9 Transfer or Dedication of Common Area to Public Agency or Utility. The Board of Directors shall have the power to dedicate or transfer all or any part of the Common Area to a public agency, authority or utility or other person or entity for such purposes and subject to such conditions as may be agreed to by the Board, and upon the approval of at least a majority of both the Class A and Class B Members.

2.10 Borrow Money. The Board of Directors shall have the power to borrow money in the name of the Association and to pledge or dedicate a portion of future Assessments towards the repayment of any Association debt.

2.11 Mortgage of Association Property. The Board of Directors shall have the power and authority to mortgage, pledge, encumber, or otherwise hypothecate the real and personal property of the Association for money borrowed or debts incurred by the Association.

2.12 Mergers and Consolidations. The Association may (i) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes as the Association, or (ii) annex additional property to the Development, in accordance with Section 14.2, below.

2.13 Dissolution. So long as there is any lot, parcel or area for which the Association is obligated to provide management, maintenance, preservation or control, the consent of all Members and the City must be obtained for the Association to (i) transfer all or substantially all of its assets, or (ii) file a certificate of dissolution.

2.14 Limitation of Liability. Neither the Association or its directors, officers, employees, agents or committee members (collectively and individually referred to as the "Released Party") shall be personally liable for damages or in equity to any of the Members, or to any other person, for any error or omission in the discharge of their duties and responsibilities or for their failure to provide any service required hereunder or pursuant to the Bylaws, even if such Released Party is negligent, provided that such Released Party has not acted in bad faith. This standard of care and limitation of liability shall extend, without limitation, to matters such as (i) the establishment of the Association's annual financial budget, (ii) the funding of Association reserve accounts, (iii) the discharge of the Association's maintenance, repair and replacement obligations, (iv) the enforcement of the Governing Documents, and (v) to any other fiduciary duties or responsibilities imposed by law or the Governing Documents.

ARTICLE 3 COMMON AREA

3.1 Purpose of Common Area. Subject to the provisions of the Declaration, the Common Area shall be held, maintained, and used to meet the common interests of the Owners, Residents, Contract Purchasers, permitted Project Residences, and guests as provided in the Governing Documents.

3.2 Conveyance of Common Area. Declarant shall convey fee simple title to the Common Area parcels to the Association, free of all encumbrances and liens, with the exception any easements, conditions and reservations then of Record, including those set forth in this Declaration.

3.3 Owners Non-Exclusive Easements of Enjoyment. Subject to the provisions of this section, every Member shall have a non-exclusive ingress and egress easements and rights of use of and enjoyment in, to, and throughout the Common Area. Each such non-exclusive easements shall be appurtenant to Membership in the Association, and pass with the title to every Lot, subject to the following rights and restrictions:

(a) Adoption of Rules. The right of the Board of Directors to establish and enforce reasonable Rules governing the use of the Common Area and the facilities thereon including, without limitation, Rules (i) limiting the number of guests of Members permitted to use the Common Area and the facilities thereon at any one time, (ii) limiting the hours of use of the Common Area and the facilities thereon, (iii) regulating the use of the Common Area and the facilities thereon for group activities, (iv) regulating the Common Area for organized events and community programing; and

(v) regulating parking upon and use of the Common Area roadways, if any, provided that no Owners shall be denied ingress and egress over Common Area roadways to such Owner's Lot;

(b) Use of Private Roads. For Common Area private roadways which are the subject of a Cost Center Assessment Component pursuant to Section 6.5(b)(ii), below, only those Members whose Lots are subject to the Cost Center Assessment Component shall have a non-exclusive right of use and enjoyment over those Common Area private roadways;

(c) Facility Fees. The right of the Board to charge reasonable admission and other use fees for any facilities situated upon the Common Area or for any active use of the Lake.

(d) Suspension of Use. The right of the Board, as more particularly addressed in the Bylaws, to suspend an Owner's right to use the facilities located on the Common Area or the right to use the Lake (i) any period during which any Assessment against such Owner's Lot remains unpaid, and/or (ii) for violations of the Governing Documents by an Owner or any person for whom an Owner is responsible, provided that no Owners shall be denied ingress and egress over Common Area roadways to such Owner's Lot;

(e) Granting of Easements. The right of the Board, as set forth in Section 3.6 of this Declaration, to grant easements and rights of way in, on, over, or under the Common Area;

(f) Public Use Rights. The right of the public to use any portion of the Common Area which is subject to a public use right or public dedication as shown on a Subdivision Map;

(g) Transfer to Public Agency. The right of the Board to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility;

(h) Pledge as Security. The right of the Board to mortgage, pledge, encumber, or otherwise hypothecate the Common Area, as security for money borrowed by the Association;

(i) Perform Obligations. The right of the Association or its authorized agents to perform its obligations under this Declaration, including, without limitation, obligations with respect to construction, maintenance, repair, or replacement for the benefit of the Common Area;

(j) Establish Signage and Improvements. The right of the Association to establish, construct, maintain, repair and replace entrance signs, privacy gates, street signs, lights, maps, directories and other similar Improvements upon the Common Area;

(k) Association Storage Areas. The right of the Association to establish, construct, maintain, repair and replace facilities upon the Common Area including without limitation storage facilities and workshops, which may be necessary or convenient in the discharge of the Association's duties and the exercise of its rights under the Governing Documents; and

(l) Development and Sales Rights. The right of Declarant and their employees, sales agents, prospective purchasers, customers and representatives, to enter upon and to use the Common Area for development and sales activities in accordance with Article 15, below. Such use shall not unreasonably interfere with the rights of use and enjoyment of the other Owners as provided herein. The privacy gates for the Development shall remain open during all daylight hours until the last Lot in the Development has been improved with a Residence and conveyed to a member of the home-buying public, or until the fifth (5th) anniversary of the original issuance by the California Department of Real Estate of the Final Public Report for the Development, whichever comes first.

3.4 Assignment of Rights of Common Area Use. In addition to an Owner' assignment of Common Area use rights to a tenant as provided in Section 4.15, below, upon occupancy of a Lot by a Contract Purchaser, the Owner shall be deemed to have assigned all such Common Area rights exclusively to the Contract Purchasers of such Lot except that such Owner shall continue to have an easement for ingress and egress to such Owner's Lot to the extent necessary to discharge the Owner's obligations and rights as a landlord. Any Common Area rights of enjoyment assigned pursuant to this section are subject to suspension to the same extent that rights of Owners are subject to suspension as provided in the Governing Documents. It is the express purpose and intent of the provisions of this section to limit the right of use and enjoyment of the Common Area to Residents and their guests.

3.5 Common Area Maintenance and Construction.

(a) Commencement of Association Maintenance of Common Area. Notwithstanding any conveyance of Common Areas to the Association, the Association's responsibility to maintain the Common Areas located in any Phase shall not begin until the later of the following events: (A) review and approval of such Common Areas by the Association, not to be unreasonably withheld or delayed, or (B) commencement of Regular Assessments in such Phase; except that, if such Phase consists of only Common Area, subdivision (B) shall be inapplicable. The Association may utilize hire third-party inspectors as part of its review and approval of any Common Area. Prior to the commencement of the Association's maintenance responsibility, such maintenance shall be the responsibility of Declarant, as applicable, depending on whether such Phase is being developed by Declarant. Notwithstanding the foregoing, if the contractors or subcontractors of Declarant are contractually obligated to maintain the landscaping or other Improvements within the Common Areas, the Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. The maintenance performed by the contractors or subcontractors of Declarant shall not postpone the commencement of Regular Assessments pursuant to this Declaration nor entitle Declarant to claim any offset or reduction in the amount of such Assessments. If a portion of the Common Area is dedicated to and accepted for maintenance by the City or some other governmental agency, the Association may, in the Board's discretion, budget for and maintain the area if the City or the agency fails to maintain the area to a standard acceptable to the Association, or elects to not further maintain the area.

(b) Association's Control of Common Area. Following the conveyance of a Common Area lot or parcel to the Association, except for Declarant in connection with a subsidy agreement or pursuant to Article 15, no person or entity other than the Association or its duly-authorized agents (i) shall construct, reconstruct, refinish, alter, or maintain any Improvement upon the Common Area, (ii) shall make or create any excavation or fill upon the Common Area, (iii) shall change the natural or existing drainage of the Common Area, or (iv) shall plant, remove, or destroy any seed, plant material, tree, shrub, or other vegetation upon the Common Area.

3.6 Easements Granted by Board.

(a) Common Area Easements. The Board shall have the power to grant and convey to any person or entity easements and rights of way, in, on, over, or under the Common Area for the purpose of (i) constructing, erecting, operating, or maintaining thereon, therein, or thereunder overhead or underground lines, cables, wires, conduits, or other devices for electricity, cable television, power, telecommunications, telephone, public sewers, storm drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and (ii) for any other purposes deemed by the Board to be appropriate and not inconsistent with the purposes and interests of the Association. Each Owner,

in accepting a deed to a Lot, expressly consents to such easements and rights of way. No such easements may be granted if they would materially interfere with the use, occupancy, or enjoyment by an Owner or Resident of his or her Lot without the consent of the affected Owner of the Lot.

(b) Exclusive Use Common Area Easements. Pursuant to California Civil Code Section 1363.07(a)(3), the Board shall have the authority to execute and Record a maintenance agreement designating portions of the Common Area as "exclusive use common area", as defined in California Civil Code Section 1351(i), for the benefit of an appurtenant Lot, for the purpose of promoting an efficient division of the use and maintenance responsibilities between the Owners and the Association. An exclusive use common area maintenance agreement may be made with any Owner of adjacent property, including Declarant.

3.7 Mechanic's Liens. In the event there shall be Recorded against the Common Area a notice of mechanic's lien for, or purporting to be for, labor or materials alleged to have been furnished or delivered for any Owner or his or her Lot, such Owner shall immediately cause such lien to be discharged by payment, bond, or otherwise. If the Owner fails to cause the lien to be discharged, the Board may send written notice to the Owner specifying that unless the Owner causes the lien to be discharged within five (5) days from the date of such notice, the Board may cause the lien to be discharged. Within such five (5) day period, the Owner shall be granted a hearing before the Board regarding the validity of such lien and any offsets or defenses thereto. At that time, the Board shall determine whether the lien adversely and improperly affects and encumbers the rights and interests of the Association or the other Owners. If the Board of Directors determines that the lien does adversely and improperly affect and encumber such rights and interests and that adequate protection of such rights and interests has not been provided, the Board may cause the lien to be discharged by payment, bond, or otherwise. The Board shall have the right to levy a Reimbursement Assessment against the Owner responsible for causing the lien to be discharged in an amount equal to all amounts paid by the Association together with interest thereon at the legal rate and all costs and expenses paid or incurred in connection therewith, including reasonable attorneys' fees.

3.8 Enforcement of Bonded Obligations.

(a) Board Consideration of Enforcement. If any of the Common Area Improvements within the Development have not been completed when the California Real Estate Commissioner issues a final subdivision public report for the Development, and if the Association is the obligee under a bond or other arrangement ("bond") to secure performance of a commitment of Declarant to complete such Common Area Improvements, then 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 that Improvement in the "planned construction statement" appended to the bond. However, 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 action to enforce the obligations under the bond only if a notice of completion has not been filed within thirty (30) days after the expiration of the extension.

(b) Member's Rights to Call Meeting Regarding Enforcement of Bonds. If the Board fails to consider and vote on the action to enforce the obligations under the bond or decides not to initiate action to enforce the obligations under the bond, then on the petition in writing to the Board signed by Members representing not less than five percent (5%) of the total voting power of the Association other than Declarant, the Board shall call a special membership meeting for the purpose of voting to override the decision of the Board not to initiate action or to compel the Board to take action to enforce the obligations under the bond. The meeting shall be called by the Board by fixing a date not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board

of said petition. Notice of the meeting shall be given to all Owners entitled to vote in the manner provided in the Bylaws for notices of special membership meetings. At the meeting, the vote in person or by proxy of a majority of the Owners entitled to vote (other than Declarant) in favor of taking action to enforce the obligations under the bond shall be deemed to be the decision of the Association and the Board shall then implement the Owners' decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE 4 USE RESTRICTIONS

4.1 Offensive Conduct, Nuisances, Noise. No noxious, harmful or offensive activities shall be conducted upon or within any part of the Development, nor shall anything be done thereon which may be or become a nuisance, or cause unreasonable embarrassment, disturbance, or annoyance to any Residents of the Development, or which shall in any way interfere with their use of the Common Area and facilities thereon or the use and enjoyment of their Lots or Residences. Without limiting any of the foregoing, no Resident shall permit noise, including without limitation the barking of dogs or excessively loud music, to emanate from the Resident's Lot, Residence or vehicles, or the vehicles of guests and invitees, which would unreasonably disturb another Resident's enjoyment of his or her Lot or of the Common Area. Nothing in this section shall be construed to limit the Association's ability to discharge its duties in accordance with the Governing Documents or otherwise manage the Development.

4.2 Senior Citizen Housing Development. The Development is a senior housing development that is subject to the provisions of Article 18, below.

4.3 Restriction on Businesses. Except as specifically provided in this Section 4.3, and Sections 4.18 and 4.19, below, no business of any kind shall be established, maintained, operated, permitted, or conducted within the Development except:

(a) Professional and Administrative. Those professional and administrative occupations as may be permitted by, and which are conducted in conformance with, all applicable governmental ordinances provided that there is no external evidence thereof, and further provided that the Board may, in its complete discretion, prohibit the conduct of any such activities which the Board determines to be incompatible with the nature and character of the Development or which, in the Board's opinion, may or does otherwise negatively impact the quality of life and property values within the Development.

(b) Development and Sales of Lots and Residences. As more particularly provided in Article 15, below, Declarant shall be entitled to use Lots and Residences as models, sales offices or construction headquarters for the purpose of constructing Residences and marketing Lots or Residences within the Development or for development projects located outside of the Development.

(c) Project Rental Office. The rental or management office of a Project, provided that such Project may not be used for motel or other short-term occupancy.

(d) Permitted by Law. Those other businesses which by law must be permitted to be conducted within the Development.

4.4 Use of the Common Area. All use of the Common Area is subject to the Governing Documents, including, without limitation, Declarant use rights pursuant to Article 15, below. No alterations or additions to the Common Area shall be made except as authorized by the Board pursuant to the Governing Documents. Nothing shall be placed, kept, stored, or parked on the Common Area without the prior written consent of the Board, except by the Association. Without limiting the foregoing, no Owner shall place

rubbish, debris, or other unsightly or unsanitary materials on the Common Area. Each Owner shall avoid causing damage to the Common Area.

4.5 Requirement of Architectural Approval. As addressed in greater detail in Article 8, construction, installation, modification, or alteration of Residences, buildings, outdoor structures, fences, awnings, outdoor lighting, spa and pool equipment, and all other exterior Improvements are subject to approval of the Architectural Review Committee.

4.6 Sports Apparatus. The Board of Directors may establish Rules and Architectural Guidelines regarding the permissibility of and placement, maintenance and use of any temporary or fixed sports apparatus located within a Lot. No sports apparatus shall be installed on a Lot or the exterior of a Residence without the prior approval of the Architectural Review Committee in accordance with Article 8, below.

4.7 Window Coverings. Drapes, window shades, shutters or other window treatments shall be installed in the windows of all Residences and garages and shall comply with any Rules adopted by the Board of Directors. In no event shall windows be painted, tinted, nor shall aluminum foil, newspaper, bed sheets, cardboard or similar materials be placed in windows. All window coverings shall be maintained in good repair and condition at all times.

4.8 Signs. To the extent permitted by law, the Board may adopt limitations on signs including, without limitation, restrictions on the size of the signs, the duration of their posting, and their location. This section shall not apply to signs placed or maintained by Declarant.

4.9 Antennas. No outside television antenna, aerial, satellite dish or similar device for the transmission or reception of television, radio, satellite, or other signals of any kind, are permitted within the Development, except as provided in this section or otherwise permitted by Federal or state law. Antennas or satellite dishes with a diameter or diagonal measurement not greater than one meter which are designed to receive direct broadcast satellite services, video programming services via multi-point distribution services, or television broadcast signals (collectively "Permitted Dishes") may be erected, placed or installed on a Lot, subject to the following restrictions, provided that the application of these restrictions do not unreasonably delay installation or increase expense, or preclude reception of an acceptable quality signal:

(a) Prioritized Placement Preferences. All Permitted Dishes shall be installed at locations in accordance with a prioritized list of placement preferences, if such a list is adopted by the Architectural Review Committee.

(b) Reasonable Restrictions. All Permitted Dishes shall be installed in accordance with such reasonable restrictions which may be imposed as part of the Architectural Rules.

4.10 Trash Disposal. Trash, garbage, accumulated waste plant material and all other waste and refuse shall be deposited only in covered sanitary containers or recycling containers in accordance with the following provisions:

(a) Screened Containers. Except as provided in Section 4.10(b), the containers shall be maintained upon each Lot and shall be screened or otherwise concealed from view from the Common Area, the streets, and the ground floor of any other Residences.

(b) Container Pickup. The containers may be placed for pickup at a reasonable time prior to trash collection and shall be promptly stored as specified in Section 4.10(a) after collection. The Board may adopt Rules regulating the placement of containers for trash collection which Rules may include limitations on the period of time during which containers may be placed for collection.

(c) Trash Storage. No Owner or Resident shall permit or cause any garbage, trash or other waste or refuse to be kept upon any portion of any Lot outside of the Residence or elsewhere in the Development, except in such containers.

4.11 Vehicles and Parking.

(a) Limitations on Types of Vehicles.

(i) Recreational Vehicles. No trailer, motor home, camper, boat or any other recreational vehicle shall be parked, kept or permitted to remain within the Development unless placed or maintained completely within an enclosed garage, or located in enclosed sideyards or backyards and below the fence line and otherwise not visible from the streets or Common Area; however the Architectural Review Committee may also permit the storage of such vehicles within the fenced sideyard or backyard area of a Lot that is not completely screened from ground-level view, if the Committee finds that such partial visibility is not harmful to the aesthetic qualities of the Development. Recreational vehicles subject to this subsection shall not be parked or placed on any public street or on the driveway of a Lot for more than twenty-four (24) hours. No recreational vehicle or equipment shall be used for living purposes while located within the Development.

(ii) Commercial Vehicles. No truck, van or commercial vehicle shall be permitted within the Development except for such limited times as are necessary for deliveries, the performance of maintenance, repair and replacement of Improvements within the Development and other similar situations, and then subject to any Rules adopted by the Board which may include, without limitation, a limit on the time of day or days of the week when such vehicles may be present within the Development. The term "truck, van or commercial vehicles" shall not include sedans or standard size pickup trucks and vans which are used for both business and personal uses, provided that any signs or markings of a commercial nature on such vehicles shall be reasonable and inoffensive as determined by the Board.

(b) Condition of Vehicles. No unreasonably noisy vehicles and no vehicles (including, without limitation, scooters, motorcycles or other motorized devices) emitting foul smelling or offensive exhaust shall be operated within the Development. No dilapidated, unsightly, inoperable, or abandoned vehicle shall be parked, kept or permitted to remain upon any area within the Development unless completely enclosed within a garage. Each vehicle operated or located within the Development shall maintain, and the Board shall have the authority to require written evidence of, current registration which permits the vehicle to be legally operated on public streets.

(c) No Vehicle Repairs. No major vehicle maintenance or repairs of any kind may be made to vehicles within the Development except such emergency repairs as are necessary to remove the vehicle from the Development. Minor types of vehicle maintenance and repairs are permitted within the garage of a Residence, provided such vehicles are not rendered inoperable.

(d) Parking of Vehicles on Lots. Residents shall utilize their garages as the primary parking location for their vehicles. Provided that garage parking bays are first utilized for vehicle parking, Residents may also park vehicles on their Lot's driveway.

(e) No Parking Areas. If the Association acquires any Common Area roadways, the Board of Directors may adopt Rules prohibiting or restricting the parking of vehicles on all or any portion of the Common Area roadways.

(f) Parking Rules and Enforcement. In order to prevent or eliminate parking problems within the Development, or to further define and enforce the restrictions contained in this section, the Board shall have the authority to adopt further reasonable rules and restrictions regarding vehicles and parking within the Development as the Board may deem prudent and appropriate. The Board shall also have the power to impose sanctions for violations of provisions of the Governing Documents relating to vehicles and parking. Such authority and power shall include, without limitation:

(i) Vehicle Towing. The power and authority to cause the towing, at the vehicle owner's expense, of vehicles which are parked within the Development in violation of any of the provisions of the Governing Documents, provided that towing of vehicles of guests and other non-Residents of the Development shall be subject to the provisions of applicable law. Costs incurred by the Association relating to the towing and/or storage of any vehicle parked in violation of any provision of the Governing Documents shall be assessed as a Reimbursement Assessment against the Lot Owner responsible or whose household members, tenants, Contract Purchasers, or guests are responsible for the presence of such vehicle.

(ii) Fines. The power and authority to fix and impose fines for violations of this section in accordance with California Civil Code Section 1363.

4.12 Garages.

(a) Garage Vehicle Parking. So long as all of a Resident's vehicles are capable of being parked within the Lot's garage, one garage parking space may be utilized for personal property storage or other non-vehicle parking purposes.

(b) Closed Doors. Each garage door shall remain closed except during the time required for the entry and exit of vehicles and individuals and when and only for as long as the garage is in active use.

(c) No Conversion. No garage shall be remodeled or used as a living area. Garages may be utilized as workshops and for storage space, and for other related uses, provided such use does not interfere with the ability of the Owner of the Lot to accommodate at least two (2) full-sized passenger vehicles within the garage.

4.13 Compliance with Laws. Nothing shall be done or kept anywhere within the Development which violates any local, state or Federal law, ordinance, statute, rule or regulation.

4.14 Animals.

(a) Household Pets. No animals, including but not limited to reptiles, rodents, birds, livestock, or poultry, shall be raised, bred or kept on any Lot for commercial purposes. A reasonable number, as determined by the Board, of birds, cats, dogs, reptiles, and aquatic animals may be kept within a Residence, provided that they are not kept, bred, or maintained for any commercial purposes and in conformance with any City ordinances. Each dog must be restrained on a leash held by a

responsible person capable of controlling it whenever the dog is outside of its owner's Lot or any sideyard easement appurtenant to the Lot.

(b) Owner's Responsibility for Pets. The owner of each pet shall be responsible for immediately removing and disposing of any waste introduced to any portion of the Development by such pet. The Board shall have the power to impose fines and other sanctions for violations of provisions of the Governing Documents relating to pets, including without limitation fines for failure to remove and dispose of pet waste as required by this section. Each Owner, Resident, and any person bringing or keeping an animal within the Development shall be absolutely liable to the Association and all other persons for any injury or damage to persons or property caused by the animal brought upon or kept upon the Development by such person or by members of his or her household, tenants, guests, or invitees. Each Owner and Resident shall indemnify the Association and its officers, directors, and agents against any and all claims, damages, losses, demands, liabilities, and expenses, including but not limited to attorneys' fees, arising out of or resulting from the presence or conduct of any animal brought upon or kept within the Development by the Owner or Resident, members of his or her household, guests, tenants, or invitees. In no event shall any pet be maintained within the Development that constitutes a nuisance with respect to neighboring residents. Dog barking audible from within an adjacent Lot's Residence for more than 10 minutes within an hour shall be constitute a nuisance.

(c) Pet Rules. The Board may adopt and enforce pet Rules in addition to the provisions of this section. Such Rules may include, without limitation, regulations regarding the presence of pets on the Common Area and requirements that pets be registered with the Association. The Association shall have the right to prohibit the keeping of any animal which constitutes, in the sole and exclusive opinion of the Board, a nuisance or danger to any other person.

4.15 Rental of Residences. An Owner shall have the right to rent the Residence on his or her Lot subject to the provisions of the Governing Documents, including without limitation the following specific requirements:

(a) Notification of the Board. The Owner shall notify the Association of the duration of the lease and shall provide the Association with (i) the names of the tenants, (ii) the names of the members of the tenants' household, (iii) the tenants' telephone numbers, and (iv) such other information as the Board deems appropriate.

(b) Owner Responsibility. Owners shall be responsible for ensuring their tenants have read, understand and agree to abide by the Governing Documents. In the event of any violation of the Governing Documents by a Owner's tenant, or the tenant's guests or invitees, Owner shall be subject to the enforcement remedies described in Article 10, below, including but not limited to the imposition of fines and the suspension of Common Area use rights. Each Owner renting the Residence shall be strictly responsible and liable to the Association for the actions of such Owner's tenant in or about all Lots and Common Area and for each tenant's compliance with the provisions of all Governing Documents. An Owner renting a Lot shall provide the tenant with copies of the Governing Documents and all subsequent amendments.

(c) Indemnification of Association. Every Owner of a Residence that is occupied by persons other than the Owner pursuant to a rental agreement or otherwise, agrees to and shall indemnify and defend the Association, its officers, directors, managers, and agents and shall hold them harmless from any cost, loss, claim, or damages of any kind, including but not limited to attorneys' fees arising out of the conduct or presence of the occupants of the Residence and their guests within the Development, including any such cost, loss, claim or damage arising or alleged to

have arisen out of the enforcement or nonenforcement by the Association of the Governing Documents against such occupants and their guests. Without limiting the generality of the foregoing, all costs, including attorneys' fees incurred by the Association to enforce the Governing Documents against such occupants and their guests, shall be reimbursed to the Association by the Owner and may be assessed by the Association as a Reimbursement Assessment.

(d) Requirements of Written Rental Agreement. Any rental of any Lot's Residence shall be only by written rental agreement which shall expressly provide (i) that it is subject to all of the provisions of the Governing Documents, (ii) that the tenants of such Residence shall comply with all provisions of the Governing Documents, (iii) that any violation of any provisions of the Governing Documents shall constitute a breach and default of the terms of such rental agreement, and (iv) for a term of not less than six (6) months. The rental agreement shall not attempt to, nor shall any such agreement be effective to, transfer membership in the Association to the lessee.

(e) Requirement of Inclusive Rental Agreement. No Owner may rent or hire any garage, accessory building, or similar improvement to anyone who does not have the right of possession of the entirety of the Residence on the Lot.

(f) Assignment of Rights to Use Common Area. Upon the leasing or renting of a Lot, the Owner shall be deemed to have assigned all Common Area use rights exclusively to the tenants except that such Owner shall continue to have an easement for ingress and egress to such Owner's Lot to the extent necessary to discharge the Owner's obligations and rights as a landlord. Any rights of enjoyment assigned pursuant to this section are subject to suspension to the same extent that rights of Owners are subject to suspension as provided in the Governing Documents. It is the express purpose and intent of the provisions of this section to limit the right of use and enjoyment of the Common Area to Residents and their guests.

4.16 Clotheslines. No exterior clotheslines or other outside clothes drying or airing facility shall be erected or maintained upon any Lot.

4.17 Activities Affecting Insurance. Nothing shall be done or kept within the Development which will increase the rate of insurance maintained by the Association without the prior written consent of the Association. No Owner shall permit anything to be done or kept within the Development which would result in cancellation of any insurance policy maintained by the Association or any other Owner.

4.18 Additional Restrictions Affecting the Lake.

(a) Fish and Wildlife. No persons shall release any animal or fish into a Lake. Under no circumstances shall any carp, goldfish, Koi, or any non-California native fish or wildlife be released into the Lake.

(b) Foreign Objects. No waste materials, sewage, garbage, petroleum, or other chemical product, paper, food, or other foreign object shall be placed or permitted in the Lake or drainage system which serves the Lake. In consultation with the Westshore Community Association, the Association's Board shall adopt Rules for the protection of the Lake's water quality. Such Rules may limit or prohibit the use or application of insect, animal, or plant control substances, liquid fertilizers and plant foods, or paints and protective compounds on Lots, and the discharge of storm drains.

(c) No Pumping. No Owner or Resident shall cause or permit the pumping of water out of the Lake.

4.19 Community Care Facilities. Except for residential facilities defined as community care facilities under Health & Safety Code Section 1502, serving six (6) or fewer persons, no health care facilities operating as a business or charity shall be permitted in the Development. The owner/operator of any permitted community care facility shall provide the Association with prior written notice as to the facility's operation, and shall comply with all local and state laws regarding the licensing and operation of a community care facility and, in addition, shall:

(a) Association Additional Insured. Name the Association as an additional insured on the liability insurance policy or bond carried by the owner/operator of the community care facility;

(b) Indemnify Association. Defend, indemnify and hold the Association harmless from any claim, demand, loss, liability action or cause of action arising out of the existence and operation of the community care facility;

(c) Abide by Association Rules. Abide by and comply with the Association's Rules;

(d) Accept Complete Responsibility for Supervision. Supervise and be completely responsible at all times all persons for whom community care services are provided while such persons are within the Development; and

(e) Cooperate With Association. Cooperate with the Association if the Association's insurance agent or carrier requires proof of insurance, proof of the agreement of the owner or operator of the community care facility to these provisions, or other reasonable requests

4.20 Variances. The Board shall be authorized to grant reasonable variances from the provisions of Article 4 of this Declaration upon written application from any Owner provided that the Board determines, in its sole discretion, that the specific application of the restriction to such Owner will (i) cause substantial undue hardship to the Owner, or (ii) fail to further or accomplish the common plan for the Development as contemplated by this Declaration. The Board shall have the power to limit any variance granted in scope or duration or otherwise impose such specific requirements as the Board may, in its complete discretion, see fit to require. The Board shall follow the following procedures in acting on any request for a variance:

(a) Initial Board Determination. The Board, in its sole discretion, shall make an initial determination whether or not the variance on its face meets the requirements set forth in this section. If the Board determines that it does not, the variance request shall be denied and the Board shall so notify the applicant within thirty days of the Board's decision. If the Board determines that the variance does, the procedures set forth in the remainder of this section shall be followed.

(b) Board Hearing. The Board shall conduct a hearing on the variance within forty-five days of the receipt of the written request for a variance. Notice shall be given to all Members not less than fifteen days prior to the date of the hearing. Members may submit comments in writing prior to the hearing and/or appear at the hearing. The Board shall establish a reasonable time limit for Member comments during the hearing. No decision regarding the request for variance shall be made until the conclusion of the hearing.

(c) Board Decision. After the conclusion of the hearing, the Board shall, in its sole discretion, either grant or deny the request for variance in accordance with the standards set forth in this section. As more fully discussed above, if the Board grants the variance request, the Board may impose such conditions as the Board deems appropriate and shall so notify the applicant within thirty (30) days of the Board's decision.

ARTICLE 5

ALTERATIONS TO LOTS AND RESIDENCES

5.1 Approval by Architectural Review Committee. Except for Improvements constructed or installed by Declarant, no building, fence, wall or other structure or Improvement shall be erected, altered or placed on any Lot until building plans, specifications and a plot plan showing the location of structures on the Lots have been submitted to the Architectural Review Committee for review and approval as described in Article 8, below.

5.2 Setback and Location of Structure. The minimum setbacks for the placement of any Residence or other permanent structure (whether or not attached to the Residence) shall be established by the City's Design Guidelines for the Development.

5.3 Colors and Exterior Finishes. No exterior finishes, textures or materials shall be used without approval of the Architectural Review Committee. Generally, colors shall be restricted to those found in nature. All exterior colors, textures and materials, including roof materials, must be adequately illustrated in the plans and specifications (with an indication where such colors, textures and materials will be placed on the Residence) and approved in writing by the Architectural Review Committee prior to the Architectural Review Committee's approval of building plans and the submittal to the City for building permits. Color samples shall be submitted to the Architectural Review Committee along with the plans and specifications. The Architectural Review Committee is authorized to maintain a chart of approved colors.

5.4 Exterior Lighting and Fixtures. Temporary holiday lighting and decorations may be placed on Residences and Lots in yards and on Residences. The Architectural Review Committee may establish Architectural Guidelines regarding the placement of holiday lighting and decorations, including, but not limited to, the duration of display prior to and following the celebrated holiday.

5.5 Garages. The design and configuration of garages for Residences is established by the City's Design Guidelines for the Development.

5.6 Lake Lot Fencing and Landscaping.

(a) Fencing Design. All fencing on Lake Lots located within 50 feet of the Lake shall be subject to the Lake Lot Fencing Architectural Rules as adopted by the Architectural Review Committee.

(b) Landscaping Design. The Architectural Review Committee shall establish design guidelines for the landscaping of the rear portion of Lake Lots, including, but not limited to slope and access features such as meandering walkways or stairs. Such guidelines may limit the use of retaining walls to only those Lake Lots with more than a specified difference in elevation between the Lake bulkhead and the finished pad elevation of the Lake Lot.

5.7 Drainage. No Owner shall do any work, construct any Improvement, place any landscaping or suffer the existence of any condition whatsoever which shall alter or interfere with the drainage pattern for the Owner's or any adjacent Lots or parcels or Common Area as established in connection with the approval of the final subdivision and parcel maps applicable to the Development, except to the extent such alteration in drainage pattern is approved in writing by the Architectural Review Committee, and all other public authorities having jurisdiction.

ARTICLE 6 ASSESSMENTS AND LIENS

6.1 Covenant of Owner.

(a) Owner's Assessment Obligation. Each Owner of a Lot within the Development, by acceptance of a deed or other conveyance thereof, whether or not it shall be so expressed in such deed or conveyance, shall be deemed to have covenanted and agreed to pay to the Association: (i) Regular Assessments, (ii) Special Assessments, (iii) Reimbursement Assessments, and (iv) Enforcement Assessments levied by the Association as hereinafter provided, together with all Additional Charges. Such deed or conveyance shall be deemed to vest in the Association the right and power to initiate all actions and procedures as the Board shall deem necessary or appropriate for the collection of such Assessments and Additional Charges and for the enforcement of the liens as hereinafter provided.

(b) Owner's Personal Obligation. Each Assessment levied by the Association under this article, together with all Additional Charges, shall be a separate, distinct, and personal debt and obligation of the Owner against whom it is assessed, and shall bind his or her heirs, devisees, personal representatives, successors, and assigns. Such obligation to pay Assessments and Additional Charges and the right and power of the Association to initiate all actions and procedures for collection shall run with the land, so that each successive Owner or Owners of Record of any Lot shall, in turn, become liable to pay all such Assessments and Additional Charges assessed during the time he or she is Record Owner of such Lot. After an Owner Records the transfer of any Lot he or she owns, he or she shall not be liable for any Assessments levied thereafter with respect to such Lot. Such Owner shall remain personally liable, however, for all unpaid amounts due and owing at the time of transfer, together with Additional Charges accruing until time of collection. A Contract Seller of any Lot shall continue to be liable for all Assessments and Additional Charges until a conveyance by deed of such Lot is Recorded.

6.2 Creation of Lien. Each Assessment levied by the Association pursuant to this Declaration, together with all Additional Charges, shall be a charge upon the land and shall be secured by a lien upon the property against which such Assessment is levied, notwithstanding the transfer of Record title to such Lot, and any such transfer shall be subject to the Association's lien, provided that, prior to such transfer, a Notice of Delinquent Assessment has been Recorded as provided in this Declaration and by law. The priority of all such liens on each Lot shall be in inverse order so that upon the foreclosure of the lien for any particular charge on any Lot, any sale of such Lot pursuant to foreclosure of the lien will be made subject to all liens securing the respective monthly Assessments and Additional Charges on such Lot for succeeding months.

6.3 Purpose of Assessments. The Assessments levied by the Board shall be used exclusively for (i) managing and operating the Development, (ii) conducting the business and affairs of the Association, (iii) maintaining and enhancing the property values for the Lots and Residences within the Development, (iv) implementing community events and programing and promoting the recreational interests of the Owners and Residents of the Development, (v) improving and maintaining the Common Area and, to the extent provided for in the Governing Documents or by law, the Lots situated within the Development, (vi) enforcing the Governing Documents, and/or (vii) otherwise benefitting the Owners.

6.4 Authority of the Board. The Board shall have the power and the duty to levy Regular Assessments and Special Assessments sufficient to meet the Association's obligations under the Governing Documents and applicable law.

6.5 Regular Assessment.

(a) Calculation of Estimated Requirement. Not less than thirty (30) days nor more than ninety (90) days prior to the beginning of each fiscal year, or as otherwise provided by law, the Board shall complete and distribute to all Owners an estimate of the net funds required by the Association for such fiscal year (including a reasonable amount allocated to contingencies and to a reserve fund for restoration, repair, and/or replacement of those components for which the Association is responsible and which must be repaired or replaced on a periodic basis) to manage, administer, operate, and maintain the Development; to conduct the affairs of the Association; and to perform all of the Association's duties in accordance with this Declaration. The funds required by the Association pursuant to this subsection shall be assessed among the Owners of Lots and other properties within the Development as "Regular Assessments" as further provided in this Section 6.5.

(b) Regular Assessment Components. Regular Assessments shall consist of the following components:

(i) General Budgeted Expenses. The "General Assessment Component" of the Regular Assessments shall consist of the budgeted expenses of the Association, as described in Section 6.5(a), including the Association's funding obligation to the Westshore Community Association pursuant to the Water Quality Contribution Agreement.

(ii) Cost Center Assessment Expenses. Declarant shall have the power and authority to establish additional Regular Assessment components by designating Lots and Common Area within the Development as "Cost Centers" for purposes of expense accounting and the equitable allocation of Regular Assessments. A Cost Center is likely to be designated when one of the following occurs: (A) the maintenance or use of a particular Improvement or maintenance area within the designated Cost Center is fully or partially restricted to Owners of Lots located within the area designated as a "Cost Center", or (B) when certain Owners of Lots within a designated Cost Center are receiving services from the Association that are in addition to, or significantly greater than, the services provided to other Owners. Ordinarily, a Cost Center shall be established whenever it is reasonable to anticipate that any Owner or group of Owners will derive as much as ten percent (10%) more than Owners in general in the value of a common service(s) supplied by the Association. Cost Centers shall be designated in a Supplemental Declaration Recorded with respect to a Phase that shall (i) identify the Lots comprising the Cost Center; (ii) identify the Common Area, maintenance areas or other services that will exclusively or disproportionately benefit the Owners of said Lots; and (iii) provide for the allocation of common expenses attributable to the identified Common Area, maintenance areas or services to Owners within the Cost Center as a Cost Center Assessment Component of their Regular Assessment.

(c) Allocation of Regular Assessment.

(i) General Assessment Component. The General Assessment Component of Regular Assessments shall be allocated and assessed equally among the Lots within the Development by dividing the amount by the number of Lots, so that each Lot bears an equal share of such component.

(ii) Cost Center Assessment Components. Any Cost Center Assessment Components of Regular Assessments shall be allocated and assessed among the Lots within

the designated Cost Center as established in the Supplemental Declaration which creates the Cost Center.

(d) Payment of Regular Assessments. Unless the Board shall designate otherwise, Regular Assessments shall be levied on an annual basis and shall be paid in twelve (12) equal monthly installments during the fiscal year, and each installment shall be due and payable on the first day of each month.

(e) Increases in Regular Assessment. Any meeting or election of the Association for purposes of complying with California Civil Code Section 1366 shall be conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code.

(i) General Assessment Component. Pursuant to California Civil Code Section 1366(b), except as otherwise provided by law, the Board shall not increase the General Assessment Component of Regular Assessments for any fiscal year above the amount of the General Assessment Component of Regular Assessments for the preceding fiscal year by more than twenty percent (20%), except upon the affirmative vote or written consent of a majority of Owners voting on any such increase in the Regular Assessment, provided that a quorum is established. For purposes of the preceding sentence, a quorum shall mean more than fifty percent (50%) of the Owners of the Association, notwithstanding any lower quorum requirement which may be set forth in the Bylaws.

(ii) Cost Center Assessment Components. Pursuant to California Civil Code Section 1366(b), except as otherwise provided by law, the Board shall not increase a Cost Center Assessment Component of Regular Assessments for any fiscal year above the amount of the Cost Center's Assessment Component of Regular Assessments for the preceding fiscal year by more than twenty percent (20%), except upon the affirmative vote or written consent of a majority of Owners subject to the Cost Center voting on any such increase in the Cost Center Assessment Component, provided that a quorum is established. For purposes of the preceding sentence, a quorum shall mean more than fifty percent (50%) of the Owners of the Association subject to the Cost Center, notwithstanding any lower quorum requirement which may be set forth in the Bylaws.

(f) Commencement of Regular Assessment. Regular Assessments shall commence as to each Lot within a Phase on the first day of the first month following the month in which the first conveyance occurs for the sale of a Lot within the Phase to a person other than Declarant, provided that the conveyance of a Lot containing a Residence being utilized by Declarant for sales purposes pursuant to Article 15, below, shall not constitute a conveyance for purposes of commencing Regular Assessments pursuant to this subsection. Each Lot within the Phase shall thereafter be subject to its share of the then established annual Regular Assessment. Regular Assessments shall commence against Projects as provided in the Project's Declaration of Annexation. The first annual Regular Assessment shall be pro rated, if necessary, according to the number of months remaining in the fiscal year established in the Association's Bylaws.

(g) Partial Assessment Exemption for Vacant Residential Lots. Any Lot within the Development having no structural Improvements for human occupancy shall be exempt from the payment of that portion of any Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of the Improvements within the Lot which are the maintenance responsible of the Association. The exemption shall include the expenses attributable to the Association's maintenance of the Lot's landscaping pursuant to Section 7.1(b)(ii),

below. The exemption from the payment of Assessments attributed to uncompleted front yard landscaping of a Lot shall be in effect only until the earliest of the following events: a notice of completion of the construction of the Lot's Residence has been Recorded; occupation or use of the Lot's Residence; or completion of all elements of the Lot which the Association is obligated to maintain.

(h) Partial Assessment Exemption for Uncompleted Common Area. In addition to the foregoing Regular Assessment exemption attributable to uncompleted Lots and Residences, all Owners, including Declarant, shall be exempt from the payment of that portion of any Regular Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of any Common Area Improvement that is not completed at the time Assessments commence. The Assessment exemption provided by this subparagraph shall be in effect only until the earliest of the following events: (i) a notice of completion of the Common Area has been Recorded; or (ii) the Common Area has been placed in use.

6.6 Special Assessments.

(a) Purpose of Special Assessments. If at any time during any fiscal year the Regular Assessment proves inadequate for any reason, including nonpayment of any Owner's share thereof or the unexpected repair, replacement, or reconstruction of Improvements located in the Development, or if funds are otherwise required for any authorized activity of the Association, the Board may levy a Special Assessment in the amount of such actual or estimated inadequacy or cost.

(b) Allocation of Special Assessments. Special Assessments shall be allocated and assessed among the Lots within the Development in the same manner as Regular Assessments.

(c) Approval of Special Assessments. Any meeting or election of the Association for purposes of complying with California Civil Code Section 1366 or Sections 6.6 (c)(i) or (ii) shall be conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code.

(i) General Assessment Component. Except in the case of an emergency situation as defined in California Civil Code Section 1366, in any fiscal year the Board may not levy Special Assessments for the General Assessment Component expenses which, in the aggregate, exceed five percent (5%) of the budgeted gross expenses of the General Assessment Component of the Association for that fiscal year, except upon the affirmative vote or written consent of a majority of the Members voting on any such Special Assessment, provided that a quorum is established. For purposes of the preceding sentence, a quorum shall mean more than fifty percent (50%) of the Owners of the Association, notwithstanding any lower quorum requirement which may be set forth in the Bylaws.

(ii) Cost Center Assessment Components. Except in the case of an emergency situation as defined in California Civil Code Section 1366, in any fiscal year the Board may not levy Special Assessments for a Cost Center Assessment Component expense which, in the aggregate, exceed five percent (5%) of the budgeted gross expenses of the Cost Center Assessment Component of the Association for that fiscal year, except upon the affirmative vote or written consent of a majority of the Members subject to such Cost Center, voting on any such Special Assessment, provided that a quorum is established. For purposes of the preceding sentence, a quorum shall mean more than fifty percent (50%) of the Owners of the Association subject to the Cost Center, notwithstanding any lower quorum requirement which may be set forth in the Bylaws.

6.7 Reimbursement Assessments. The Association shall levy a Reimbursement Assessment against any Owner if such Owner, or any person or pet for whom the Owner is responsible, (i) fails to comply with any provision of the Governing Documents has necessitated or resulted in an expenditure of funds by the Association to deal with such lack of compliance or to bring such Owner or his Lot into compliance, or (ii) causes the Association to expended funds performing repairs pursuant to Section 7.4 or 7.6 of this Declaration or for any other reasons specifically authorized by the provisions of this Declaration. A Reimbursement Assessment shall include any costs, including attorneys' fees, incurred by the Association, including costs of collecting from an Owner any amount which the Owner is obligated to pay to the Association. A Reimbursement Assessment shall be due and payable to the Association when levied.

6.8 Enforcement Assessments. The Board may levy an Enforcement Assessment (and any fine imposed by the Board in accordance with the provisions of the Governing Documents shall be deemed to be such an Enforcement Assessment), for violation of any of the provisions of the Governing Documents. Any Enforcement Assessment shall be due and payable to the Association when levied.

6.9 Failure to Fix Assessments. The failure or omission by the Board to fix or levy any Regular Assessment provided for by the terms of this Declaration before the expiration of any fiscal year, for that fiscal year or the next fiscal year, shall not be deemed either a waiver or a modification in any respect of the provisions of this Declaration, or a release of any Owner from the obligation to pay Assessments or any installment thereof for that or any subsequent year, but the amount of the Regular Assessment fixed for the preceding fiscal year shall be the amount of the Regular Assessment for the ensuing fiscal year until a new Regular Assessment is levied.

6.10 No Offsets. All Assessments levied by the Board shall be payable in the full amount specified, including any Additional Charges imposed as provided by the terms of this Declaration, and except as expressly permitted by Section 6.5(g), above, no offsets against any such amounts shall be permitted for any reason whatsoever, including without limitation a claim that the Association has failed to properly exercise its duties of maintenance or enforcement.

6.11 Delinquent Assessments. Any installment or other portion of an Assessment not paid within fifteen (15) days after its due date shall be delinquent and shall be subject to interest and late charges not to exceed the maximum rate permitted by law, as well as all other Additional Charges. The Association may Record a lien against an Owner's Lot for delinquent Assessments and all Additional Charges as provided in Section 6.12, below, and in accordance with the Davis-Stirling Common Interest Development Act, California Civil Code Section 1350 et seq.

6.12 Assessment Liens.

(a) Notice of Collection and Lien Enforcement Procedure. At least 30 days prior to Recording a lien upon an Owner's Lot to collect an Assessment debt that is past due under this Article 6, the Association shall notify the Owner in writing by certified mail of the following:

(i) A general description of the Association's collection and lien enforcement procedures and the method of calculation of the amount, a statement that the Owner has the right to inspect the Association records, pursuant to Corporations Code Section 8333, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed:

"IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."

(ii) An itemized statement of the Assessments and Additional Charges owed by the Owner, including items on the statement which indicate the amount of any delinquent Assessments, the fees and reasonable costs of collection, reasonable attorney's fees, any late charges, and interest, if any.

(iii) A statement that the Owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the Assessment was paid on time to the Association.

(iv) The right to request a meeting with the Board by submitting a written request to meet with the Board to discuss a payment plan for the Assessment and Additional Charges debt noticed pursuant to Section 6.12(a)(ii).

(v) The right of the Owner to dispute the Assessment and Additional Charges debt by submitting a written request for dispute resolution to the Association pursuant to the Association's "meet and confer" program.

(vi) The right of the Owner to request alternative dispute resolution with a neutral third party before the Association may initiate foreclosure against the Owner's Lot, except that binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure.

(b) Payments Made by Owner. Any payments made by the Owner toward the debt set forth shall first be applied to the Assessments owed, and, only after the Assessments owed are paid in full shall the payments be applied to the Additional Charges. When an Owner makes a payment, the Owner may request a receipt and the Association shall provide it. The receipt shall indicate the date of payment and the person who received it. The Association shall provide a mailing address for overnight payment of Assessments.

(c) Meet and Confer Program. Prior to Recording a lien for delinquent Assessments, the Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution pursuant to the Association's "meet and confer" program or alternative dispute resolution with a neutral third party. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the Owner, except that binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure.

(d) Decision to Record a Lien. The decision to Record a lien for delinquent Assessments, which is otherwise permitted by this Section 6.12, shall be made only by the Board of Directors of the Association and may not be delegated to an agent of the Association. The Board shall approve the decision by a majority vote of the Board Members in an open meeting. The Board shall record the vote in the minutes of that meeting.

(e) Payment Plan. An Owner may submit a written request to meet with the Board to discuss a payment plan for the debt noticed. The Association shall provide the Owners the standards for payment plans, if any exist. The Board shall meet with the Owner in executive session within 45 days of the postmark of the request, if the request is mailed within 15 days of the date of the postmark of the notice, unless there is no regularly scheduled Board Meeting within that period, in which case the Board may designate a committee of one or more Members to meet with the Owner. Payment plans may incorporate any Assessments that accrue during the payment plan period. Payment plans shall not impede an Association's ability to record a lien on the Owner's Lot to secure payment of delinquent Assessments. Additional late fees shall not accrue during the payment plan

period if the Owner is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Association may resume its efforts to collect the delinquent Assessments from the time prior to entering into the payment plan.

(f) Recordation of the Notice of Delinquent Assessment. The amount of the Assessment, plus any Additional Charges shall be a lien on the Owner's Lot from and after the time the Association causes to be Recorded, a Notice of Delinquent Assessment, which shall state the amount of the Assessment and Additional Charges imposed, a legal description of the Lot against which the Assessment and Additional Charges are levied, and the name of the Record Owner of the Lot against which the lien is imposed. The itemized statement of the charges owed by the Owner shall be Recorded together with the Notice of Delinquent Assessment.

(i) The Notice of Delinquent Assessment shall state the name and address of the trustee authorized by the Association to enforce the lien by sale.

(ii) The Notice of Delinquent Assessment shall be signed by the President of the Association.

(iii) A copy of the Recorded Notice of Delinquent Assessment shall be mailed by certified mail to every person whose name is shown as an Owner of the Lot in the Association's records, and the notice shall be mailed no later than 10 calendar days after Recordation.

(iv) Within 21 days of the payment of the sums specified in the Notice of Delinquent Assessment, the Association shall Record or cause to be Recorded a lien release or notice of rescission and provide the Owner of the Lot a copy of the lien release or notice that the delinquent Assessment has been satisfied.

(g) Assessment Liens for Repair of Common Areas. A Reimbursement Assessment imposed by the Association as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Areas and facilities for which the Member or the Member's guests or tenants were responsible may not be characterized nor treated as an Assessment that may become a lien against the Member's Lot enforceable by the sale of the interest pursuant to Section 6.13, below.

(h) Enforcement Assessments and Penalties. An Enforcement Assessment or monetary penalty imposed by the Association as a disciplinary measure for failure of a Member to comply with the Governing Documents, except for late payments of Assessments, may not be characterized nor treated as an Assessment that may become a lien against the Member's Lot enforceable by the sale of the interest pursuant to Section 6.13, below.

(i) Assignment of the Association's Lien Right. The Association may not voluntarily assign or pledge the Association's right to collect payments or Assessments, or to enforce or foreclose a lien to a third party, except when the assignment or pledge is made to a financial institution or lender chartered or licensed under Federal or State law, when acting within the scope of that charter or license, as security for a loan obtained by the Association; however, the foregoing provision may not restrict the right or ability of the Association to assign any unpaid obligations of a former Member to a third party for purposes of collection. After the expiration of 30 days following the Recording of a lien, the lien 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. Any sale by the trustee shall be conducted in accordance with California Civil

Code Sections 2924, 2924b, and 2924c applicable to the exercise of powers of sale in mortgages and deeds of trust. The fees of a trustee may not exceed the amounts prescribed in California Civil Code Sections 2924c and 2924d, plus the cost of service for either of the following:

(i) The notice of default pursuant to California Civil Code Section 1367.1(j).

(ii) The decision of the Board to foreclose upon an Owner's Lot as described in California Civil Code Section 1367.4(d)(4).

(j) Actions Against Owners. Nothing in this section or in California Code of Civil Procedure Section 726(a) prohibits actions against the Owner of a Lot to recover sums for which a lien is created pursuant to this section or prohibits the Association from taking a deed in lieu of foreclosure.

(k) Lien Recorded in Error. If it is determined that a lien previously Recorded against a Lot was Recorded in error, the Association shall, within 21 calendar days, Record or cause to be Recorded a lien release or notice of rescission and provide the Owner of the Lot with a declaration that the lien filing or Recording was in error and a copy of the lien release or notice of rescission.

(l) Notice of Default. A notice of default shall be served by the Association on the Owner's legal representative, in accordance with the manner of service of summons pursuant to California Code of Civil Procedure Section 415.10 et seq. The Owner's legal representative shall be the person whose name is shown as the Owner of a Lot in the Association's records, unless the Owner in writing, delivered to the Association in a manner that indicates that the Association receives it, designates another person as his or her legal representative.

(m) Secondary Address. Upon receipt of a written request by an Owner identifying a secondary address for purposes of collection notices, the Association shall send additional copies of any notices required by this section to the secondary address provided. The Association shall notify Owners of their right to submit secondary addresses to the Association, at the time the Association issues the pro forma operating budget pursuant to California Civil Code Section 1365. The Owner's request shall be in writing and shall be mailed to the Association in a manner that shall indicate the Association has received it. The Owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, the Association shall only be required to send notices to the indicated secondary address from the point the Association receives the request.

(n) Failure to Comply with Procedures. If the Association fails to comply with the procedures set forth in this section, the Association shall, prior to Recording a lien, recommence the required notice process. Any costs associated with recommencing the notice process shall be borne by the Association and not by the Owner of the Lot.

(o) Collection of Delinquent Assessments. If Association seeks to collect delinquent Regular Assessments or Special Assessments of an amount less than One Thousand Eight Hundred Dollars (\$1,800), not including any accelerated assessments, and Additional Charges, the Association shall not collect that debt through judicial or nonjudicial foreclosure, but may attempt to collect or secure that debt in any of the following ways:

(i) By a civil action in small claims court.

(ii) By Recording a lien on the Owner's Lot which the Association may not foreclose until the amount of the delinquent assessments secured by the lien, exclusive of any accelerated assessments, and Additional Charges, equals or exceeds One Thousand Eight Hundred Dollars (\$1,800) or the Assessments secured by the lien are more than 12 months delinquent. If the Board of Directors elects to Record a lien under these provisions, prior to Recording the lien, the Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution as set forth in California Civil Code Section 1363.810.

(iii) Any other manner provided by law, except for judicial or nonjudicial foreclosure.

6.13 Foreclosure of Association Assessment Liens.

(a) Lien Foreclosure Conditions. Except for Assessments owed to the Association by Declarant, if the Association seeks to collect delinquent Regular Assessments or Special Assessments of an amount of One Thousand Eight Hundred Dollars (\$1,800) or more, not including any accelerated assessments, or Additional Charges, or any Assessments secured by the lien that are more than 12 months delinquent, the Association may use judicial or non-judicial foreclosure subject to the following conditions:

(i) Meet and Confer Program. Prior to initiating a foreclosure on an Owner's Lot, the Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution pursuant to the Association's "meet and confer" program. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the Owner, except that binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure.

(ii) Decision to Foreclose. The decision to initiate foreclosure of a lien for delinquent Assessments that has been validly Recorded shall be made only by the Board of Directors of the Association and may not be delegated to an agent of the Association. The Board shall approve the decision by a majority vote of the Board Members in an executive session. The Board shall record the vote in the minutes of the next meeting of the Board open to all Members. The Board shall maintain the confidentiality of the Owner or Owners of the Lot by identifying the matter in the minutes by the Owner's Lot number as shown on the Subdivision Map, rather than the name of the Owner or Owners. A Board vote to approve foreclosure of a lien shall take place at least 30 days prior to any public sale.

(iii) Notice. The Board shall provide notice by personal service in accordance with the manner of service of summons pursuant to California Code of Civil Procedure Section 415.10 et seq., to an Owner of a Lot who is a Resident of the Lot or to the Owner's legal representative, if the Board votes to foreclose upon the Lot. The Board shall provide written notice to an Owner of a Lot who is not a Resident of the Lot by first-class mail, postage prepaid, at the most current address shown on the books of the Association. In the absence of written notification by the Owner to the Association, the address of the Lot may be treated as the Owner's mailing address.

(iv) Right of Redemption. A nonjudicial foreclosure by the Association to collect upon a debt for delinquent Assessments shall be subject to a right of redemption. The redemption period within which the Lot may be redeemed from a foreclosure sale under this paragraph ends 90 days after the sale. In addition to the requirements of California Civil

Code Section 2924f, a notice of sale in connection with the Association's foreclosure of a Lot shall include a statement that the Lot is being sold subject to the right of redemption created by California Civil Code Section 1367.4(c)(4).

(b) Declarant Exception. The limitation on foreclosure of Assessment liens for amounts under the stated minimum in this section does not apply to Assessments owed by Declarant.

(c) Recordation of Lien in Error. If it is determined through dispute resolution pursuant to the Association's "meet and confer" program or alternative dispute resolution with a neutral third party that the Association has Recorded a lien for a delinquent Assessment in error, the Association shall promptly reverse all Additional Charges, costs imposed for the notice, and costs of Recordation and release of the lien and pay all costs related to the dispute resolution or alternative dispute resolution.

(d) Small Claims Court. The Association may appear and participate in a small claims action through an agent, a management company representative, or bookkeeper who appears on behalf of the Association.

6.14 Priority. Except as otherwise expressly provided by law, the lien securing each of the Assessments provided for under this article shall have priority as of the date of Recording of the original Declaration applicable to the Development over all other liens and encumbrances applicable to the Lots; provided, however, that such Assessment lien shall be subordinate to the lien of any First Mortgage Recorded against the Lot; and provided, further, that such subordination shall apply only to the Assessments which have become due and payable prior to the sale of such property pursuant to a decree of foreclosure of any such First Mortgage, or pursuant to a power of sale contained in any such First Mortgage. Such foreclosure sale shall not relieve such property from liability for any Assessments and Additional Charges thereafter becoming due, nor from the lien of any subsequent Assessment.

6.15 Association Funds. All Association accounts shall be maintained in one or more banks or other depositories selected by the Board, which accounts shall be clearly designated as belonging to the Association. The Assessments collected by the Association shall be properly deposited into such accounts. The Assessments collected by the Association shall be used for the purposes set forth in Section 6.3, above.

6.16 Waiver of Exemptions. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this article, the benefit of any homestead or exemption laws of the State of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed pursuant to the terms of this article.

ARTICLE 7 MAINTENANCE OF PROPERTY

7.1 Association Responsibilities. The Association shall have the following maintenance responsibilities:

(a) Common Area. The Association shall maintain all Common Area in good condition and repair. Maintenance of the Common Area shall include, without limitation, the repair and replacement of all vegetation, masonry structures and walls, irrigation fixtures and equipment, sidewalks, lighting and other materials and facilities within the Common Area. The Association shall utilize an automatic irrigation system for all Common Area landscaping.

(b) Association Maintenance Area. The Association shall maintain, repair and replace all Association Maintenance Areas, keeping such property in good condition and repair.

(c) Front Yard Landscaping Located on Individual Lots. The Association shall be solely responsible for all maintenance, repair, upkeep and replacement of the landscaping and irrigation system (but not the water supply) located within the front, side, and/or rear yard not enclosed by a fence of each Lot. The Association's landscape maintenance pursuant to this section shall include repairing sprinklers and periodically inspecting the irrigation system to ensure proper water use and to correct any leaks or excessive watering.

(d) Other Association Property. The Association shall maintain, repair and replace all other real and personal property that may be acquired by the Association, keeping such property in good condition and repair.

(e) Maintenance Manual. The Association shall comply with provisions of any Common Area maintenance manual, if one is provided by Declarant to the Association. The Board may, from time to time, make appropriate revisions to any maintenance manual based on the Board's review thereof, to update such manual to provide for maintenance according to current industry practices so long as such changes do not reduce the useful life or functionality of the items being maintained.

(f) Association Property Reviews.

(i) Common Area Reviews. At least annually, the Association shall inspect, maintain and repair the landscaping, irrigation, and drainage systems serving or within and any Improvements constructed upon the Common Area. The Association shall employ the services of a professional landscape architect, maintenance contractor, reserve study analyst, or other such professional person to assist the Association in performing such inspections. The inspector shall provide written reports of their inspections to the Association and, if requested by the Declarant, to the Declarant promptly following completion thereof. If requested by Declarant, Declarant shall be invited to attend any such inspections. The written reports shall identify any items of maintenance or repair which either require current action by the Association or will need further review and analysis. Such written reports shall specifically include a review of all irrigation and drainage systems within the Common Area. The Board shall report the contents of such written reports to Declarant (if not already provided by the inspector directly) if so requested by Declarant and to the Members of the Association at the next meeting of the Members following receipt of such written reports or as soon thereafter as reasonably practicable and shall include such written reports in the minutes of the next regularly scheduled Board of Directors meeting. The Board shall promptly cause all matters identified as requiring attention to be maintained, repaired, or otherwise pursued in accordance with prudent business practices and the recommendations of the inspectors and shall keep a record of all such matters in the Board's minutes.

(ii) Lot Access. As part of the review and management of the Common Area, should an Association representative require access over any Lot, there is hereby created a nonexclusive easement in favor of the Association, and its officers, agents, employees and independent contractors, in accordance with Sections 7.6 and 9.4, below, to conduct such reviews and to provide such maintenance, repair and replacement. Any damage to any structure, landscaping or other Improvements caused by the Association, or any of its representatives, while performing such maintenance, repair or replacement work shall be repaired by the Association at its sole cost and expense.

(g) Compliance with Warranties. The Association shall have the duty to execute all necessary documents to effectuate any warranties offered by Declarant as to the Common Area. In addition, in the event of a claim asserted under a warranty involving the Common Area, the Association shall comply with any and all requirements set forth in the warranty including but not limited to providing written notice of any claim to the administrator of the warranty and reasonable access to the Common Area for warranty service and shall maintain a copy of all warranties in the records of the Association.

(h) Allocation of Association Maintenance Expenses. As more particularly provided in the applicable Supplemental Declaration, certain portions of the Common Area may be designated as a Cost Center, with the financial obligation for the Association's maintenance of such Common Area limited to those Owners subject to the Cost Center.

7.2 Owners' Responsibilities. Each Owner shall be solely and exclusively responsible for the maintenance, repair and replacement of his or her Lot and all Improvements thereon, and shall keep the same in good and attractive condition and repair. Each Owner's obligations shall include, without limitation, the following:

(a) Residence and Other Improvements. Each Owner shall maintain, in good and attractive condition and repair, the Residence and other buildings and Improvements located on his or her Lot and any appurtenant sideyard easements. The garage door for the garage of the Residence shall be maintained in good condition, appearance and repair.

(b) Landscaping. Each Owner shall maintain the landscaping on his or her Lot which is not maintained by the Association pursuant to Section 7.1(c), above, in a neat and attractive condition. Each Owner shall utilize a seven-day automatic irrigation system for the landscaping on his or her Lot. Each Owner shall complete the installation of backyard landscaping on his or her Lot within one (1) year of occupancy of the Lot's Residence. Owners are responsible for providing lateral slope and grade support for all adjacent Lots and Common Area and shall not alter a Lot's topography in a manner which erodes any slopes or the integrity of any fences or retaining walls. In order to protect the water quality of the Lake, only liquid fertilizers may be used on yards or landscaping within a Lot.

(c) Owner Maintenance of Fences and Party Walls. Each Owner shall maintain, repair and replace all fences and party walls in accordance with the following provisions:

(i) General Rules of Law to Apply. Each fence and wall placed on the dividing Lot line between two (2) Lots shall constitute a party wall. The general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(ii) Sharing of Repair and Maintenance. The cost of maintenance and repair of a fence or party wall shall be equally shared by the Owners who make use of the fence or wall 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. The responsibility and cost of maintenance and repair of a fence placed on the Lot line abutting Common Area shall be shared equally by the Association and the Lot Owner, with the Association being solely responsible for the maintenance of the exterior surface of that portion of the fence or party wall facing the Common Area.

(iii) Weatherproofing. Notwithstanding any other provision of this section, an Owner who by his or her negligent or willful act causes a party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(d) Common Area Lighting. Owners shall be responsible for the electricity, maintenance, repair and replacement of all lighting fixtures located on individual Lots or attached to Residences. If an Owner fails to promptly repair or replace a non-functioning lighting fixture, the Association cause such work to be done and charge the cost thereof to the Owner as a Reimbursement Assessment.

(e) Utility Connections. Utility lines and connections, including without limitation, water, sewer, electrical, cable television, telecommunications, telephone and gas lines, which are located on, under, or over any Lot and which provide service to the Residence or other Improvements located upon such Lot, shall be maintained, repaired and replaced by the Owner of such Lot or by the utility company providing such service.

(f) Owner's Responsibility for Consequential Damage. An Owner is responsible for the cost of repair of those portions of the Owner's Lot and Residence, including fixtures and personal property, which are required to be maintained by the Owner, even if the cause of the damage originates from a source maintained by the Association, unless the cause is the gross negligence of the Association or its agents. As an example, water damage to a Residence that is caused by an Association maintained irrigation system is the responsibility of the Owner even though the repair of the irrigation system is the responsibility of the Association.

7.3 Compliance With Architectural Provisions. An Owner's right and responsibility for maintaining, repairing or replacing any portions of his or her Lot, including landscaping, shall be subject to any applicable provisions of the Governing Documents relating to landscaping and architectural control, including Article 8.

7.4 Owner Failure to Maintain. The Board shall have the absolute discretion to determine whether any maintenance, repair, or replacement which is the responsibility of an Owner is necessary to preserve the appearance and value of the property comprising the Development, or any portion thereof, and may notify an Owner of the work the Board deems necessary. Subject to the authority of the Board to authorize immediate emergency repairs as specified in Section 7.6, in the event an Owner fails to perform such work within thirty days after notification by the Board to the Owner, the Board may, after written notice to the Owner and the right of a hearing before the Board, cause such work to be done and charge the cost thereof to the Owner as a Reimbursement Assessment.

7.5 Owner Liability. In the event the need for any maintenance, repair, or replacement by the Association is caused by the willful or negligent act or omission of an Owner, members of any Owner's household, or an Owner's tenants, Contract Purchaser, guests, invitees, or household pets, the cost of such maintenance, repair, or replacement, including the cost of materials, labor, supplies, and services shall be charged to, and paid by, such Owner in the form of a Reimbursement Assessment.

7.6 Authority for Entry of Lot. The Association or its agents may enter any Lot, whenever such entry is necessary, in the Board's sole discretion, in connection with the performance of any maintenance, repair, construction, or replacement for which the Association is responsible or which it is authorized to perform, including without limitation the authorization provided in Section 9.4. Although under no obligation to do so, the Board, in its complete and sole discretion, may enter or may authorize the Association's agents to enter any Lot to effect emergency repairs where such repairs are necessary for safety

reasons or to prevent or discontinue damage to the entered Lot, any other Lot or the Common Area. The cost of performing any such emergency repairs shall be charged to the Owner as a Reimbursement Assessment. Such entry shall be made with as little inconvenience to the Residents as practicable and only upon reasonable advance written notice of not less than twenty-four (24) hours, except in emergency situations.

7.7 Cooperative Maintenance Obligations. To the extent necessary or desirable to accomplish the Association's maintenance and repair obligations hereunder, individual Owners shall cooperate with the Association and its agents and maintenance personnel.

7.8 Association Liability. The Association shall not be responsible or liable for any maintenance, repair, or replacement of a Lot or any Improvement thereon, except to the extent that the need for such maintenance, repair, or replacement results from the negligence or fault of the Association, its employees, contractors, or agents.

ARTICLE 8 ARCHITECTURAL CONTROL

8.1 Architectural Control Committee.

(a) Purpose of Architectural Regulation Authority. It is intended that the Development be initially developed by Declarant with various Improvements that are architecturally compatible and aesthetically pleasing, and that those initial Improvements be maintained in essentially the same condition and appearance as originally developed for the duration of the term of this Declaration. The architectural and use controls set forth herein are to facilitate those intentions and purposes and are to be construed consistent therewith. Subject to the criteria described in Section 8.8, below, the Architectural Review Committee shall review all proposed Improvements and changes to existing Improvements regarding (i) design, (ii) harmony of external design in relation to the nature and character of the Development and the Improvements thereon, and (iii) location in relation to surrounding structures, topography, finished grade elevation.

(b) Submission of Plans and Specifications. Except as provided in Section 8.1(c), the construction, installation, placement or alteration of Improvements visible from the exterior of a Residence shall be subject to this Article 8.

(i) Residences and Structures. No Improvements including without limitation Residences, buildings, fences, walls, obstructions, balconies, screens, patio covers, awnings, or other structures of any kind, shall be commenced, located, erected, painted, or maintained within the Development, nor shall any exterior addition to or change or alteration therein be made, until the plans and specifications showing the nature, kind, shape, color, height, size, materials, and location of the same shall have been submitted to and approved in writing by the Architectural Review Committee in accordance with this Article 8.

(ii) Backyard Improvements. All Improvements and proposed landscaping within an enclosed sideyard or within the backyard of a Lot which is or may become visible above the fence line or from the Common Area, and all Improvements located within a Lot which generate noise, including but not limited to spas and pool pumping equipment, shall be subject to the approval of the Architectural Review Committee in accordance with this Article 8.

(c) Exemption of Declarant from Committee Approval Requirements. Declarant shall not be subject to the provisions of this Article 8 and shall not be required to seek the approval of the Architectural Review Committee with respect to any of its activities within the Development.

8.2 Establishment of Architectural Review Committee.

(a) Composition of the Committee, Generally. The Architectural Review Committee shall consist of three (3) members. The composition of the Architectural Review Committee will evolve during the development of the Development, as follows:

(i) Initial Declarant Appointments. Declarant may appoint all of the members of the Architectural Review Committee and all replacements until the first anniversary of the conveyance of the first Lot to an Owner pursuant to a California Department of Real Estate final public report.

(ii) Initial Board Appointment. Beginning with the first anniversary of the conveyance of the first Lot to an Owner pursuant to a California Department of Real Estate final public report, Declarant may appoint a majority of the members of the Architectural Review Committee. The remaining member of the Architectural Review Committee shall be appointed by members of the Association Board other than Declarant or Declarant's representative.

(iii) Full Board Appointment. At the earlier to occur of: (A) when ninety percent (90%) of the Lots proposed for the Overall Development have been conveyed to Class A Members; or (B) on the fifth (5th) anniversary date following the most recent conveyance to a Class A Member of the first Lot within a Phase under the authority of a California Department of Real Estate final public report, the Architectural Review Committee shall become a committee of the Association and all members of the Committee shall be appointed by the Board of Directors.

(b) Board as Committee. If at any time there shall not be a duly-constituted Architectural Review Committee, the Board shall exercise the functions of the Architectural Review Committee in accordance with the terms of this article.

8.3 Duties. It shall be the duty of the Architectural Review Committee to consider and act upon proposals or plans submitted to it, to perform other duties delegated to it by the Board, and to carry out all other duties imposed upon it by this Declaration. All decisions regarding proposed Improvements shall be made in good faith and shall not be unreasonable, arbitrary, or capricious.

8.4 Meetings. The Architectural Review Committee shall meet as necessary to properly perform its duties hereunder. Every act done or decision made by a majority of the members of the Architectural Review Committee shall be the act or decision of the Architectural Review Committee. The Architectural Review Committee shall keep and maintain a record of all actions taken by it at such meetings or otherwise. The Architectural Review Committee and its members shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred by them in the performance of any Architectural Review Committee function.

8.5 Architectural Rules. The Architectural Review Committee may, from time to time, and subject to the Board's review and approval procedures for the adoption of Rules, adopt, amend, and repeal rules and regulations to be known as Architectural Rules. The Architectural Rules shall interpret and implement the provisions of this article by setting forth the standards and procedures for Architectural Review Committee review and guidelines for architectural design, placement of Residences and other structures, color schemes, exterior finishes and materials, and similar features which are recommended for use in the Development; provided, however, that the Architectural Rules shall not be in derogation of the minimum standards required by this Declaration. The Architectural Rules may also impose limits on the

days and hours of construction and impose any other restrictions and regulations which the Board deems appropriate to limit the impact of construction activities on the Residents.

8.6 Application. Any Owner proposing to perform any work of any kind whatever, which requires prior approval pursuant to this article, shall apply for approval by notifying the Association, in writing, of the nature of the proposed work and furnishing such information and documentation as the Architectural Review Committee or Board may require, including without limitation samples of proposed paints in such sizes and formats as the Committee or the Board may deem appropriate. In accordance with Section 10.4(c), and in addition to any other remedies the Association may have, the Board may impose a fine against any Owner who fails to submit an application, and obtain the required approval thereof, prior to proceeding with any Improvement for which approval is required pursuant to this article. Any Owner who paints his or her Residence or any other Improvement without first submitting an application and obtaining the approval required by this article may be required, in the Board's discretion, to repaint the Residence or Improvement.

8.7 Fees. The Architectural Review Committee shall establish a schedule of review fees based on the complexity of an Owner's proposed architectural or landscaping applications, drawings, plans, and specifications which may include the cost of retaining outside consultants including but not limited to architects, engineers, soils experts, or contractors. In addition to review fees, the Architectural Review Committee may require an Owner to post a deposit for major or even minor Improvements when submitting plans to the Committee to ensure compliance with the Architectural Rules and this Declaration. The Committee shall establish a schedule or formula for determining a different amount of the deposit, and may require a separate deposit for proposed landscaping improvements. Owners acknowledge that all or a portion of any deposit may be forfeited to the Architectural Review Committee if the Owner fails to properly and timely complete works of Improvement in accordance with approved plans and specifications or if an Owner or an Owner's agents cause damage to the Common Area. Prior to any deposit forfeiture, the Architectural Review Committee shall provide the Owner with notice and an opportunity to be heard, in accordance with California Civil Code Section 1363(h).

8.8 Grant of Approval. The Architectural Review Committee shall grant the requested approval only if:

(a) Application. The Owner has complied with the application submission procedures established by this Declaration and any applicable Architectural Rules;

(b) Plans and Specification. The Architectural Review Committee finds that the plans and specifications conform to both (i) this Declaration, and (ii) the Architectural Rules in effect at the time such plans were submitted to the Committee, unless a variance is granted from such Architectural Rules pursuant to Section 8.18; and

(c) Aesthetics and Workmanship. The Architectural Review Committee determines that the proposed Improvements would be consistent with the standards of the Development and the purposes of this Declaration as to workmanship, design and materials, as to harmony of exterior design with the existing structures, and as to location with respect to topography and finished grade elevations.

(d) Compliance With Law. The decision regarding the requested approval of the proposed Improvement does not violate any governing provision of law, including but not limited to, the Fair Employment and Housing Act (Part 2.8 (commencing with Section 12900 of Division 3 of Title 2 of the Government Code), or a building code or other applicable law governing land use or public safety.

8.9 Form of Approval. All approvals and denials of requests for approval shall be in writing and no verbal approval of a request for approval is permitted by any member of the Architectural Review Committee or the Association. The Architectural Review Committee may approve a request for approval subject to the Owner's consent to any modifications made by the Architectural Review Committee. If the Owner does not consent to the modifications, the request for approval shall be deemed denied in its entirety.

8.10 Time for Architectural Review Committee Action. Any request for approval which has not been acted upon by the Architectural Review Committee within forty-five days from the date of receipt thereof by the Architectural Review Committee shall be deemed approved. The Owner requesting approval shall have the burden of establishing the date of receipt of the request for approval by the Architectural Review Committee by evidence in the form of either a copy of such request for approval date-stamped by the Association or by a return receipt provided by the U. S. Postal service acknowledging that such request for approval was delivered to the Association.

8.11 Appeal of Denial to Board of Directors. In accordance with California Civil Code Section 1378(a)(5), unless the Architectural Review Committee is comprised of the members of the Board of Directors, who make their decision at a Board meeting, if an Owner's Improvement application is disapproved by the Architectural Review Committee, the applicant shall be entitled to request reconsideration by the Association's Board of Directors. The Board shall consider the reconsideration request at a meeting held in accordance with California Civil Code Section 1363.05.

8.12 Commencement. Upon receipt of approval pursuant to this article, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement and completion of all installation, construction, reconstruction, refinishing, alterations, and excavations pursuant to such approval, commencement to occur, in all cases, within ninety days from the effective date of such approval or upon such later date as the Board may in its discretion designate. If the Owner shall fail to comply with this paragraph, any approval previously given shall be deemed revoked unless the Board, upon written request of the Owner made prior to the expiration of the time for commencement, extends the time for such commencement. No such extension shall be granted except upon a finding by the Board that there has been no change in the circumstances upon which the original approval was granted.

8.13 Completion. The Owner shall, in any event, complete the installation, construction, reconstruction, refinishing, or alteration of any Improvement, within one year after commencing construction thereof, except and for as long as such completion is rendered impossible or would result in great hardship to the Owner due to strikes, fires, national emergencies, natural calamities, or other supervening forces beyond the control of the Owner or his agents. If an Owner fails to comply with this section, the Board shall proceed as though the failure to complete the Improvements was a non-compliance with approved plans.

8.14 Inspection. Inspection of work and correction of defects therein shall proceed as follows:

(a) Owner's Notice of Completion. Upon the completion of any installation, construction, reconstruction, alteration, or refinishing of the exterior of any Improvements, or upon the completion of any other work for which approved plans are required under this article, the Owner shall give written notice thereof to the Architectural Review Committee.

(b) Committee Inspection. Within sixty days after the receipt of such written notice, the Architectural Review Committee, or its duly authorized representative, may inspect such Improvement to determine whether it was installed, constructed, reconstructed, altered, or refinished to substantial compliance with the approved plans. If the Architectural Review Committee finds that such installation, construction, reconstruction, alteration, or refinishing was not done in substantial

compliance with the approved plans, it shall notify the Owner in writing of such non-compliance within such sixty day period, specifying particulars of non-compliance and shall require the Owner to remedy such non-compliance.

(c) Hearing Regarding Non-compliance. If the Owner shall have failed to remedy such non-compliance upon the expiration of thirty days from the date of such notification, the Architectural Review Committee shall notify the Board in writing of such failure. The Board shall then set a date on which a hearing before the Board shall be held regarding the alleged non-compliance. The hearing date shall be not more than thirty nor less than fifteen days after notice of the non-compliance is given to the Board by the Architectural Review Committee. Notice of the hearing date shall be given at least ten days in advance thereof by the Board to the Owner, to the Architectural Review Committee and, in the discretion of the Board, to any other interested party.

(d) Determination of Non-compliance. At the hearing the Owner, the Architectural Review Committee and, in the Board's discretion, any other interested person, may present information relevant to the question of the alleged non-compliance. After considering all such information, the Board shall determine whether there is a non-compliance, and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a non-compliance exists, the Board shall require the Owner to remedy or remove the same within a period of not more than forty-five days from the date of the Board's ruling. If the Owner does not comply with the Board's ruling within such period or within any extension of such period as the Board, in its discretion, may grant, the Board, at its option, may either remove the non-complying Improvement or remedy the non-compliance and all expenses incurred in connection therewith shall be assessed against the Owner as a Reimbursement Assessment.

(e) Failure to Notify Owner of Non-Compliance. If, for any reason, the Architectural Review Committee fails to notify the Owner of any non-compliance within sixty days after receipt of a notice of completion from the Owner, the Improvement shall be deemed to be in accordance with the approved plans. The Owner shall have the burden of establishing the date of receipt of the notice of completion by the Architectural Review Committee by evidence in the form of either a copy of such notice date-stamped by the Association's office or by a return receipt provided by the U. S. Postal service acknowledging that such notice was delivered to the Association.

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

8.16 Estoppel Certificate. Within thirty days after written demand is delivered to the Association by any Owner, and upon payment to the Association of a reasonable fee (as fixed from time to time by the Board), the Board shall issue an estoppel certificate, certifying (with respect to any Lot of such Owner) that as of the date thereof, either: (i) all Improvements made and other work completed by such Owner comply with this Declaration, or (ii) such Improvements or work do not so comply, in which event the certificate shall also identify the non-complying Improvements or work and set forth with particularity the basis of such non-compliance. Any purchaser from the Owner, or from anyone deriving any interest in a Lot through him, shall be entitled to rely on such certificate with respect to the matters therein set forth, such matters being conclusive as between the Association and all Owners and such persons deriving any interest through them.

8.17 Liability. Neither Declarant, the Association, Board, the Architectural Review Committee nor any member or representative thereof shall be liable to the Association or to any Owner for any damage,

loss, or prejudice suffered or claimed on account of: (i) the approval or disapproval of any plans, drawings, and specifications, whether or not defective; (ii) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; (iii) the development of any portion of the Development; or (iv) the execution and filing of an estoppel certificate pursuant to Section 8.16, whether or not the facts therein are correct; provided, however, that the Architectural Review Committee, the Board or any member or representative thereof has acted in good faith on the basis of such information as may be possessed by it or him. Without in any way limiting the generality of the foregoing, the Architectural Review Committee, the Board or any member or representative thereof, may, but is not required to, consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications, or any other proposal submitted to the Architectural Review Committee. Every Owner, by acquiring title to a Lot or portion thereof agrees not to bring any action or suit against Declarant, the Association, Board, the Architectural Review Committee, or their members or representatives seeking to recover any such damages.

8.18 Variances.

(a) Reasonable Variances. The Architectural Review Committee, in its sole discretion, shall be entitled to allow reasonable variances in any procedures specified in this article and those minimum construction standards in Article 5 in order to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships.

(b) Criteria for Variances. The Architectural Review Committee must make a good faith written determination that the variance is consistent with one or more of the following criteria: (i) the requested variance will not constitute a material deviation from any restriction contained herein or that the variance proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) that the variance relates to a requirement land use restriction or minimum construction standard otherwise applicable hereunder that is unnecessary or burdensome under the circumstances; or (iii) that the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance with respect, to any other Lot or Common Area within the Development. At the request of the Architectural Review Committee the Association Board is authorized and empowered to execute and Record a notice of any variance granted pursuant to this section in a form acceptable to the County Recorder's Office.

8.19 Compliance With Governmental Requirements. The application to the Architectural Review Committee, and the review and approval of any proposals, plans, or other submittals, shall in no way be deemed to be satisfaction of or compliance with any building permit process or any other governmental requirements, the responsibility for which lies solely with the respective Owner, nor shall it constitute the assumption of any responsibility by or impose any liability on Declarant, Association, Board, the Architectural Review Committee, or their members as to the accuracy, efficacy, or sufficiency of such proposals, plans or other submittals.

ARTICLE 9 EASEMENTS

9.1 Easements in General. In addition to all easements reserved and granted on the Subdivision Map and the easements specified in Article 3, there are hereby specifically acknowledged, reserved and granted for the benefit of the Lots and the Owners in common and for each Lot and Owner severally, and for the Association, as their respective interests shall exist, the easements and rights of way as particularly identified in this article.

9.2 Utility Easements. Easements over and under the Development or any portion thereof for the installation, repair, maintenance, and replacement of (i) electric, telecommunications, telephone, water, gas, and sanitary sewer lines, meters, and facilities, (ii) cable lines and facilities, (iii) drainage facilities,

(iv) walkways, and (v) landscaping, as shown on the Subdivision Map, and as may be hereafter required or convenient to service the Development, are reserved by and shall exist in favor of the Association, together with the right to grant and transfer the same. The Association shall maintain all utility installations located in the Common Area except for those installations maintained by utility companies, public, private, or municipal.

9.3 Easements Granted by Board. The Board shall have the power to grant and convey to any person or entity easements and rights of way, in, on, over, or under the Common Area for the purpose of (i) constructing, erecting, operating, or maintaining thereon, therein, or thereunder overhead or underground lines, cables, wires, conduits, or other devices for electricity, cable television, power, telecommunications, telephone, public sewers, storm drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and (ii) for any other purposes deemed by the Board to be appropriate and not inconsistent with the purposes and interests of the Association. Each purchaser, in accepting a deed to a Lot, expressly consents to such easements and rights of way. No such easements may be granted if they would unreasonably interfere with the use, occupancy, or enjoyment by an Owner or Resident of his or her Lot without the consent of the affected Owner of the Lot.

9.4 General Association Easements for Maintenance, Repair and Replacement. The Association shall have a non-exclusive easement in, on, over or under every Lot as reasonably necessary to (i) maintain and repair the Common Area, (ii) perform front yard landscaping maintenance pursuant to Section 7.1(c), (iii) perform maintenance upon a Lot which is not performed by its Owner as provided by Section 7.4 and Section 7.6, and (iv) otherwise perform its obligations under this Declaration.

9.5 Utility Maintenance and Repair Easements. Wherever sanitary sewer, water, electricity, gas, telecommunications, telephone, television lines or drainage facilities, lines, or connections are installed within the Development, which connections, lines or facilities, or any portion thereof, lie in or upon Lots owned by other than the Owner of the Lot served by said connections, the Owners of any Lots served by said connections, lines or facilities shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter such Lots or to have utility companies enter therein, or any portion thereof, to repair, replace and generally maintain said connections as and when the same may be necessary. Wherever sanitary sewer house connections and/or water Residence connections or electricity, gas, telecommunications, telephone lines or drainage facilities are installed within the Development, which connections serve more than one Lot, the Owner of each Lot served by said connections shall be entitled to the full use and enjoyment of such portions of said connections as service his Lot. All utility companies having easements on the property covered by this Declaration shall have easements for cleaning, repairing, replacing, and otherwise maintaining or causing to be maintained service in all underground utility lines, including, when reasonably necessary, the entry into an Improvement constructed upon a Lot for uncovering any such lines. Any Owner or utility company exercising the rights granted in this section shall be obligated to restore the Lot and the Residence entered to substantially its former condition.

9.6 Encroachment Easements. The Common Area and each Lot within the Development is hereby declared to have an easement over all adjoining Lots and the Common Area for the purpose of accommodating any minor encroachment due to engineering errors, errors in original construction, settlement or shifting of structures, or any other similar cause. There shall be valid easements for the maintenance of such encroachments as long as they shall exist. Notwithstanding the preceding, in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if such encroachment occurred due to the wilful misconduct of such Owner or Owners. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Lot agree that minor encroachments over adjoining Lots or Common Area shall be permitted and that there shall be valid easements for the maintenance of such encroachments so long as they shall exist.

ARTICLE 10 ENFORCEMENT

10.1 Violations as Nuisance. Every act or omission constituting or resulting in a violation of any of the provisions of the Governing Documents shall be deemed to constitute a nuisance. In addition to any other remedies which may be available, such nuisance may be abated or enjoined by the Association, its officers, the Board or by any Owner. The Board shall not be obligated to take action to abate or enjoin a particular violation if, in the exercise of its discretion, the Board determines that acting to abate or enjoin such violation is not likely to foster or protect the interests of the Association and its Members as a whole.

10.2 Owners' Responsibility for Conduct and Damages. Each Owner shall be fully responsible for informing members of his or her household and his or her tenants, Contract Purchasers, contractors and guests of the provisions of the Governing Documents, and shall be fully responsible for the conduct, activities, any Governing Document violation of any of them, and for any damage to the Development or the Association resulting from the negligent or intentional conduct of any of them or any household pets. If a Lot is owned jointly by two or more persons, the liability of each Owner in connection with the obligations imposed by the Governing Documents shall be joint and several.

10.3 No Avoidance. No Owner may avoid the burdens or obligations imposed by the Governing Documents through non-use of any Common Area facilities or by abandonment of his or her Lot.

10.4 Rights and Remedies of the Association.

(a) Rights Cumulative. The Association, its Directors, Officers, or agents, and any Owner shall have the right to enforce any and all provisions of the Governing Documents by any proceeding at law or in equity, or through the use of such other remedies as are available and deemed appropriate by the Board. Each remedy provided is cumulative and not exclusive.

(b) Member Not In Good Standing. Upon a determination by the Board of Directors, after prior notice to the affected Member and an opportunity for a hearing, that such Member has violated any provision of the Governing Documents including a failure to pay any Assessment when due, the Board shall give notice in writing to such Member that he or she is deemed not to be a Member in Good Standing. Such Member shall be deemed to remain in that status until such time as the Board shall determine in writing that the violation which resulted in the Board's determination has been cured or remedied or, on some other basis as in the judgment of the Board is just and proper, that such Member shall again be deemed to be a Member in Good Standing of the Association. Such Member shall be so notified in writing.

(c) Imposition of Sanctions. In the event of a breach or infraction of any provision of the Governing Documents by an Owner, members of an Owner's household, or his or her tenants, Contract Purchasers, contractors, guests, pets or invitees, the Board shall have the power to impose sanctions against the Owner. Such sanctions may include, without limitation, the imposition of fines and/or the suspension of an Owner's rights as a Member, including an Owner's voting rights or an Owner's right to use the Common Area, except for ingress and egress to the Owner's Lot. Except as provided in Section 10.6 below, imposition of sanctions shall be effective only after the Board has held a hearing as provided by California Civil Code Section 1363. The payment of any such fine may be enforced as an Enforcement Assessment as provided in Section 6.8 of this Declaration as well as in any manner permitted by law. Further, each Owner shall be obligated to pay Reimbursement Assessments levied by the Board for reimbursement of any costs incurred by the Association relating to violation of any provisions of the Governing Documents by such Owner, members of such Owner's household, or his or her tenants, Contract Purchasers, contractors, guests, pets or invitees.

(d) Inadequacy of Legal Remedy. Except for the non-payment of any Assessment levied pursuant to the provisions of Article 6 of this Declaration, it is hereby declared that a remedy at law to recover damages for a default in the performance of any of the terms and provisions of any of the Governing Documents or for the breach or violation of any such provisions is inadequate and that the failure of any Owner or a member of the household of any Owner or an Owner's tenants, guests, or household pets or any other occupant or user of any of the property within the Development to comply with any provision of the Governing Documents may be enjoined in any judicial proceedings initiated by the Association, its Officers or Board of Directors, or by any Owner or by their respective successors in interest.

(e) Limitation on Disciplinary Rights. The Association shall not have the power and authority to cause a forfeiture or abridgment of a Member's right to the full use and occupancy of his or her Lot as the result of the failure by such Owner, members of such Owner's household, or his or her tenants, guests, invitees or household pets to comply with any provision of the Governing Documents, except where such forfeiture or abridgment is the result of the judgment of a court of competent jurisdiction, a decision arising out of an arbitration proceeding, or a foreclosure or sale under private power of sale for failure of such Owner to pay Assessments levied by the Association pursuant to Article 6 of this Declaration. The provisions of this subsection shall not affect the Association's right to impose fines or monetary penalties or to suspend an Owner's membership rights, as provided in the Governing Documents.

(f) Common Area Claims. With respect to any decisions by the Association to initiate, defend, settle or intervene in mediation, arbitration, judicial or administrative proceedings in matters pertaining to damage to the Common Area and any warranty claims that may arise with respect to the Common Area, no representative of Declarant on the Board shall vote on the initiation of any claim under California Civil Code Section 895 et. seq., such that from and after the first annual meeting of the Association, Declarant shall have no control over the Association's ability to decide whether to initiate a claim under such statutory provisions and in the event of such a vote, the affirmative vote of the two non-Declarant representatives on the Board shall be binding so long as a quorum of the Board is present at any meeting where such vote is taken. The Association and not the individual Members shall have the power to pursue warranty claims or any claims or other actions using the non-adversarial proceedings for construction defects in Common Area pursuant to Civil Code Section 895 et seq., and any successor statutes or laws. Any recovery by the Association with respect to any damage to or defect in the Common Area shall be utilized solely for the purpose of paying for the costs of obtaining the recovery and for correcting such damage or defect.

(g) Membership Consent for Certain Action. In the event that any claim or other actions brought by the Association under California Civil Code Section 895 et seq., and any successor statutes or laws or any other applicable laws, involving allegations of construction defects relating to the Common Area is not resolved pursuant to the non-adversarial procedures set forth in California Civil Code Sections 910 through 938 and any successor statutes or laws, the Association shall not initiate a further action or procedure against Declarant without first obtaining the consent of the Owners other than Declarant, constituting a quorum of more than fifty percent (50%) of the Owners of the Association casting a majority of the votes at a meeting or election of the Association conducted in accordance with the provisions of California Corporations Code Sections 7510 et. seq. and 7613 and any successor statutes or laws

10.5 Disciplinary Rules. The Board or a committee appointed by the Board for that purpose may adopt rules and regulations that further elaborate upon and refine procedures for conducting disciplinary

proceedings and otherwise imposing sanctions upon Members of the Association for violation of provisions of the Governing Documents. Such rules, when approved and adopted by the Board, shall be deemed to be a part of the Association Rules provided for in, and constituting a part of, the Governing Documents.

10.6 Emergency Situations. The following shall constitute emergency situations: (i) an immediate and unreasonable infringement of or threat to the safety or peaceful enjoyment of Residents of the Development, (ii) a traffic or fire hazard, or (iii) a threat of material damage to or destruction of the Development or any portion thereof. Notwithstanding any other provisions of the Governing Documents, under circumstances involving conduct that constitutes an emergency situation, the Association may undertake immediate corrective action. Hearings with respect to such corrective action shall be held following the corrective action in accordance with California Civil Code Section 1363, and no disciplinary action may be taken without compliance with California Civil Code Section 1363(h).

10.7 Alternative Dispute Resolution. California Civil Code Section 1369.520 shall be complied with respect to any dispute subject to such section.

10.8 Non-Waiver. Failure to enforce any provision of the Governing Documents at any time shall not be deemed a waiver of the right to do so thereafter with respect to the same or any other violation of any provision of the Governing Documents.

10.9 Notices. Any notices required or given under this article shall, at a minimum, set forth the date, time, and location of any hearing, a brief description of the act or omission constituting the alleged violation of the Governing Documents, a reference to the specific Governing Document provision or provisions alleged to have been violated, and the sanction, disciplinary action, or other enforcement action being contemplated by the Board, if any. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice to the affected Member; provided, however, that if notice is given by mail, it shall be sent by first-class mail, postage prepaid, sent to the most recent address for the affected Member as shown on the records of the Association.

10.10 Costs and Attorneys' Fees. In the event the Association shall take any action to enforce any of the provisions of the Governing Documents or shall determine that any Member or members of his or her household or his or her tenants, Contract Purchasers, guests, invitees or household pets have violated any provision of the Governing Documents, and whether or not legal or judicial proceedings are initiated, the prevailing party shall be entitled to recover the full amount of all costs incurred, including attorneys' fees, in responding to such a violation and/or in enforcing any Governing Document provision. The remedies of the Association to recover the amount of such costs and attorneys' fees shall include, without limitation, the imposition of a Reimbursement Assessment as provided in Section 6.7 of this Declaration.

10.11 Owner Indemnification. Each Owner, by acceptance of his or her deed, agrees for himself or herself and for the members of his or her household, his or her Contract Purchasers, tenants, guests or invitees, to (i) indemnify each and every other Owner for, (ii) to hold each and every other Owner harmless from, and (iii) to defend each and every other Owner against, any claim of any person for personal injury or property damage occurring within the Lot of such Owner, except that such Owner's liability may be diminished to the extent that the injury or damage occurred by reason of the negligence of any other Owner or person temporarily visiting in such Lot or is fully covered by insurance.

ARTICLE 11 INSURANCE

11.1 Types of Insurance Coverage. The Association shall, at the discretion of the Board of Directors, purchase, obtain and maintain the following types of insurance, if and to the extent they are available at a reasonable premium cost:

(a) Property Insurance. The Association shall obtain and maintain a master or blanket policy of property insurance, written on all risk, replacement cost basis, on all Common Area, and all Improvements within the Development for which the Association has an obligation to maintain or insure. The insurance shall be kept in full force and effect at all times and the full replacement value of the insured property shall be redetermined on an annual basis. Depending on the nature of the insured property and the requirements, if any, imposed by institutional Mortgagees having an interest in such property, the policies maintained by the Association pursuant to this section shall contain an agreed amount endorsement or a contingent liability from operation of building laws endorsement or the equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement and a clause to permit cash settlements for full insurable value in case of partial destruction. The policies may contain a loss payable endorsement in favor of the trustee described in Section 11.5 below.

(b) General Liability Insurance. To the extent such insurance is reasonably obtainable, a policy of comprehensive general liability insurance naming as parties insured the Association, each member of the Association Board of Directors, any manager, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the ownership and use of the Common Area and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than Two Million Dollars (\$2,000,000.00) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to common interest development projects similar in construction, location, facilities, and use.

(c) Director's and Officer's Liability Insurance. To the extent such insurance is reasonably obtainable the Association shall maintain individual liability insurance for its directors and officers providing coverage for negligent acts or omissions in their official capacities. The minimum coverage of such insurance shall be at least One Million Dollars (\$1,000,000.00).

(d) Additional Insurance and Bonds. To the extent such insurance is reasonably obtainable, the Association may also purchase such additional insurance and bonds as it may, from time to time, determine to be necessary or desirable, including, without limiting the generality of this section, demolition, flood, earthquake, and workers' compensation insurance. The Board shall also purchase and maintain fidelity bonds or insurance in an amount not less than three (3) months of the Association's annual operating expenses and one hundred percent (100%) of the Association's reserve funds and shall contain an endorsement of any person who may serve without compensation.

11.2 Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by Section 11.1 is for any reason unavailable, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage described in Section 11.1. The Board shall notify the Owners of any material adverse changes in the Association's insurance coverage.

11.3 Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

11.4 Individual Owner's Property Insurance. Each Owner shall purchase and at all times maintain a policy of personal liability and property insurance insuring the Owner's Lot, Residence, any Improvements to the Owner's Lot, and personal property.

11.5 Flood Insurance Rate Maps. As of the date of Recording of this Declaration, the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps (FIRM) indicates the Development is located within Zone X area. A Zone X area is an area determined by FEMA that is protected from the one percent annual chance (100-year) flood by levee, dike, or other structure subject to possible failure or overtopping during larger floods. However, FEMA plans to revise the Development's FIRM. This FIRM revision is necessitated by the recent U.S. Army Corps of Engineers (Corps) determination that they can no longer support their original position certifying the levee system surrounding the Natomas Basin as protecting against the 100-year flood. The publication of the revised FIRM is scheduled to become effective by November 2007. Owners are advised to consult their insurance agent or broker on a regular basis regarding the availability of flood insurance for their Residence.

11.6 Trustee. All insurance proceeds payable under Section 11.1, above, and subject to the rights of Mortgagees under Article 13, below, may, in the discretion of the Board of Directors, be paid to a trustee to be held and expended for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear. Said trustee shall be a commercial bank or financial institution in the County that agrees in writing to accept such trust.

11.7 Adjustment of Losses. Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 11.1, above. The Board is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

ARTICLE 12 DAMAGE OR DESTRUCTION; CONDEMNATION

12.1 Damage to or Destruction of Improvements on Association Property. In the event of damage to or destruction of any Improvement to the Common Area or to any other real property owned or maintained by the Association, the Board of Directors shall, in its discretion and based upon considerations such as the existence of insurance proceeds from insurance coverage for such damage or destruction and the frequency of use of the Improvement, determine whether to repair or replace the damaged or destroyed Improvement. If any such damage or destruction was insured against and the insurance proceeds are insufficient to cover the costs of repair or replacement of the damaged or destroyed Improvement, and if the Board elects to repair or replace the Improvement, the Association may levy a Special Assessment against the Members as provided in this Declaration to cover the additional cost of the repair or replacement not covered by the insurance proceeds. If the Board elects not to repair or replace the Improvement, the applicable insurance proceeds shall be used in the manner consistent with the purposes of the Association and as determined by the Board.

12.2 Damage to or Destruction of Improvements on Lots. In the event of damage to or destruction of the Improvements on any Lot that the Owner is obligated to maintain, the Owner of such Lot shall (i) completely repair or rebuild the Improvements to the same state as they existed prior to such damage or destruction or in any other manner approved by the Architectural Review Committee in accordance with Article 8 of this Declaration, or (ii) completely remove all remaining portions of such damaged or destroyed Improvements. Such repair, rebuilding, or removal shall be commenced within a reasonable time, which shall in no event exceed one year after the occurrence of the damage or destruction and shall be completed within one year after the date of commencement unless a longer period is agreed to in writing by the Board.

12.3 Condemnation of Common Area. If at any time all or any portion of any Common Area, or any interest therein, shall be taken for any public or quasi-public use, under any statute, by right of eminent

domain, or by private purchase in lieu of eminent domain, the entire compensation or award in condemnation, to the extent such award is not apportioned among the Owners by court judgment or by agreement among the condemning authority, the Association and each of the affected Owners, shall be paid to the Association and shall be used in the manner determined by the Board, provided that such use shall not be inconsistent with the purposes of the Association. The Association shall represent the interests of all Owners in any proceedings relating to such condemnation to the extent such Owners have any interest in the Common Area.

12.4 Condemnation of Lots. If an entire Residence or Lot, or so much thereof as to render the remainder unfit for use as a residence, is condemned or taken for a public or quasi-public use, pursuant to any statute, by right of eminent domain, or by private purchase in lieu of eminent domain, the Owner's membership in the Association shall terminate as of the last day of the month in which the condemner obtains the right to possession, or upon Owner's vacating the premises, whichever occurs last. If only a portion of such Residence or Lot is taken and the remainder is fit for use as a Residence, the Owner shall continue to be a Member of the Association. In any condemnation action involving an Owner's Residence or Lot, the Association shall have the right to seek compensation for any damages incurred by the Association.

ARTICLE 13 PROTECTION OF MORTGAGEES

13.1 Amendments Affecting Mortgages. No amendment of this Declaration shall affect any of the rights of the holder of any Mortgage which is made in good faith and for value, if such Mortgage is Recorded and notice of the delivery and Recording thereof is given to the Association prior to the Recording of such amendment.

13.2 Default by Owner; Mortgagee's Right to Vote. In the event of a default by any Owner under a Mortgage encumbering such Owner's Lot, the Mortgagee under such Mortgage shall, upon: (a) giving written notice to the defaulting Owner; (b) Recording a Notice of Default in accordance with California Civil Code Section 2924; and (c) delivering a copy of such Recorded Notice of Default to the Association, have the right to exercise the voting rights, if any, of the Owner at any regular or special meeting of the Association held during the period as such default continues.

13.3 Breach; Obligation After Foreclosure. No breach of any provision of this Declaration by Declarant, the Association or any Owner shall impair or invalidate the lien of any recorded Mortgage made in good faith and for value and encumbering any Lot. Declarant, Owners, and the Association and their successors and assigns, shall be obligated to abide by all of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes provided for in this Declaration with respect to any person who acquires title to or any beneficial interest in any Lot through foreclosure, trustee's sale or otherwise.

13.4 Right to Examine Books and Records of the Association. All Mortgagees, insurers and guarantors of any Mortgages on any Lot shall have the right, upon written request to the Association, to:

- (a) Examination of Records. Examine current copies of the Governing Documents and the Association's books, records and financial statements, during normal business hours;
- (b) Audited Statements. Require the Association to provide an audited statement for the preceding fiscal year; and
- (c) Notice of Meetings. Receive a written notice of all meetings of the Association and designate a representative to attend all such meetings.

13.5 Declaration to Conform With Mortgage Requirements. It is the intent of this article that the Governing Documents and the development in general, shall now and in the future meet all requirements of any institutional Mortgagee intending to secure its Mortgage by a Lot or necessary to purchase, guarantee, insure or subsidize any Mortgage of a Lot by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Veterans' Administration. The provisions of this article may be amended solely by the vote of the Board of Directors in order to conform to any requirements of the secondary lender market.

ARTICLE 14 ANNEXATIONS AND SUPPLEMENTAL DECLARATIONS

14.1 De-Annexation or Reallocation of Phases.

(a) De-Annexation. Prior to the first conveyance of the first Lot within a Phase, Declarant shall have the right to de-annex all or any portions of the Phase from the Development. De-annexation shall be by means of a Recorded document, executed by Declarant, which references this Section 14.1, and which identifies the real property being de-annexed from this Declaration. If, prior to the conveyance of a Lot within a Phase, the Common Area parcels within the Phase have been conveyed to the Association, the Association shall promptly convey such Common Area back to Declarant.

(b) Reallocation of Phases. Prior to the conveyance of the first Lot within a Phase, Declarant shall have the right to reallocate the Lots and Common Area within a Phase into additional Phases, without the consent or approval of either the Association or the Owners. The reallocation of Phases shall be by means of a Recorded document, executed by Declarant, which references this Section 14.1, and which identifies the Lots and Common Area which will be included within the new Phases.

14.2 Annexation of Subsequent Phase Property. Declarant shall have the right to annex all or any portions of the Subsequent Phase Property to the Development so as to be subject to this Declaration and so that membership in the Association shall be appurtenant to ownership of Lots within the annexing Phase. Such annexation shall not require the approval of either the Association or the Owners.

14.3 Annexation of Other Property. Real property other than Subsequent Phase Property which is not subject to this Declaration may annex to and become subject to this Declaration with the approval by vote or written consent of (1) the property owner, (2) Members entitled to exercise not less than two-thirds of the Voting Power of each class of membership of the Association, and (3) the Board of Directors. After the Class B membership has ceased, the approval of the Members required by this section shall require the affirmative vote of at least two-thirds of the voting power of Members other than Declarant. Upon obtaining the requisite approval of the Members pursuant to this section, the owner of the annexing property shall Record a Declaration of Annexation and, if appropriate, a Supplemental Declaration, as more particularly described in Section 14.4, below.

14.4 Declarations of Annexation. To effectuate an annexation, a Declaration of Annexation shall be Recorded covering the applicable portion of the annexing real property. The Declaration of Annexation shall identify the Lots and Common Area, if any, within the annexing property, and shall be signed by the owner of the annexing property and, in cases where Membership and Board approval are required, shall include a certificate, signed by the President and Secretary of the Association attesting to the fact that the required Member and Board approval has been obtained. A Declaration of Annexation may include a Supplemental Declaration which adds or modifies restrictions and rights with respect to the annexing property.

14.5 Supplemental Declarations. A Supplemental Declaration may be Recorded against all or any portion of the annexing property, subject to the same approval requirements for a Declaration of Annexation pursuant to Section 14.2 and 14.3, above. The Supplemental Declaration may include restrictions which are different from the restrictions contained in this Declaration. A Supplemental Declaration may not alter the general common plan or scheme created by this Declaration, revise any restriction imposed by a governmental entity as a condition of Subdivision Map approval (without the consent of that entity) or revoke the covenants, conditions and restrictions imposed by this Declaration with respect to portions of the Development already subject to this Declaration.

14.6 Commitment Concerning Reserve Contributions Relating to Rental Programs. If Residences in an annexing Phase have been used and occupied under a rental program conducted by the Declarant which has been in effect for a period of at least one (1) year as of the date of closing of escrow for the first sale of a Lot in the annexing Phase, Declarant shall provide a written commitment to pay to the Association, concurrently with the close of escrow for the first sale of a Lot in the annexing Phase, appropriate amounts for reserves for replacement or deferred maintenance of Common Area in the annexing Phase necessitated by or arising out of such use and occupancy.

14.7 Amendments and Rescission of Declaration of Annexation. Prior to the first conveyance of the first Lot subject to a Declaration of Annexation or Supplemental Declaration, Declarant may amend or rescind the Declaration of Annexation or Supplemental Declaration. If the Declaration of Annexation or Supplemental Declaration includes Common Area that has been conveyed to the Association, the Association shall, at Declarant's discretion, either execute a consent to the amendment or rescission or promptly convey such Common Area back to Declarant.

ARTICLE 15 DECLARANT'S DEVELOPMENT RIGHT

15.1 Interests of Declarant; Material Actions Requiring Declarant Approval. Declarant is causing the Development to be developed into a master planned community. Declarant, in cooperation with the City, has created a master plan for the development of the Overall Development which includes master-planning objectives which have been formulated for the common good and preservation of property values. Each Owner of a Lot which is part of the Development acknowledges by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other instrument, that Declarant has a substantial interest to be protected with regard to assuring compliance with and enforcement of, the covenants, conditions, restrictions and reservations contained in this Declaration. Notwithstanding any other provisions of the Governing Documents, until the five (5) years following the first conveyance of a Lot within the most recent Phase, to an Owner, the following actions, before being undertaken by the Members or the Association, shall first be approved in writing by Declarant:

(a) Specified Approvals. Any amendment or action requiring the approval of Declarant pursuant to this Declaration, and any amendment or action requiring the approval of Mortgagees pursuant to this Declaration (the Association shall provide Declarant with all notices and other documents to which a Mortgagee is entitled pursuant to this Declaration, provided that Declarant shall be furnished such notices and other documents without making written request);

(b) Annexation. The annexation to the Development of any real property that is not included in the Overall Development;

(c) Special Assessments. The levy of a Special Assessment for the construction of new facilities not originally included in the Common Area;

(d) Service/Maintenance Reductions. Subject to the limitations on Regular Assessment increases without Member approval, any significant reduction of Common Area maintenance or other services or entering into contracts for maintenance or other goods and services benefitting the Association or the Common Area at contract rates which are fifteen percent (15%) or more below the reasonable cost for such maintenance, goods or services; or

(e) Architectural Rules. Any supplement or amendment to the Architectural Rules.

15.2 Declarant's Right to Develop the Development. The Association and Owners shall not do anything to interfere with the rights of Declarant to subdivide, market, sell, or rent any portion of the Development, or the rights of Declarant to complete excavation, grading, construction of Improvements or other development activities to and on any portion of Overall Development or to alter the foregoing and its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of the Overall Development so long as any Lot or any portion of the Overall Development is owned by Declarant. Such right shall include, but shall not be limited to, all grading work as may be approved by the City or other agency having jurisdiction, and erecting, constructing and maintaining on or within the Development such structures, signs and displays as may be reasonably necessary for the conduct of its business of completing the work and disposing of the same by sale, lease or otherwise, and to utilize temporary construction or sales trailers and related Improvements. Each Owner, by accepting a deed to a Lot, hereby acknowledges that any construction or installation of any Improvements by Declarant, or an Owner whose Improvement plans have been approved in accordance with Article 8, above, may impair the view of such Owner, and hereby consents to such impairment.

15.3 Use of Common Area by Declarant. Declarant hereby reserve non-exclusive easements over the Common Area to complete the development, improvement and sale of Lots and the construction of any landscaping or other Improvement to be installed on the Common Area. Declarant also reserve nonexclusive easement rights of use of the Common Area without charge, for sales, display, access, ingress, egress, and occasional special events for promotional purposes; provided, however, that such use rights shall terminate on the date on which Declarant no longer own any property within the Overall Development. Such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein and all direct costs and expenses associated with Declarant's sales and promotional activities (including, without limitation, any costs or expenses required to clean or repair any portion of the Common Area that are damaged or cluttered in connection with such activities) shall be borne solely by Declarant, and any other sponsor of the activity or event. The rights reserved to Declarant by this section shall extend to any employee, sales agents, prospective purchasers, customers and/or representatives of Declarant.

15.4 Declarant Exemptions. In order to facilitate the construction of Residences, Projects, and other Improvements within the Development, Declarant shall be exempt from the property use restrictions and architectural approval provisions of Articles 4, 5, and 8 of this Declaration.

15.5 Amendment of Development Plans. Declarant may amend its plans for the Overall Development and apply for changes in zoning, use and use permits, for any property within the Overall Development.

15.6 Independent Architectural Review. For so long as Declarant has the right to appoint any members of the Architectural Review Committee, Declarant shall have the right to initiate action to correct or prevent any activity, condition or Improvement that is not in substantial compliance with approved plans and specifications to the same extent as the Association, after having a reasonable opportunity to do so, does not initiate enforcement action. This right shall be in addition to Declarant's existing rights as an Owner.

15.7 Termination of Declarant's Rights. If Declarant conveys all of its rights, title and interest in the Development to any person or entity and the acquiring person or entity is designated as a successor Declarant as to all the property conveyed, then Declarant shall be relieved of the performance of any further duty or obligation hereunder, and successor Declarant shall be obligated to perform all such duties and obligations of Declarant. This section shall not terminate any responsibility of Declarant for acts or omissions occurring prior to the conveyance to such person or entity. However, Declarant may enter into a contract or agreement dealing with such acts or omissions.

15.8 Disclaimer of Declarant's Representations. Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth in a Recorded instrument, Declarant makes no warranties or representations whatsoever that the plans presently envisioned for the complete development of the Development may or will be carried out, or that any land now controlled or owned or hereafter controlled or acquired by Declarant is or will be subjected to this Declaration, or that any such land (whether or not it has been subjected to this Declaration) is or will be committed to or developed for a particular (or any) use, or that if such land is once used for a particular use, such use will continue in effect.

15.9 No Amendment or Repeal. So long as Declarant owns any portion of the Overall Development, the provisions of this article may not be amended or repealed without the consent of Declarant.

ARTICLE 16 AMENDMENT

16.1 Amendment Before First Conveyance. Before the conveyance of the first Lot to a purchaser other than Declarant, this Declaration may be amended in any respect or revoked in its entirety by the Recording of an instrument amending or revoking the Declaration, executed by Declarant. The amending or revoking instrument shall make appropriate reference to this Declaration and its amendments and shall be Recorded.

16.2 Amendment After First Conveyance. After the conveyance of the first Lot within the Development to a purchaser other than Declarant, this Declaration may be amended or revoked in any respect upon compliance with the following provisions:

(a) Member Approval Requirements. Except as provided in this paragraph, any amendment to this Declaration shall be approved by the vote or assent by written ballot of an Absolute Majority, including the holders of not less than a majority of the Total Voting Power of the Class A and Class B Members. If a multi-class voting structure is no longer in effect in the Association because of the conversion of Class B membership to Class A membership, as provided in the Association's Bylaws, any amendment thereof will require the vote or assent by written ballot of both: (i) an Absolute Majority of the Association; and (ii) the vote of a majority of the Total Voting Power held by Members other than Declarant. Notwithstanding the foregoing, the percentage of the voting power necessary to amend a specific clause or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

(b) Additional Approvals of Declarant for Amendments to Particular Provisions. For so long as Declarant owns any property within the Development, the provisions of Article 7, Sections 10.4(f) and (g), and Articles 15 and 16 may not be amended without the prior written consent of Declarant. In addition, so long as any portion of the Development is subject to a final subdivision public report, no amendment to this Declaration that would constitute a "material change" as defined by the California Department of Real Estate shall be permitted without the prior written consent of Declarant.

(c) Additional Approval of City for Amendments to Particular Provisions. The provisions of Sections 7.1(a), 16.2(c), 17.1, and 18.6, may not be amended without the prior written consent of the City.

(d) Right of Amendment if Requested by Governmental Mortgage Agency or Federally Chartered Lending Institutions. Anything in this article to the contrary notwithstanding, Declarant and the Association reserve the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by Governmental Mortgage Agencies which require such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot. Any such amendment shall be effectuated by the Recordation, by Declarant or the Association, of a Certificate of Amendment duly signed by or on behalf of the authorized agents, or authorized officers of Declarant or the Board, as applicable, with their signatures acknowledged, specifying the Governmental Mortgage Agency, or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. Recordation of such a Certificate shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Certificate, when recorded, shall be binding upon all of Lots and Common Area comprising the Development and all persons having any interest therein.

(e) Right of Amendment if Requested by City. Anything in this article to the contrary notwithstanding, Declarant reserves the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by the City to reflect a modification of the development permits which requires a conforming amendment to this Declaration. Any such amendment shall be effectuated by the Recordation, by Declarant, of a Certificate of Amendment duly signed by or on behalf of the authorized agents, or authorized officers of Declarant, or the Association as applicable, with their signatures acknowledged, specifying the City requested the amendment and setting forth the amendatory language requested by the City. Recordation of such a Certificate shall be deemed conclusive proof of the City's request for such an amendment, and such Certificate, when Recorded, shall be binding upon all of the real property comprising the Development and all persons having an interest therein.

(f) Right of Amendment by Board. The Board of Directors may, without the approval of the Members, amend any part of this Declaration to the limited extent necessary to comply with a change in applicable federal; state or local legislation.

16.3 Restatements. This section describes the methods for restating the Declaration after an amendment.

(a) General. The Board has the right, by resolution without the necessity of consent by the Members, to restate this Declaration when it has been properly amended pursuant to its requirements for amendment. Such restatement shall be effective upon execution of the restatement by any two (2) officers of the Association and its Recordation. Upon Recordation of the restatement, the restatement shall supersede the prior declaration and its amendments in their entirety, without, however, affecting the priority of the Declaration in the chain of title to all real property subject to the Declaration as established by the Declaration's initial date of Recordation.

(b) Form of Restatement. The restatement shall restate the entire text of the original document, with these exceptions: (i) changes incorporating all amendments approved the Owners; (ii) changes made to rearrange or delete the text for consistency with the approved amendments; (iii) changes made to delete material no longer legally effective or legally required, such as the provisions

described in Article 15 once Declarant no longer owns any portion of the Overall Development; (iv) the addition of a statement that the Board has authorized the restatement pursuant to this section; (v) changes made to delete any provision declared illegal by constitutional or statutory enactment, by regulation, or by controlling judicial opinion; and (vi) changes needed to distinguish the restatement from the original document, such as title, section, or subsection numbering changes.

16.4 Department of Real Estate. An amendment to this Declaration, Bylaws, or other governing instruments of the Association shall require immediate notification of the California Department of Real Estate in accordance with section 2800 of the Commissioner's Regulations so long as the Development, or any portion thereof, is subject to an outstanding final subdivision public report.

16.5 Effective Date of Amendment. The amendment will be effective upon the Recording of a Certificate of Amendment, duly executed and certified by the president and secretary of the Association setting forth in full the amendment so approved and that the approval requirements of this Article 16 have been duly met. If the consent or approval of any governmental authority, Mortgagee, or other entity is required under this Declaration to amend or revoke any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained.

16.6 Reliance on Amendment. Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE 17 GENERAL PROVISIONS

17.1 Term. This Declaration continues in full force and effect unless an amendment terminating this Declaration is unanimously approved by the Owners and Recorded in accordance with Article 16, above.

17.2 Severability. The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any provision hereof shall not invalidate any other provisions hereof.

17.3 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of fostering a plan of community ownership and occupancy and of management of the Development for the benefit of the community.

17.4 Easements Reserved and Granted. Any and all easements referred to herein shall be deemed reserved or granted, or both reserved and granted, as appropriate, by reference to this Declaration in a deed to any Lot.

17.5 Power of Attorney. To the extent necessary to carry out and enforce the provisions of this Declaration, an irrevocable power of attorney coupled with an interest is granted to the Association by the Owners and each of them.

ARTICLE 18 SENIOR HOUSING

18.1 Qualification as Senior Citizen Housing Development. The Development is a senior housing development that is intended to (i) qualify for the "housing for older persons" exemption from the prohibitions on discrimination based on familial status contained in the federal Fair housing Act, including those provision adopted pursuant toe the Fair housing Amendments Act of 1988 and the Housing for Older persons Act of 1995 (the "Federal Act"), (ii) qualify as a "senior citizen housing development" as that term is defined in California Civil Code Section 51.3 (the "State Act"), and (iii) otherwise comply with the

requirements of the Federal Act and the State Act. In accordance with this intention, the provisions, requirements, and restrictions of this Article 18 shall apply.

18.2 Occupancy by Qualifying Resident. Except as specifically otherwise provided in Section 18.3(a) through 18.3(c), each Lot, if occupied, must be occupied by at least one (1) Qualifying Resident and all other persons occupying a Lot must be Qualified Permanent Residents.

18.3 Exceptions to Requirements for Occupancy by Qualifying Resident. As an exception to the provisions of Section 18.3(b) above, the persons described in this Section 18.3 may occupy a Residence subject to the specific restrictions contained in this section:

(a) Permitted Health Care Resident. A Permitted Health Care Resident may occupy a Lot during any period that the Permitted Health Care Resident is actually providing live-in, long-term, or hospice health care to a Qualifying Resident for compensation.

(b) Guest of Qualifying Resident. A person under forty-five (45) years of age may occupy a Lot providing that he or she is a guest of the Qualifying Resident or a Qualified Permanent Resident and further provided the occupancy of any one such guest may not exceed a maximum of sixty (60) days in any year.

(c) Occupancy by Qualifying Permanent Resident. Upon the death or dissolution of marriage, or upon hospitalization, or other prolonged absence of the Qualifying Resident, any Qualified Permanent Resident shall be entitled to continue his or her occupancy of the Lot provided that Board determines that such continued occupancy shall not result in less than eighty percent (80%) of the Lot being occupied by at least one Qualifying Resident as required by the Federal Act.

18.4 Adoption of Verification Policies and Procedures. In compliance with the Federal Act, the Association shall publish and adhere to policies and procedures which demonstrate that the Development is intended and operated for occupancy by Qualifying Residents. The Association shall also comply with the federal rules and regulation for verification of occupancy adopted pursuant to the Federal Act.

18.5 Amendments to Conform to Housing Statutes. In accordance with the provisions of Section 16.2(d), if the Federal Act or the State Act, or any rules or regulations adopted thereunder, are amended or repealed, the Board shall have the power to modify this Article 18 as necessary, and without the necessity of obtaining the approval of the Members, to bring it into conformity with any such amendment in order to preserve the Development's status as a senior citizen housing development.

18.6 Amendment to Terminate Senior Housing Development Status. Due to the designation of the Development as a senior citizen housing development under the Federal Act, the Natomas Unified School District has excluded the Development from most of the District's school impact mitigation fees. Any amendment to this Declaration which would disqualify the Development from the "housing for older persons" exemption contained in the Federal Act, shall require the prior written approval of the City and the Natomas Unified School District. Such an amendment shall subject the Lots effected by the amendment to costs associated with school mitigation impact fees levied by the District.

DATED: October 4, 2007. DECLARANT

K. HOVNANIAN FORECAST HOMES NORTHERN, INC.,
a California corporation

By: 
Richard J. Balestreri Sr. Vice President
[type or print name]

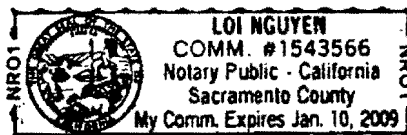
STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

On October 03, 2007, before me, Loi Nguyen, Notary Public, personally appeared Richard J. Balestreri and _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity, and that by his/her/their signature on the instrument the person, or the entity upon behalf of which the person acted, executed the within instrument.

WITNESS my hand and official seal.



Notary Public



Printed name: Loi Nguyen

My principal place of business is Sacramento, County, State of California.

My commission No. is 1543566 and expires Jan. 10, 2009.

EXHIBIT "A"

LEGAL DESCRIPTION OF THE DEVELOPMENT

All of the real property located in the City of Sacramento, Sacramento County, California, more particularly described as follows:

Lots 1 through 9, 15 through 44, 46 through 58, 69 through 75, 78 through 90, 110 through 130, and lots B, C, D, E, F, G, H, J, K, L, M, N, and O, as shown on the Subdivision Map entitled "Natomas Central Village C" filed for Record on December 13, 2006, in Book 360 of Maps, at Page 9, Official Records of Sacramento County;

35 through 41, 51 through 76, and lot A, as shown on the Subdivision Map entitled "Natomas Central Village G" filed for Record on January 11, 2007, in Book 362 of Maps, at Page 7, Official Records of Sacramento County;

Lots 1 through 18, 21 through 56, and lots A, B, C, and D, as shown on the Subdivision Map entitled "Natomas Central Village H" filed for Record on May 4, 2007, in Book 366 of Maps, at Page 10, Official Records of Sacramento County;

Lots 1 through 17, 36, 37, 38, and lot D, as shown on the Subdivision Map entitled "Natomas Central Village L" filed for Record on January 23, 2007, in Book 363 of Maps, at Page 5, Official Records of Sacramento County;

EXHIBIT "B"

LEGAL DESCRIPTION OF THE SUBSEQUENT PHASE PROPERTY

All of the real property located in the City of Sacramento, Sacramento County, California, more particularly described as follows:

Lots 10 through 14, 45, 59 through 68, 76, 77, and 91 through 109, as shown on the Subdivision Map entitled "Natomas Central Village C" filed for Record on December 13, 2006, in Book 360 of Maps, at Page 9, Official Records of Sacramento County;

Lots 1 through 34, 42 through 50, and 77 through 93, as shown on the Subdivision Map entitled "Natomas Central Village G" filed for Record on January 11, 2007, in Book 362 of Maps, at Page 7, Official Records of Sacramento County;

Lots 19, 20, 57, 58 59, and 60, as shown on the Subdivision Map entitled "Natomas Central Village H" filed for Record on May 4, 2007, in Book 366 of Maps, at Page 10, Official Records of Sacramento County;

Lots 1 through 71, as shown on the Subdivision Map entitled "Natomas Central Village K" filed for Record on January 11, 2007, in Book 363 of Maps, at Page 1, Official Records of Sacramento County;

Lots 18 through 35, and 39 through 110, and the Remainder, as shown on the Subdivision Map entitled "Natomas Central Village L" filed for Record on January 23, 2007, in Book 363 of Maps, at Page 5, Official Records of Sacramento County;

Lots 1 through 92, and lots A, B, C, and D, as shown on the Subdivision Map entitled "Natomas Central Village M" filed for Record on May 4, 2007, in Book 366 of Maps, at Page 12, Official Records of Sacramento County.

EXHIBIT "C"

**INITIAL PHASES, COMMON AREA, AND ASSOCIATION
MAINTENANCE AREAS OF THE DEVELOPMENT**

The Phase Numbers described in this Exhibit are for reference purposes only, and may be different from the phase number designation described in the California Department of Real Estate Final Public Report and the Budget for a particular Phase.

Phase	Lots	Common Area and Association Maintenance Area
1	Lots 1 through 5, 42, 43, 44, 52 through 58, 69 through 75, 78 through 90, and 110, as shown on the Subdivision Map entitled "Natomas Central Village C" filed for Record on December 13, 2006, in Book 360 of Maps, at Page 9, Official Records of Sacramento County (the "Village C Subdivision Map"). Lots 36 through 38, as shown on the Subdivision Map entitled "Natomas Central Village L" filed for Record on January 23, 2007, in Book 363 of Maps, at Page 5, Official Records of Sacramento County (the "Village L Subdivision Map").	Lots A, G, H, J, M, and N as shown on the Village C Subdivision Map, and Lot D as shown on the Village L Subdivision Map.
2	Lots 6 through 9, 46 through 51, and 111 through 122, on the Village C Subdivision Map. Lots 65 through 72, as shown on the Subdivision Map entitled "Natomas Central Village G" filed for Record on January 11, 2007, in Book 362 of Maps, at Page 7, Official Records of Sacramento County (the "Village G Subdivision Map").	Lots B, C and K as shown on the Village C Subdivision Map, and Lot A as shown on the Village G Subdivision Map.
3	Lots 1 through 12, and 33 through 56, as shown on the Subdivision Map entitled "Natomas Central Village H" filed for Record on May 4, 2007, in Book 366 of Maps, at Page 10, Official Records of Sacramento County (the "Village H Subdivision Map").	Lots A, B, C, and D as shown on the Village H Subdivision Map.
4	Lots 20, 21, 25 through 29, 32, 33, 34, and 123 through 130 as shown on the Village C Subdivision Map. Lots 51 through 56, and Lots 73 through 76 on the Village G Subdivision Map. Lots 1 and 2 on the Village L Subdivision Map.	Lots D, E, and O as shown on the Village C Subdivision Map.

Phase	Lots	Common Area and Association Maintenance Area
5	Lots 17, 18, 19, 22, 23, 24, 30, 31, 35, and 36 on the Village C Subdivision Map, Lots 35, 36, and 57 through 64 on the Village G Subdivision Map, Lots 14, 15, 16, 26 through 35, and 53 through 57, as shown on the Subdivision Map entitled "Natomas Central Village K" filed for Record on January 11, 2007, in Book 363 of Maps, at Page 1, Official Records of Sacramento County (the "Village K Subdivision Map"), and Lots 3 through 12 on the Village L Subdivision Map.	Lot C as shown on the Village K Subdivision Map.
6	Lots 15, 16, 37 through 39, and 91 through 93 on the Village C Subdivision Map. Lots 28 through 32, 33, 34, and 37 through 41 on the Village G Subdivision Map. Lots 13 through 23, and 93 through 96, on the Village L Subdivision Map.	Lot L as shown on the Village C Subdivision Map and Lot B as shown on the Village L Subdivision Map.
7	Lots 13 through 16, 21 through 32, and 57 through 60 on the Village H Subdivision Map.	None
8	Lots 94 through 98 on the Village C Subdivision Map, Lots 87 through 93 on the Village G Subdivision Map, Lots 21 through 25, 36 through 43, and 58 through 62 on the Village K Subdivision Map, and Lots 97 through 100 on the Village L Subdivision Map.	Lot A as shown on the Village K Subdivision Map.
9	Lots 99 through 103 on the Village C Subdivision Map, Lots 1 through 18 on the Village G Subdivision Map, and Lots 74 through 89 on the Village L Subdivision Map.	None
10	Lots 104 through 109 on the Village C Subdivision Map, Lots 77 through 86 on the Village G Subdivision Map, Lots 63 through 67 on the Village K Subdivision Map, Lots 24, 25, 39, 40 through 49, 90, 91, and 92 on the Village L Subdivision Map.	Lot F as shown on the Village C Subdivision Map.
11	Lots 17 through 20 on the Village H Subdivision Map, and Lots 1 through 16, as shown on the Subdivision Map entitled "Natomas Central Village M" filed for Record on May 4, 2007, in Book 366 of Maps, at Page 12, Official Records of Sacramento County (the "Village M Subdivision Map").	Lot D as shown on the Village M Subdivision Map.

Phase	Lots	Common Area and Association Maintenance Area
12	Lots 59 through 63 of the Village C Subdivision Map, Lots 19 and 20 of the Village G Subdivision Map, Lots 8 through 12, and 68 through 71 of the Village K Subdivision Map, and Lots 26 through 33, 50 through 59, and 106 through 110 of the Village L Subdivision Map.	Lot C as shown on the Village L Subdivision Map, and Lot B as shown on the Village K Subdivision Map.
13	Lots 64 through 68 of the Village C Subdivision Map, Lots 21 through 27, 42, 43, 44 of the Village G Subdivision Map, Lots 6, 7, 13, and 17 through 20 of the Village K Subdivision Map, and Lots 60, 61 62, 64 through 73, and 101 through 105 of the Village L Subdivision Map.	None
14	Lots 10 through 14, 40, 41, 45, 76, and 77 on the Village C Subdivision Map, Lots 45 through 50 on the Village G Subdivision Map, Lots 1 through 5, and 44 through 52 on the Village K Subdivision Map, and Lots 34, 35, and 63 on the Village L Subdivision Map.	None
15	Lots 33 through 50, and 63 through 68 of the Village M Subdivision Map.	None
16	Lots 29 through 32, and 51 through 62 on the Village M Subdivision Map.	Lot C as shown on the Village M Subdivision Map.
17	Lots 25 through 28, 69 through 74, and 87 through 92 on the Village M Subdivision Map.	None
18	Lots 17 through 24, and 75 through 86 on the Village M Subdivision Map.	Lots A and B as shown on the Village M Subdivision Map

Lots within the Development or the Subsequent Phase Property which are not included in this Exhibit "C," shall be designated as part of a Phase pursuant to a Declaration of Annexation or Supplemental Declaration.