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Regency Place Owners' Association
c/o Angius & Terry LLP
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Roseville, CA 95661

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SECOND RESTATED
DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS
OF REGENCY PLACE OWNERS' ASSOCIATION

**SECOND RESTATED
DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS OF
REGENCY PLACE OWNERS' ASSOCIATION**

TABLE OF CONTENTS

RECITALS	1
ARTICLE I: DEFINITIONS	2
Section 1.1. "Articles"	2
Section 1.2. "Assessment"	2
Section 1.3. "Association"	3
Section 1.4. "Association Rules"	3
Section 1.5. "Board of Directors" or "Board"	3
Section 1.6. "Bylaws"	3
Section 1.7. "Capital Improvements"	3
Section 1.8. "Common Area"	3
Section 1.9. "Common Expense"	3
Section 1.10. "Common Facilities"	4
Section 1.11. "County"	4
Section 1.12. "Declaration"	4
Section 1.13. "Director"	4
Section 1.14. "Family"	4
Section 1.15. "First Mortgage"; "First Mortgagee"	4
Section 1.16. "Governing Documents"	5
Section 1.17. "Guarantor"	5
Section 1.18. "Improvement"	5
Section 1.19. "Lien"	5
Section 1.20. "Lot"	5
Section 1.21. "Majority of a Quorum"	5
Section 1.22. "Map"	5
Section 1.23. "Member"	5
Section 1.24. "Member in Good Standing"	6
Section 1.25. "Mortgage"	6
Section 1.26. "Neighborhood," "Neighborhood Common Area"	6
Section 1.27. "Owner"	6
Section 1.28. "Owner of Record" and/or "Member of the Association"	6
Section 1.29. "Party Wall"	7
Section 1.30. "Phase"	7
Section 1.31. "Planning Committee"	7
Section 1.32. "Project"	7
Section 1.33. "Project Committee"	7
Section 1.34. "Project Common Area"	7
Section 1.35. "Project Unit"	7
Section 1.36. "Recreational Facility"	7
Section 1.37. "Regular Assessment"	8
Section 1.38. "Residence"	8
Section 1.39. "Resident"	8
Section 1.40. "Setback"	8

Section 1.41. "Single Family Residential Use"	8
Section 1.42. "Special Assessment"	8
Section 1.43. "Special Individual Assessment"	8
Section 1.44. "Subdivision".....	8
Section 1.45. "Unit"	9
ARTICLE II: OWNERS' PROPERTY RIGHTS & OBLIGATIONS.	9
Section 2.1. Elements of Lot.....	9
(a) Lot.....	9
(b) Nonexclusive Easements.	9
(c) Exclusive Use Common Areas.	9
(d) All Interests Subject to Governing Documents.....	9
Section 2.2. Owners' Right to Use and Enjoy Common Area.	9
(a) Nonexclusive Easements.	10
(b) Limitations on Nonexclusive Easements.	10
(c) Waiver of Right to Sever.....	11
Section 2.3. Persons Subject to Governing Documents.....	12
Section 2.4. Merger of Lots.....	12
Section 2.5. Delegation of Use.....	12
(a) Delegation of Use and Leasing of Lots.....	12
(b) Rental of Lots.....	13
(c) Discipline of Lessees; Exercise of Eviction Authority.	13
(d) Due Process Requirements for Disciplinary Action	14
(e) Security Deposit.	14
(f) Recoverable Costs and Expenses.	14
Section 2.6. Restriction on Number of Leased Lots, excluding Project Units.....	15
Section 2.7. Obligations of Owners.	17
(a) Owner's Duty to Notify Association of Lessee/Tenants & Contract Purchasers.....	17
(i) Sale.	17
(ii) Lease.....	17
(b) Contract Purchasers.	18
(c) Notification regarding Governing Documents.	18
(d) Payment of Assessments and Compliance with Association Rules.	18
(e) Responsibility for Conduct of Others.	19
(f) Indemnification for Damage & Injury.	19
(g) Discharge of Assessment Liens.....	19
(h) Joint Ownership of Lots.	19
(i) Prohibition on Avoidance of Obligations.	20
(j) Obligation to Permit Entry by Association and/or Adjacent Owners.....	20
(k) Termination of Obligations.	20
Section 2.8. Transfer or Conveyance of Lot Terminates Obligations.....	20
ARTICLE III: RESTRICTIONS & USE OF PROPERTY	20
Section 3.1. Occupancy and Use.....	20
(a) Occupancy.....	20
(b) Restriction on Businesses.....	21
Section 3.2. Senior Citizen Housing Requirements	21
(a) Minimum Age.	21
(b) Qualified Permanent Occupant"	21
(c) Temporary Resident.....	21
(d) Federal and State Requirements.....	22
Section 3.3. Antennae; Satellite Dishes.	22

(a) Authorized Antenna Defined.....	22
(b) Authorized Antenna Requirements.....	22
(c) Additional Antenna Restrictions.....	22
Section 3.4. Offensive Conduct, Nuisance, Obstructions, Hazards or Drilling.....	23
(a) Noxious Activities.....	23
(b) Nuisances.....	23
(c) Relating to Insurance Rates.....	23
(d) Violations of Government Regulations.....	23
(e) Drilling.....	23
(f) Use of Machinery.....	23
(g) Obstruction of Driveways.....	23
(h) Interference with Drainage.....	24
(i) Infectious Diseases.....	24
(j) Excavation.....	24
(k) Basketball Standards and Sport Apparatus.....	24
(l) Storage of Hazardous Materials.....	24
(m) Accumulation of Garbage.....	24
(n) Collection of Refuse.....	24
(o) Operation of Electronic Devices.....	24
(p) Maintenance of Improvements.....	25
(q) Excessive Noise.....	25
(r) Placement of Toys.....	25
(s) Garage Sales.....	25
(t) Clothes Lines.....	25
(u) Freestanding Structures.....	25
(v) Vehicles.....	25
(w) Exterior Lighting.....	26
(x) Utility Lines.....	26
(y) Pets.....	26
(z) Signs.....	27
(aa) Window Coverings.....	27
(ab) Noise Limits.....	27
Section 3.5. Exterior Improvements.....	27
Section 3.6. Regulation of Owner Activity.....	27
Section 3.7. Use of Common Area.....	28
Section 3.8. Storage.....	28
Section 3.9. Owner Liability for Damage to Common Area.....	28
Section 3.10. Termination of Mechanics' Lien Rights and Indemnification.....	28
Section 3.11. Variances.....	28
Section 3.12. Enforcement of Property Use Restrictions.....	29
(a) Voluntary Compliance.....	29
(b) Board's Discretion Not to Pursue Enforcement.....	29
Section 3.13. Building Standards for All Lots.....	29
(a) Roofs.....	29
(b) Exterior Materials.....	29
(c) Finishes.....	29
(d) Color.....	30
(e) Detached Structures and Addition.....	30
(f) Fences.....	30
(g) Mechanical.....	30

(h) Utility Lines.....	30
(i) Setbacks.....	30
(j) New Construction.....	30
Section 3.14. Building Standards for Single Family Dwelling.....	31
(a) Height.....	31
(b) Minimum Floor Area.....	31
(c) Address Signs.....	31
(d) Garages.....	31
(e) Roof Pitch.....	31
(f) Parking.....	31
Section 3.15. No Waiver.....	31
Section 3.16. Enforcement of Property Use Restrictions.....	31
ARTICLE IV: PLANNING COMMITTEE: ARCHITECTURAL REVIEW.....	32
Section 4.1. Planning Committee.....	32
(a) Composition.....	32
(b) Term of Members.....	32
(c) Operations.....	33
Section 4.2. Powers and Duties of the Planning Committee.....	33
(a) Rules.....	33
(b) Records.....	33
(c) Action on Requests.....	33
(d) Other Duties.....	33
(e) Notice of Violations.....	33
Section 4.3. Matters Requiring Committee Approval.....	34
Section 4.4. Planning Committee Approval.....	34
(a) Procedure.....	34
(i) Application.....	34
(ii) Form of Approval.....	34
(iii) Time Limits for Approval or Rejection.....	35
(iv) Return of Plans.....	35
(v) Hearing on Disapproval.....	35
(b) Criteria.....	35
(i) General.....	35
(ii) Findings Required.....	36
Section 4.5. Completion and Inspection.....	36
(a) Completion of Improvements; Extension.....	36
(b) Inspection of Improvements.....	36
Section 4.6. Noncompliance.....	36
Section 4.7. Estoppel Certificate.....	37
Section 4.8. Limitation of Planning Committee Liability.....	37
Section 4.9. Owner's Liability.....	37
Section 4.10. Mechanics' Liens.....	37
Section 4.11. Property to be Annexed.....	38
Section 4.12. Variances.....	38
Section 4.13. Compliance with Governmental Requirements.....	38
Section 4.14. Appeal of Planning Committee Decision to Board.....	38
ARTICLE V: MAINTENANCE RESPONSIBILITIES.....	39
Section 5.1. Association Maintenance Responsibility.....	39
(a) Common Area.....	39
(b) Lots.....	39

(c) Areas other than Common Area and Lots	39
Section 5.2. Maintenance by Owners and Project Committees.....	40
Section 5.3. Recovery of Costs of Certain Repairs and Maintenance.....	40
Section 5.4. Cooperative Maintenance Obligations.....	41
Section 5.5. Capital Improvements.....	41
(a) Petition; Association Approval; Owner Approval.....	41
(b) Approval of Petition.....	41
(c) Bids.....	41
(d) Approval by Owners.....	41
(e) Construction.....	42
(f) Expenses for Improvement Not Approved.....	42
ARTICLE VI: HOMEOWNERS ASSOCIATION.....	42
Section 6.1. Management and Operation.....	42
Section 6.2. Association Membership.....	42
Section 6.3. Voting.....	43
Section 6.4. One Class of Membership.....	43
Section 6.5. Powers and Authority of the Association.....	43
(a) Powers Generally.....	43
(b) Association's Limited Right of Entry.....	43
(c) Reciprocal Easement Agreements.....	44
(d) Association as Attorney-in-Fact for Owners.....	44
Section 6.6. Board of Directors.....	44
(a) Powers of the Board.....	44
(i) Exclusive Power.....	44
(ii) General Powers of the Board.....	44
(iii) No Active Business.....	46
(b) Duties of the Board.....	46
(i) Association Duties.....	46
(ii) Records.....	46
(iii) Supervise.....	46
(iv) Assessments.....	47
(v) Insurance.....	47
(vi) Vacancies.....	47
(vii) Utilities.....	47
(viii) Discharge of Liens.....	47
(ix) Enforcement.....	48
(x) Operating Requirements.....	48
Section 6.7. Limitations on Powers of the Association and Board.....	49
Section 6.8. Non-liability of Officials.....	50
(a) Claims Regarding Breach of Duty.....	50
(b) Other Claims Involving Tortious Acts and Property Damage.....	50
(c) Indemnification of Directors, Officers, Employees and/or Agents.....	51
ARTICLE VII: ASSESSMENTS.....	51
Section 7.1. Assessments Generally.....	51
(a) Covenant to Pay Assessments.....	51
(b) Extent of Owner's Personal Obligation for Assessments.....	51
(i) Obligation Runs with the Land.....	51
(ii) Personal Debt of Owner.....	52
(iii) Liability of Subsequent Owner.....	52
(iv) Liability of Prior Owner.....	52

(c) Authority of Board to Levy Assessments.....	52
(d) Authority of Board to Record Assessment Lien.....	52
(e) No Avoidance of Assessment Obligations.....	52
(f) Offsets.....	52
Section 7.2. Regular Assessments.....	53
(a) Purpose of Regular Assessments.....	53
(b) Annual Budget; Regular Assessments & Board Authority.....	53
(c) Board or Membership Approval Requirements.....	53
(d) Assessments to Address Emergency Situations.....	53
(e) Allocation of Regular Assessment.....	54
(f) Failure to Make Estimate.....	55
(g) Assessment Due Date, Installment Payments & Delinquency.....	55
(h) Mailing Notice of Assessment.....	55
Section 7.3. Special Assessments.....	55
(a) Purposes for Which Special Assessments May Be Levied.....	55
(i) Regular Assessment Insufficient in Amount.....	55
(ii) Capital Improvements.....	56
(iii) Reimbursement of Reserve Account(s).....	56
(iv) Repair of Defects or Damage.....	56
(b) Special Assessments Requiring Membership Approval.....	56
(c) Allocation and Payment of Special Assessments.....	56
(d) Due Date for Special Assessments.....	56
(e) Installment Payments of Special Assessment.....	57
Section 7.4. Special Individual Assessments.....	57
(a) Circumstances Giving Rise to Special Individual Assessments.....	57
(i) Damage to Common Area or Common Facilities.....	57
(ii) Expenses Incurred in Gaining Member Compliance.....	57
(iii) Required Maintenance on Lots.....	58
(iv) Diminution in Insurance Proceeds.....	58
(v) Increase in Insurance Burden.....	58
(vi) Additional Costs Associated With Extended Payment Program.....	58
(b) Levy of Special Individual Assessment and Payment.....	58
Section 7.5. Allocation of Assessment Shares.....	59
(a) General Assessment Allocation.....	59
(b) Neighborhood Assessment Allocation.....	59
(c) Assessments Against Projects.....	59
(d) REA Maintenance Assessments.....	59
Section 7.6. Reasonableness of Assessments.....	60
Section 7.7. Notice and Procedure for Member Approval.....	60
Section 7.8. Maintenance of Assessment Funds.....	60
(a) Bank Accounts.....	60
(b) Separate Accounts & Commingling of Funds.....	60
(c) Checks.....	61
Section 7.9. Collection of Assessments; Enforcement of Liens.....	61
(a) Delinquent Assessments.....	61
(b) Effect of Nonpayment of Assessments.....	61
(i) Creation and Imposition of Liens for Delinquent Assessments.....	61
(ii) Partial Payment of Assessments.....	62
(iii) Remedies Available to the Association to Collect Assessments.....	62
(iv) Non-judicial Foreclosure.....	62

(v) Judicial Foreclosure.....	62
(vi) Actions for Money Judgment.....	63
(c) Payment Plans.....	63
Section 7.10. Transfer of Lot by Sale or Foreclosure.....	63
(a) Assessment Liens Recorded Prior to Transfer.	63
(b) Foreclosure by Holder of Prior Encumbrance.	63
(c) Liability of New Owner for Future Assessments.	63
(d) Personal Liability of Prior Owner for Assessments.....	63
Section 7.11. Priorities.....	64
Section 7.12. Estoppel Certificate.....	64
Section 7.13. Unallocated Taxes.	64
Section 7.14. Assignment of Rents.....	64
Section 7.15. Waiver of Exemptions.	64
Section 7.16. Secondary Address.....	65
ARTICLE VIII: EASEMENTS & RESERVATIONS.	65
Section 8.1. Easements.	65
(a) Easements on Subdivision Map.....	65
(b) Easements for Common Area.	65
(c) Utilities.....	65
(d) Encroachment.....	66
(e) Support, Maintenance and Repair.....	66
(f) Annexation of Additional Property.	66
(g) Association's Easements.	66
(h) Private Utility Easements.	66
(i) Other Easements.....	66
(j) Side Yard Easements.	67
(i) Purpose.	67
(ii) Definitions.	67
(iii) Easement Description.....	67
(iv) Easement for Planting and Recreation; Easement for Utilities.....	67
(v) Easement for Repair and Maintenance.	67
(vi) Easement for Roof Overhead and for Drainage.	68
(vii) Use of the Easement Area.	68
(viii) Encroachments.	68
(ix) Amendments.....	68
(x) Designation of Easements.....	68
(k) Priority of Easements.....	69
Section 8.2. REA: Reciprocal Easement regarding Lot B.	69
ARTICLE IX: INSURANCE.....	69
Section 9.1. Types of Insurance Coverage.....	69
(a) Hazard Insurance.....	69
(b) General Liability Coverage.....	69
(c) Additional Coverage.....	70
(d) Fidelity Bond.....	70
(e) Flood Insurance.....	70
Section 9.2. General Insurance Requirements.....	70
(a) Carrier Rating.	70
(b) Named Insured: Loss Payee.	71
(c) Prohibited Provisions.	71
(d) Notice of Cancellation or Modification.	71

(e) Increased Hazards.....	71
(f) Acts of Individual Owners.....	71
(g) Waiver of Subrogation.....	71
(h) Compliance with Law.....	72
(i) Mortgagee Clause.....	72
(j) Certificates.....	72
(k) Claim Filing.....	72
(l) Proceeds.....	72
Section 9.3. Other Insurance.....	72
(a) Required.....	72
(b) Optional.....	73
Section 9.4. Project Common Area Coverage.....	73
Section 9.5. Owners Right to Policies & Notice of Significant Changes.....	73
Section 9.6. Coverage Not Available.....	73
Section 9.7. Individual Insurance.....	73
Section 9.8. Adjustment of Losses.....	73
Section 9.9. Deductibles.....	73
(a) Owner Responsible for Acts or Omissions.....	73
(b) Failure to Pay Deductible.....	74
(c) Objection to Payment of Deductible.....	74
Section 9.10. Insurance Trustee.....	74
ARTICLE X: DAMAGE OR DESTRUCTION AND EMINENT DOMAIN OF COMMON AREA.....	74
Section 10.1. General Provisions.....	74
Section 10.2. Reconstruction Fund.....	74
Section 10.3. Damage or Destruction to Common Area.....	75
(a) Cost Does Not Exceed Assessments.....	75
(b) Cost Exceeds Assessments.....	75
Section 10.4. Recovery of Damages for Damage or Destruction to Common Area.....	75
Section 10.5. Disbursement of Reconstruction Fund.....	75
Section 10.6. Eminent Domain.....	76
(a) Action by Association.....	76
(b) Repair of Common Area.....	76
(c) "Taking" Defined.....	76
Section 10.7. Repairs and Reconstruction.....	76
(a) Board's Authority to Contract.....	76
(b) Licensed Contractors.....	76
(c) Scope of Repairs and Reconstruction.....	76
Section 10.8. Emergency Repairs.....	77
ARTICLE XI: CONDEMNATION.....	77
Section 11.1. Condemnation of Common Area.....	77
Section 11.2. Condemnation of a Lot.....	77
ARTICLE XII: PARTITION OF COMMON AREA.....	77
Section 12.1. Suspension or Right of Partition.....	77
Section 12.2. Distribution of Proceeds upon Partition.....	77
Section 12.3. Power of Attorney.....	77
ARTICLE XIII: NON-SEVERABILITY OF COMPONENT INTERESTS.....	78
Section 13.1. Severance Prohibited.....	78
Section 13.2. Limitation on Interests Conveyed.....	78
Section 13.3. Lot Splitting, Consolidation.....	78
(a) Partition or Subdivision of Lot.....	78

(b) Consolidation of Lots.....	78
(c) Change in Voting or Assessments.....	78
(d) Costs.....	79
ARTICLE XIV: BREACH & DEFAULT.....	79
Section 14.1. Remedy at Law Inadequate.....	79
Section 14.2. Nuisance.....	79
Section 14.3. Violation of Law.....	79
Section 14.4. Cumulative Remedies.....	80
Section 14.5. Failure Not a Waiver.....	80
Section 14.6. Rights and Remedies of the Association.....	80
(a) Rights Generally.....	80
(i) Rights by Project Committee.....	81
(ii) Priority of Enforcement.....	81
(b) Schedule of Fines.....	81
(c) Definition of "Violation".....	81
(d) "Meet and Confer" Requirement.....	81
(e) Limitations of Disciplinary Rights.....	82
(i) Loss of Rights: Forfeitures.....	82
(ii) Liens Against Member's Lot.....	82
(f) Hearings.....	82
(g) Notices.....	83
(h) Rules Regarding Disciplinary Proceedings.....	83
Section 14.7. Court Actions; Alternative Dispute Resolution ("ADR").....	83
(a) Alternative Dispute Resolution.....	83
(b) Actions Relating to Assessments.....	83
(c) Small Claims Court Actions.....	84
(d) Statement and Admissions During ADR.....	84
Section 14.8. Joint and Several Liability of Co-Owners.....	84
Section 14.9. Costs and Attorneys' Fees.....	84
ARTICLE XV: MORTGAGE PROTECTION.....	84
Section 15.1. In General.....	84
(a) Conflict.....	84
(b) Application of this Declaration.....	85
Section 15.2. Application of Assessments to First Mortgagees.....	85
Section 15.3. Limitation of Enforcement Against First Mortgagees.....	85
Section 15.4. Availability of Documents.....	85
Section 15.5. Audited Financial Statements.....	85
(a) Fifty Lots or More.....	85
(b) Fewer Than Fifty Lots.....	85
(c) Timelines.....	85
Section 15.6. Management Agreements.....	86
Section 15.7. Property Owned by the Association.....	86
Section 15.8. No Restraints on Alienation.....	86
Section 15.9. Insurance and Condemnation Proceeds.....	86
ARTICLE XVI: AMENDMENT OF DECLARATION.....	86
Section 16.1. Amendment in General.....	86
Section 16.2. Effective Date of Amendments.....	87
Section 16.3. Reliance on Amendments.....	87
ARTICLE XVII: ANNEXATION.....	87
Section 17.1. Annexation.....	87

Section 17.2. Method of Annexation.....	87
Section 17.3. Effect of Declaration on Annexation.....	88
Section 17.4. Assessments and Voting Rights in Subsequent Phases.....	88
Section 17.5. Adjustment for Capital Improvements.....	88
Section 17.6. Completion of Common Area in Annexed Property.....	88
Section 17.7. Completion of Annexed Property.....	88
Section 17.8. Conveyance of Common Area in Annexed Property.....	88
ARTICLE XVIII: GENERAL PROVISIONS.....	89
Section 18.1. Effective Date.....	89
Section 18.2. Notices.....	89
(a) Mailing as Alternative to Personal Service.....	89
(b) Personal Service upon Co-Owners & Others.....	89
Section 18.3. No Public Rights in Subdivision.....	89
Section 18.4. Construction of Declaration.....	89
(a) Restrictions Construed Together.....	89
(b) Restrictions Severable.....	90
(c) Singular Includes Plural/Gender.....	90
(d) Captions.....	90
(e) Conflicts.....	90
(f) Exhibits.....	90
Section 18.5. Power of Attorney.....	90
Section 18.6. Term of Declaration.....	90
CERTIFICATION.....	91

**SECOND RESTATED DECLARATION
OF COVENANTS, CONDITIONS & RESTRICTIONS OF
REGENCY PLACE OWNERS' ASSOCIATION**

RECITALS

R1. Whereas, Regency Place Owners' Association is the successor to PAC/Regency Place No. 3, a California limited partnership, with respect to that certain real property described in Exhibit "A," attached to this Declaration and any Declarations of Annexation to the Regency Place Owners' Association filed with the Sacramento County Recorder, which as Declarant, executed a Declaration of Covenants, Conditions and Restrictions, dated February 3, 1992, and recorded on February 13, 1992, in Book 920213, at pages 1236 et seq., in the Official Records of the County of Sacramento, State of California;

R2. Whereas, Regency Place Owners' Association filed the First Restated Declaration of Covenants, Conditions & Restrictions of Regency Place Owners' Association, dated September 21, 1999, and recorded on September 21, 1999, document number 199909211009, in the Official Records of the County of Sacramento, State of California;

R3. Whereas, the above referenced Declaration of Covenants, Conditions and Restrictions establishes certain limitations, easements, covenants, restrictions, conditions, liens, and charges which run with and are binding upon all parties having or acquiring any right, title or interest in that certain parcel of real property located in the City of Sacramento, County of Sacramento, State of California, and more particularly described as set forth in Exhibit "A," and any Declarations of Annexation to Regency Place Owners' Association filed with the Sacramento County Recorder;

R4. Whereas, pursuant to Section 16.1 of the above-referenced Declaration of Covenants, Conditions and Restrictions, the Members of Regency Place Owners' Association, constituting at least fifty-one percent (51%) of all eligible Members, desire to amend, modify and otherwise change the above-referenced Declaration of Covenants, Conditions and Restrictions;

R5. Whereas, the owners of at not less than fifty-one percent (51%) of all eligible Members voted by written ballot to amend and restate the First Restated Declaration, all in accordance with the procedures for amendment set forth in the First Restated Declaration. It is the intention of the Owners to replace the First Restated Declaration, in its entirety, with the Recordation of this Declaration. The Owners' action to amend and restate the First Restated Declaration as set forth herein and the fact that the requisite percentage of affirmative votes required in the Original Declaration was achieved, is attested by the execution of this Second Restated Declaration by duly authorized officers of the Association, as required by Section 4270(a) of the California Civil Code. As so amended and restated, the easements, covenants, restrictions and conditions set forth herein shall run with the Properties and shall be binding upon all parties having or acquiring any rite, title or interest in the Subdivision or any portion thereof, and shall inure to the benefit of each Owner thereof;

R6. Therefore, the Members of Regency Place Owners' Association constituting of not less than fifty one percent (51%) of all eligible Members of the Association do hereby declare that the above-referenced limitations, easements, covenants, restrictions, conditions, liens and charges set forth in the above described declaration and amendments thereto, if any, be and are hereby AMENDED AND RESTATED in their entirety. In the place and stead of the limitations, easements, covenants, restrictions,

conditions, liens and charges set forth in the above described declaration and amendments thereto, if any, the Members hereby adopt and substitute this Second Restated Declaration of Covenants, Conditions & Restrictions of Regency Place Owners' Association;

R7. It is further hereby declared that all of the real property described herein constitutes a "Planned Development" within the meaning of Section 4175 of the California Civil Code or superseding statute;

R8. It is further hereby declared that all of the real property described herein is held and owned and shall be held, owned, operated, managed, conveyed, assigned, rented, hypothecated, encumbered, leased, used, occupied and improved subject to the following Declaration of Covenants, Conditions & Restrictions, all of which are declared and agreed to be in furtherance of a plan and purpose of protecting, preserving and enhancing the value, desirability and attractiveness of the said real property and every part thereof and of fostering the management, improvement, enjoyment, use and sale of the Subdivision and any part thereof;

R9. It is further hereby declared that all of the Covenants, Conditions and Restrictions herein set forth shall constitute enforceable equitable servitudes as provided in Section 5975 of the California Civil Code or superseding statute and shall constitute covenants that shall run with the real property and shall be binding upon and inure to the benefit of each Owner of any portion of the real property or of any interest therein, each party having or acquiring any right, title or interest in and to the real property or any part thereof and their heirs, successors and assigns; and

R10. It is further hereby declared that each Owner, by acceptance of a deed to a Lot, shall be deemed to have agreed, for any and all purposes, for Owner and for the members of Owner's Family, Owner's contract purchasers, tenants or lessees, guests, invitees and/or licensees to abide by, and to be bound by, each and every provision of this Declaration of Covenants, Conditions and Restrictions which subjects such Owner or other person to a contractual, fiduciary or other duty, obligation or agreement for the benefit of other Owners or occupants of the Subdivision, either individually or as a class, of Regency Place Owners' Association or of the public generally, regardless of whether the deed refers specifically to this Declaration of Covenants, Conditions and Restrictions or to any such duty, obligation or agreement.

ARTICLE I: DEFINITIONS.

Section 1.1. "Articles"

"Articles" shall mean the Articles of Incorporation of Regency Place Owners' Association which are filed in the Office of the Secretary of State of California, as such Articles may be amended from time to time.

Section 1.2. "Assessment"

"Assessment" shall mean any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and his or her Lot in accordance with the provisions of Article VII of this Declaration.

Section 1.3. "Association"

"Association" shall mean Regency Place Owners' Association, a California nonprofit mutual benefit corporation, its successors and assigns. The Association is an "association" as defined in section 4080 of the California Civil Code.

Section 1.4. "Association Rules"

"Association Rules" shall mean the rules, regulations and policies adopted by the Board of Directors of the Association pursuant to this Declaration, as the same may be in effect from time to time.

Section 1.5. "Board of Directors" or "Board"

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

Section 1.6. "Bylaws"

"Bylaws" shall mean the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 1.7. "Capital Improvements"

"Capital Improvements" are improvements not in existence on the date of this Declaration that are unrelated to replacement, repair, or maintenance of, or damage to, or destruction of, the existing Common Facilities.

Section 1.8. "Common Area"

"Common Area" means: (i) Lot C of the Map, which is the Recreational Facility; and (ii) any Lot or parcel designated as Common Area or Neighborhood Common Area in any Declaration of Annexation or on any Recorded subdivision map or parcel map of Subsequent Phases.

Common Area includes all Improvements on or to any such Lot so shown or designated. In addition, Common Area includes, for the sole purpose of Association maintenance as provided by Section 5.1 herein, (a) any berm or landscaped area within any street or public right-of-way as may be designated for maintenance in a Declaration of Annexation, (b) the walls and fences designated for Association maintenance in Section 5.1 of this Declaration, unless and until such time as these areas are accepted for maintenance by a governmental or public agency, and (c) front yard landscaping on Lots other than Project Units. Common Area does not include Project Common Area except for the driveway areas and turnaround circle located on Lot B of the Map and maintained by the Association in accordance with the REA, as described in Section 8.2.

Section 1.9. "Common Expense"

"Common Expense" shall mean the actual, estimated, or expected costs, charges, or other financial liabilities of the Association, including, without limitation: (a) all costs or charges incurred by or on behalf of the Association for the management, maintenance, administration, operation, repairs, additions, alterations or reconstruction of Common Area, Common Facilities, or any portion of the Lots for which the Association has maintenance or repair obligations; (b) all costs or charges reasonably incurred to procure

insurance for the protection of the Association, its Board, and for residential structures located on Lots and for the exterior maintenance and repair thereof in accordance with this Declaration; (c) any amounts reasonably necessary for reserves to maintain, repair or replace the Common Area or Common Facilities, any portion of the Residences for which the Association has maintenance or repair responsibility, or to cover unpaid (delinquent) Assessments; (d) any other costs or charges necessary for the Board to perform its functions and fulfill its responsibilities under the Governing Documents; and (e) an adequate reserve fund for the replacement of Common Facilities, which shall be established by the Association and funded with Assessments.

Section 1.10. "Common Facilities"

"Common Facilities" means the trees, hedges, plantings, lawns, shrubs, landscaping, lighting fixtures, buildings, structures and other facilities located, constructed or installed, or to be located, constructed or installed within the Common Area.

Section 1.11. "County"

"County" means the County of Sacramento, State of California, and its various departments, divisions, employees and representatives.

Section 1.12. "Declaration"

"Declaration" shall mean this Second Restated Declaration of Covenants, Conditions and Restrictions of Regency Place Owners' Association filed in the Office of the Recorder of Sacramento County, California, as it may be amended from time to time.

Section 1.13. "Director"

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

Section 1.14. "Family"

"Family" shall mean two (2) or more persons who live together and maintain a common household in a Lot whether or not they are all related to each other by birth, marriage or legal adoption.

Section 1.15. "First Mortgage"; "First Mortgagee"

"First Mortgage" means a security device which constitutes a lien of first priority against any Lot or Lots. "First Mortgagee" means any Institutional Lender who is a Secured Party who holds a First Mortgage as defined in this section, and includes any assignee, in whole or in part, of such a First Mortgage. "Institutional Lender" means any company or entity that is in the business of making real property loans and that is regulated or chartered for that purpose under federal or state laws. "Institutional Lender" includes, without limitation, any bank, savings and loan association, savings bank, insurance company, mortgage broker, credit union, pension or profit sharing trust fund, or a federally chartered corporation or a government agency that is either a lender or that purchases mortgages.

Section 1.16. "Governing Documents"

"Governing Documents" is a collective term that shall mean and refer to this Declaration and to the Association's Articles, Bylaws, Association Rules and the policies and resolutions adopted by the Board and distributed to the Members.

Section 1.17. "Guarantor"

"Guarantor" means a government agency, a government chartered corporation, or an insurance company that has insured or guaranteed a First Mortgage. "Eligible Guarantor" means a Guarantor that has requested notice as provided in Section 14.6.

Section 1.18. "Improvement"

"Improvement" includes, without limitation, the construction, installation, alteration or remodeling of any buildings, walls, fences, landscaping, skylights, solar heating equipment, spas, antennas, television satellite reception dishes, utility lines or any structure of any kind; provided, however, that improvements to the interior of any Residence shall not be considered an Improvement, as defined herein, unless the interior improvement involves any structural alteration of, or intrusion into, a party wall, roof or other load bearing wall within the Residence.

Section 1.19. "Lien"

"Lien" means any lien, whether voluntary or involuntary.

Section 1.20. "Lot"

"Lot" shall mean any parcel of real property designated by a number on the Subdivision Map of the Subdivision, excluding the Common Area. When appropriate within the context of this Declaration, the term "Lot" shall also include the Residence and other improvements constructed or to be constructed on a Lot.

Section 1.21. "Majority of a Quorum"

"Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the meeting in person or by proxy or casting written ballots equals or exceeds the minimum quorum requirement for Member action, as specified in the Bylaws or by statute.

Section 1.22. "Map"

"Map" means that certain subdivision map entitled "Regency Place, Unit No. 1" and filed for Record on May 31, 1991, in Book 216 of Maps, Map No. 7, which title to the land shown on such subdivision map vested as per Certificate No. 5517, Records of Sacramento County.

Section 1.23. "Member"

"Member" means every person or entity who is a record Owner of a fee or undivided fee interest in any Lot within the Properties and, thereby, holds a membership in the Association except any such person

or entity who holds an interest in a Lot merely as a security for the performance of an obligation and persons or entities whose rights as a Member are suspended pursuant to Section 14.6 hereof.

Section 1.24. "Member in Good Standing"

"Member in good standing" means 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, and who is in compliance with all of the provisions of the Governing Documents, as more particularly set forth in the Bylaws.

Section 1.25. "Mortgage"

"Mortgage" shall mean a mortgage or deed of trust encumbering a Lot or other portion of the Subdivision. A "Mortgagee" shall include the beneficiary under a deed of trust and any grantor or insurer of a Mortgage. "First Mortgage" or "First Mortgagee" is one having priority over all other Mortgages or holders of Mortgages encumbering the same Lot or other portion of the Subdivision. A "First Mortgagee" shall include any holder (including FHLMC and FNMA), insurer (including FHA), or guarantor (including VA) of a First Mortgage on a Lot or other portion of the Subdivision. "FHA" shall mean the United States Department of Housing and Urban Development, Federal Housing Administration. "VA" shall mean the United States Department of Veterans Affairs. "FHLMC" shall mean the Federal Home Loan Mortgage Corporation. "FNMA" shall mean the Federal National Mortgage Association. Where any provision of the Governing Documents requires the approval of a First Mortgagee, the approval of the holder, insurer or grantor of that First Mortgage shall be deemed to be the required approval.

Section 1.26. "Neighborhood;" "Neighborhood Common Area"

"Neighborhood" means any Lot or group of Lots designated as a Neighborhood on any Declaration of Annexation. Neighborhoods are areas with private streets, which may also have gates for the control of access over such private streets, and landscaping for the use of the Owners within such area.

"Neighborhood Common Area" means any Lot or parcel within a Neighborhood that is owned by the Association or that is jointly owned or controlled by the Owners within such Neighborhood. The Neighborhood Common Area within a Neighborhood is to be maintained by the Association with the expenses for such maintenance to be assessed to the Owners within the Neighborhood. The use of Neighborhood Common Areas is limited to Owners within the Neighborhood containing such Common Area.

Section 1.27. "Owner"

"Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Subdivision, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 1.28. "Owner of Record" and/or "Member of the Association"

"Owner of Record" and/or "Member of the Association" include an Owner and mean any person, firm, corporation or other entity in which title to a Lot is vested as shown by the official records of the Office of the County Recorder.

Section 1.29. "Party Wall"

"Party Wall" shall mean any wall of a Residence located on a property line dividing any Lots, which wall is commonly used by any such Lot and the adjoining Lot. Residences within the Properties also share a common roof. The rights and responsibilities of Owners with respect to Party Walls and common roofs shall be governed by Article V of this Declaration.

Section 1.30. "Phase"

"Phase" shall mean: (i) the real property described in Exhibit "A" (the "first Phases"); and (ii) if and when a Declaration of Annexation had or has been recorded, all of the real property annexed by any Declaration of Annexation ("Subsequent Phases").

Section 1.31. "Planning Committee"

"Planning Committee" means the governing body established under Article IV for the purpose of considering and taking action with respect to proposed work within the Subdivision.

Section 1.32. "Project"

"Project" means any condominium, planned unit development, or any other common interest development within the Subdivision which comprises two (2) or more separate estates ("Project Units") and a common area ("Project Common Area") jointly owned or controlled by the owners of such estates or by an association of such owners.

Section 1.33. "Project Committee"

"Project Committee" means the governing body of a Project. In the case of an owners association, the Project Committee means the board of directors of such association.

Section 1.34. "Project Common Area"

"Project Common Area" means all the land within a Project jointly owned or controlled by the Owners or by an association of Owners on the Project.

Section 1.35. "Project Unit"

"Project Unit" means the improved separate interests within a Project, including without limitation: (i) units of a condominium project; and (ii) the individual Lots within a planned unit development other than those within the Map, that are not Project Common Area.

Section 1.36. "Recreational Facility"

"Recreational Facility" means Lot C as shown on the Map, and includes all Improvements on or to such Lot including the recreational vehicle storage area.

Section 1.37. "Regular Assessment"

"Regular Assessment" shall mean an Assessment levied on an Owner and their Lot in accordance with Section 7.2 hereof.

Section 1.38. "Residence"

"Residence" shall mean a private residential dwelling constructed on any Lot in the Subdivision.

Section 1.39. "Resident"

"Resident" shall mean any person who resides in a dwelling within the Subdivision whether or not such person is a Member of the Association as defined in the Declaration.

Section 1.40. "Setback"

"Setback" means the distance between a house or other Improvement on a Lot and any point on the boundary line of such Lot. Any Setback requirement established in any subdivision map, deed, or by any Project map or plan approved by the government agency having jurisdiction, or by this Declaration, for any house or other Improvement, shall be the minimum Setback for such house or other Improvement.

Section 1.41. "Single Family Residential Use"

"Single Family Residential Use" means occupation and use of a Residence for single family dwelling purposes in conformity with this Declaration and the requirements imposed by applicable zoning or other applicable laws or governmental regulations limiting the number of persons who may occupy single family residential dwellings.

Section 1.42. "Special Assessment"

"Special Assessment" shall mean an Assessment levied on an Owner and their Lot in accordance with Section 7.3 hereof.

Section 1.43. "Special Individual Assessment"

"Special Individual Assessment" shall mean an Assessment made against an Owner and/or his or her Lot in accordance with Section 7.4 hereof.

Section 1.44. "Subdivision"

"Subdivision" means the real property subject to this Declaration including after annexation any real property annexed in any Declaration of Annexation, together with all Improvements on or to such real property. The Subdivision is a "planned development" within the meaning of Section 4175 of the California Civil Code.

Section 1.45. "Unit"

"Unit" means the Improvements located on each Lot, comprising a single family residence and appurtenances whether that residence is a detached house, condominium, or a planned unit development unit.

ARTICLE II: OWNERS' PROPERTY RIGHTS & OBLIGATIONS.

Section 2.1. Elements of Lot.

Ownership of each Lot within the Subdivision includes Membership in the Association and:

(a) Lot.

A separate Lot as defined, depicted, and described herein and identified by number on the Subdivision Map.

(b) Nonexclusive Easements.

Nonexclusive Easements, subject to any other provisions of this Declaration under which such easements may be modified or extinguished:

(i) Over the Common Area, with respect to all Owners, other than Neighborhood Common Area.

(ii) Over the Common Area within a Neighborhood, with respect to the Owner of any Lot in a Neighborhood.

(iii) For side yard purposes over other Lots, with respect to certain Lots, as set forth more fully in Section 8.1.

(c) Exclusive Use Common Areas.

Appurtenant to some of the Lots are exclusive use common areas, as defined in section 4145 of the California Civil Code, consisting of semi-enclosed patio and driveway encroachment areas. The exclusive use common areas are set aside for the exclusive use and enjoyment of the Owners and occupants of the appurtenant Residence. To the extent that the existing fencing surrounding a semi-enclosed patio area encroaches upon the Common Area, the encroachment shall constitute an exclusive use common area. Similarly, for those Residences facing the streets which utilize an existing driveway which encroaches upon the Common Area, the encroachment shall constitute an exclusive use common area.

(d) All Interests Subject to Governing Documents.

All of the above interests in real property shall be subject to all of the covenants, conditions, restrictions, easements, limitations, reservations, liens, and charges contained elsewhere in this Declaration, the Articles, the Bylaws, and the Association Rules.

Section 2.2. Owners' Right to Use and Enjoy Common Area.

Subject to the provisions of this Declaration, the Common Area shall be held and maintained for the use and enjoyment of the Members of the Association, their Families, tenants, lessees, resident contract

purchasers and/or guests as provided in the Governing Documents. There shall be no use of the Common Area except by the above specified persons. (See Section 2.5, below, regarding use by non-members.)

(a) Nonexclusive Easements.

Every Owner (and Owner's Family, resident contract purchasers, lessees, tenants, and/or guests) shall have a nonexclusive right and easement of enjoyment in and to the Common Area, including ingress and egress to and from the Owner's Lot, which shall be appurtenant to and shall pass with the title to every Lot, subject to the rights and restrictions set forth in this section.

(b) Limitations on Nonexclusive Easements.

The Owners' nonexclusive easements for use and enjoyment of the Common Area as described above are subject to the following limitations and restrictions:

(i) The right of the Association to adopt Association Rules as provided in Section 6.6(a)(ii)(E) hereof, regulating the use and enjoyment of the Subdivision for the benefit and well-being of the Owners in common, and, in the event of the breach of such rules or any provision of any Governing Document by any Owner or resident, to temporarily suspend the voting rights and/or right to use the Common Facilities, by any Owner, resident, and/or their guests, subject to compliance with the due process requirements of Section 14.6 hereof.

(ii) The right of the Association, or its agents, when necessary, to enter any Lot to perform the Association's obligations under this Declaration, including the following: obligations to enforce architectural and land use restrictions of Article III hereof; any obligations with respect to construction, maintenance and repair of adjacent Common Area; or to make necessary repairs that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, Association property or the Owners in common.

The Association's rights of entry under this subparagraph (ii) shall be immediate in case of an emergency originating in or threatening the Lot where entry is required, or any adjoining Lots or Common Area, and the Association's work may be performed under such circumstances whether or not the Owner or his or her lessee is present. In all non-emergency situations the Association, or its agents, shall furnish the Owner or his or her lessees with at least twenty-four (24) hours written notice of its intent to enter the Lot, specifying the purpose and scheduled time of such entry and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing on the Lot.

(iii) The right of the Association, in accordance with this Declaration, and/or the Association's Articles and Bylaws, to borrow money for the purpose of improving, restoring or maintaining the Common Area and/or the interests of the Owners and/or for the benefit of the Association.

(iv) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed by the Owners; provided, however, that no such dedication or transfer shall be effective unless an instrument, approved by at least two-thirds (2/3) of the voting power of the Members, consenting to such dedication or transfer has been recorded. Furthermore, no dedication shall be permitted that impairs the ingress and egress to any Lot.

(v) The right of any Owner to the full use and enjoyment of any mechanical or electrical service connections as may serve the Owner's Lot in conjunction with other Lots within the Subdivision. The Owner of each Lot served by a sanitary sewer, water, gas, electric, telephone, television line or connection, heating or air conditioning conduit, duct, flue, or system, or similar utility/service connection shall be entitled to the full use and enjoyment of such portions of said connections as service Owners' Lot.

(vi) Each Lot within the Subdivision is hereby declared to have an easement over all adjoining Lots and the Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the Residence or other building, or any other cause. The easement will be valid to maintain those encroachments, described above, for as long as they exist, and the Owners' rights and obligations will not be altered in any way by the encroachment, settlement or shifting; provided, however, that in no event will a valid easement for encroachment be created in favor of an Owner(s) if the encroachment occurred through the willful misconduct of said Owner(s). In the event a Residence or other building 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 will be permitted and that valid easements for the maintenance of minor encroachments will exist.

(vii) The non-exclusive easements granted herein shall be subordinate to and shall not interfere with exclusive easements, if any.

(viii) The Association shall have an easement across every Lot within the Subdivision to perform the maintenance, repairs, and replacement of components for which it is obligated.

(ix) Wherever sanitary sewer connections or water connections or electricity, gas, or telephone, television lines, or drainage facilities are installed within the Subdivision, which connections, lines or facilities, or any portion thereof, lie in or upon Lots owned by other than the Owner of a Lot served by said connections, lines, or facilities, the Owner of any Lot served by said connections, lines, or facilities shall have the right, and is hereby granted an easement to the full extent necessary therefore, to enter upon the Lots of other Owners or to have utility companies enter upon the Lots within the Subdivision in or upon which said connections, lines, or facilities, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.

Wherever sanitary sewer connections and/or water connections or electricity, gas or telephone lines or drainage facilities are installed within the Subdivision, 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 or her Lot.

All utility companies having easements on the Subdivision 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, provided, however, that such utility company shall be obligated to restore the Improvement to substantially its former condition.

(c) Waiver of Right to Sever.

No Owner, or other person, may by conveyance, transfer or any other action, including an action at law for partition, sever any Lot or Lots from the Common Area or from the Association. Each Owner, by acceptance of a deed to a Lot hereby expressly waives all rights to do so.

Section 2.3. Persons Subject to Governing Documents.

All present and future Owners, tenants, lessees, contract purchasers and/or occupants of Lots within the Subdivision (on behalf of themselves, their Family, guests, tenants, invitees, agents, employees, licensees and/or any other persons that might use the facilities of the Subdivision in any manner, etc.) shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time, unless a particular provision is specifically restricted in its application to one (1) or more of such classes of persons (i.e., Owners, tenants, invitees, etc.). The liability and obligation of any Owner for performance of any one (1) and all provisions of the Governing Documents with respect to any Lot shall terminate upon the sale, transfer, or other divestiture of such Owner's entire interest in that Lot with respect to obligations arising hereunder from and after the date of such divestiture.

Section 2.4. Merger of Lots.

The Association shall have the right, but not the obligation, to grant to the Owner of two (2) or more adjacent Lots those easements necessary or appropriate to permit such Owner to effect internal access from one Lot to another through the walls or other portions of the Common Area which separate and divide the individual Lots. Such Lots shall, for all purposes of the Governing Documents, remain and be treated as two (2) separate Lots. The Association shall also have the right, but not the obligation, to grant the Owner of two (2) or more adjacent Lots those easements necessary or appropriate to permit such Owner to separate and divide Lots previously joined hereunder.

All of such work shall be done at the expense of the Owner, and any such Owner shall indemnify the other Owners and the Association against and hold them harmless from, any cost, loss, liability, damage, or injury to property or persons arising from, or caused by, such work. As a condition to the grant of any such easement, the Association may impose such reasonable terms and conditions with respect thereto as the Board deems necessary or appropriate, including, without limitation, a requirement that the Owner obtain lien and completion bonds to assure lien-free completion of work.

Section 2.5. Delegation of Use.

(a) Delegation of Use and Leasing of Lots.

Any Owner may delegate the Owner's rights to use and enjoy the Common Area and Common Facilities to members of the Owner's family or the Owner's tenants, lessees or contract purchasers who reside in the Owner's Lot, provided that any rental or lease may only be to a single family for Single Family Residential Use and for a term not less than ninety (90) days.

During any period when a Lot has been rented or leased, the Owner-lessor, his or her family, and guests and invitees shall not be entitled to use and enjoy the Common Areas or Common Facilities of the Subdivision, except to the extent reasonably necessary to perform the Owner's responsibilities as a lessor of the Lot, provided that this restriction shall not apply to an Owner-lessor who is contemporaneously residing in another Lot within the Subdivision.

Any rental or lease of a Lot shall be subject to the provisions of the Governing Documents, all of which shall be deemed incorporated by reference in the lease or rental agreement. Each Owner-lessor shall provide any tenant or lessee with a current copy of all Governing Documents and shall be responsible

for compliance by the Owner's tenant or lessee with all of the provisions of the Governing Documents during the tenant's or lessee's occupancy and use of the Lot.

(b) Rental of Lots

The lease or rental of Lots is subject to the Governing Documents and a breach of the Governing Documents is a default of the lease or rental agreement. The lease or rental agreement shall provide that at least one (1) occupant of a Lot subject to the lease or rental agreement shall be at least fifty-five (55) years of age or older. No Lot may be leased or rented for a period of less than ninety (90) consecutive days. The occupancy of a Lot by other than the Owner shall be reported to the Association in writing prior to such occupancy and a copy of the written rental agreement or lease shall be concurrently furnished to the Association. Any monetary Obligation incurred by any non-owner occupant to the Association under this Declaration or the Association Rules shall also be the personal obligation of the Owner of the Lot so occupied, and may be levied against such Lot as an Assessment.

Each Owner leasing a Lot pursuant to this section shall be strictly responsible and liable to the Association and its Members for the actions of such Owner's tenant(s) in or about all Lots and the Common Area and for each tenant's compliance with the provisions of the Association Governing Documents.

(c) Discipline of Lessees; Exercise of Eviction Authority.

An Owner who leases his or her Lot to any person or entity shall be responsible for assuring compliance by the lessee with the provisions of the Governing Documents, including but not limited to, all easements, reservations, assessments, liens and charges created in accordance with this Declaration, all as amended and supplemented from time to time.

Subject to Subsection (d) below, in the event that any tenant or lessee fails to honor the provisions of any Governing Document, the Association shall be entitled to take such corrective action as it deems necessary or appropriate under the circumstances, which may include initiation of an eviction proceeding in accordance with Subsection (d) below, suspension of the tenant's privileges to use any recreational Common Facilities, or the imposition of fines and penalties against the Owner or tenant/lessee.

Whether or not such right is stated in any rental agreement, every Owner who rents his or her Lot automatically grants to the Association the right to determine a tenant's default under the Governing Documents and of terminating the tenancy and evicting the tenant for such default. If the Board takes such eviction action, either in its own name or in the Owner's name, the Owner shall be responsible for all costs thereof, including reasonable attorneys' fees, and shall reimburse the Association upon demand for the entire amount of such costs. If the Owner refused to make such reimbursement, the sums shall constitute a Special Individual Assessment (Section 7.4) for which a lien may be imposed against the Owner's Lot. The Association's right to maintain an eviction action hereunder is derived from Sections 1165 and 5980 of the California Code of Civil Procedure and shall only arise if the tenant's or lessee's conduct involves damage to or destruction of Common Areas or Common Facilities, or constitutes a nuisance or unreasonable interference with the quiet enjoyment of other residents.

Any fine or penalty levied pursuant to this section shall be considered a Special Individual Assessment as defined in Section 7.4, below. If a Special Individual Assessment is imposed as a result of the conduct of a renter or lessee, the renter or lessee agrees to be personally obligated for the payment of such assessments in the event the Owner-lessor fails to pay the assessments prior to the delinquency date.

This provision, however, shall not be construed to release the Owner from any obligation, including the obligation to impose any duly imposed Special Individual Assessments, for which such Owner would otherwise be responsible. Any lessee charged with a violation of the Governing Documents is entitled to the same notice and hearing rights to which the Owner is entitled to as provided in Subsection (d) below. Any Owner who shall lease his or her Lot shall be responsible for assuring compliance by the lessee with the Governing Documents.

(d) Due Process Requirements for Disciplinary Action

Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction to the Subdivision, or any part thereof, or to preserve the rights of quiet enjoyment of other Owners, the Association shall have no right to initiate disciplinary action against an Owner-lessor (or the Owner's lessee or tenant) on account of the misconduct of the Owner's lessee or tenant unless and until the following conditions have been satisfied:

(i) The Owner has received written notice from the Board or the Association's property manager detailing the nature of the lessee's or tenant's alleged infraction or misconduct and advising the Owner of his or her right to a hearing on the matter in the event the Owner believes that remedial or disciplinary action is unwarranted or unnecessary;

(ii) The Owner has been given a reasonable opportunity to take corrective action on a voluntary basis or to appear at a hearing, if one is requested by the Owner; and

(iii) The Owner has failed to prevent or correct the tenant's objectionable actions or misconduct. Any hearing requested hereunder shall be conducted in accordance with Section 14.6 hereof.

(e) Security Deposit.

Through its rule-making power, exercised in accordance with Subsection 6.6(a)(ii)(E) hereof, the Board of Directors is hereby authorized and empowered to establish and implement an Association security deposit procedure to protect the Association, the Common Area and Common Facilities from negligence, damage and/or destruction caused by an Owner's tenants or lessees or the tenant's or lessee's families and guests. Said security deposit, if required, shall be payable by the Owner and shall be fixed in an amount not to exceed the annual assessment and shall be held by the Association in a separate security deposit fund in the name of the Association. Within two weeks following the receipt of notice from the Owner-lessor that the Lot is no longer being leased, the Association shall furnish the Owner with an itemized statement indicating the basis for, and the amount of, any security received and the disposition of the security and shall return the remaining portion of the security to the Owner.

(f) Recoverable Costs and Expenses.

In the event of: (i) damage to, or destruction of, Common Areas or Common Facilities by a tenant or lessee or the Owner of a leased Lot; (ii) the imposition of a fine or penalty against an Owner-lessor as a result of any act or omission of the Owner's tenant or lessee; or (iii) expenses incurred by the Association in the successful prosecution of an eviction proceeding pursuant to Subsection (c), above, the Association shall be entitled to apply the security deposit to the Recoverable Costs and Expenses. The Owner-lessor shall thereupon immediately reimburse the security deposit fund in an amount equal to the sums thus applied. Upon termination of the lease and notification to the Association of such termination, the security deposit, or the balance thereof, shall be refunded to the Owner without interest. As a condition

to the Association's right to apply security deposit funds in the manner provided above, the Association must give the Owner-lessor the notice and hearing rights specified in Subsection (d) above.

Section 2.6. Restriction on Number of Leased Lots, excluding Project Units.

As used in the Declaration, the terms "lease" or "rental" shall mean any and all agreements, including, but not limited to leases, subleases and/or rental agreements, for the occupancy of any Lot, excluding Project Units. The term "lease" shall include "rental," the term "lessee" shall include "tenant," and the term "lessor" shall include "landlord," and vice-versa. Any Owner who wishes to lease the Owner's Lot must comply with all provisions of the Governing Documents, Section 2.5, this section, Section 2.7, Section 3.2, and any applicable Association Rules. This section does not concern Project Units.

(a) Percentage Limits on Non-Owner Occupancy.

The Association wants to ensure that Lots continue to qualify for conventional mortgage financing and that current and future Owners can continue to obtain financing. The Association therefore seeks to reasonably maximize the percentage of Lots that are Owner-occupied.

In order to accomplish the above-stated goal, the Association imposes the following lease restriction: Subject to the waiver provision set forth below, at all times, the maximum percentage of Lots, excluding Project Units, which may be leased at any time is 15 (fifteen) Lots, which is twenty percent (20%) of the total number of Lots, excluding Project Units. A Lot is deemed to be leased when it is occupied by persons other than its Owner while it is not occupied by the Owner for more than thirty (30) consecutive days.

(b) Priority.

The Association shall keep a list of all leased Lots. If at any time the number of leased Lots meets or exceeds twenty percent (20%) of the total number of Lots, excluding Project Units, then the Association shall keep a list of Owners requesting the Association's authority to lease that Owner's Lot (hereinafter the "waiting list"). Names of Owners shall be placed upon the waiting list in the order that the Owner's written request for authority to lease is received by the Association. Subject to the waiver provision below, the Owner at the top of the waiting list will be given the next available authority to lease their Lot.

Once the Association has granted an Owner authority to lease the Owner's Lot that Owner has the right to continue leasing the Lot to consecutive lessees as long as the Owner complies with the provisions of the Governing Documents, including, but not limited to, Section 2.5, this section, Section 2.7, Section 3.2, and any applicable Association Rules. However, if the Lot fails to be lessee-occupied for a period in excess of ninety (90) days, then that Lot loses its lease status and that Owner must re-apply for and receive Association authority before leasing the Lot.

(c) Grandfathering.

The restriction on the number of Lots that may be rented or leased as set forth in this section shall not apply to any Member who is an Owner of a Lot on the date this amendment is recorded, but shall apply to any Lot upon transfer of title to such Lot subsequent to the date this amendment is recorded. The grandfathered Lots shall be considered in determining the twenty percent (20%) limitation.

A Lot is deemed to not be transferred pursuant to this subsection (c) if it meets one of the following conditions:

(1) Pursuant to Section 62 or 480.3 of the Revenue and Taxation Code, the transfer is exempt, for purposes of reassessment by the county tax assessor.

(2) Pursuant to subdivision (b) of, solely with respect to probate transfers, or subdivision (e), (f), or (g) of, Civil Code Section 1102.2, the transfer is exempt from the requirements to prepare and deliver a Real Estate Transfer Disclosure Statement, as set forth in Section 1102.6.

(d) Waiver.

The Board has the authority and may, in its discretion, grant waivers to the restriction on leasing to those Owners that request such a waiver and demonstrate a special circumstances hardship.

Owners must provide the Board with a prior written request for a waiver from the provisions of this section. In the written request, the Owner must outline the special circumstance such as the Owner's illness, death, or other extreme financial hardship such as loss of job or transfer which warrants the requested waiver.

No waiver shall be granted by the Board to an Owner whose hardship is as a result of that Owner's failure to obtain and/or to read the Association's lease restrictions as set forth in this Declaration and other Governing Documents, including the Association Rules.

Within thirty (30) days of receipt of an Owner's written request for waiver, the Board shall review the request and provide a written notification to the Owner stating whether the written request has been approved or disapproved, including the specific reason for any disapproval. Within fifteen (15) days after the date of the Board's written notification, the Owner may request a hearing before the Board. The hearing shall be conducted in compliance with the Association's notice and hearing requirements (see Section 14.6). An Owner's request is deemed disapproved if the Board does not respond within the thirty (30) days' time limit.

The Lots granted waivers shall not be considered in determining the twenty percent (20%) limitation.

(e) Mortgagee Exemption from Lease Restriction.

Nothing in this section shall be construed to prohibit a Mortgagee from leasing a Lot acquired by the Mortgagee.

(f) Revocable Living Trust.

Any Lot that is owned by a revocable living trust, or that is owned by one or more trustees of a revocable living trust, shall be deemed not to be leased when it is occupied by one or more persons who have the power to revoke the revocable living trust.

(g) Violations.

Any Owner who violates the provisions of this subsection may be subject, at the Board's discretion, to a fine of no less than Fifty Dollars (\$50.00) per day for each day that the Owner's Lot remains

in violation. If the Association files legal action to gain an Owner's compliance with this subsection, the Association, as prevailing party, shall be entitled to recover all of its attorney's fees and costs. Prior to the filing of any court action seeking declaratory or injunctive relief to enforce this subsection, the Association shall first comply with the provisions of California Civil Code § 5925, et seq. relating to alternative dispute resolution.

Section 2.7. Obligations of Owners.

Owners of Lots within the Subdivision shall be subject to the following:

(a) Owner's Duty to Notify Association of Lessee/Tenants & Contract Purchasers.

(i) Sale.

At least ten (10) days prior to the completion of any sale or other transaction which will result in a change in the record ownership of the fee interest in a Lot, the transferring Owner(s) shall provide the following information to the secretary of the Association or the Association's manager, if any, in writing:

- (A) The name of each transferor and transferee;
- (B) The street address of the Lot to be transferred;
- (C) The mailing address of each transferee;
- (D) The name and address of the escrow holder, if any, for such transfer and the escrow number; and
- (E) The proposed date for completion of the transfer.

(ii) Lease.

No later than five (5) days after the execution of a lease on a Lot (or any portion of a Lot) and in all circumstances at least three (3) days prior to providing a lessee with possession of a Lot (or any portion thereof), the lessor (whether an Owner or prior lessee) shall provide the Association with an executed copy of the lease and the following information in writing:

- (A) The name of each lessor and each lessee;
- (B) The street address of the Lot to be leased;
- (C) The mailing address of each lessor (whether an Owner or prior lessee);
- (D) The commencement and termination dates of the lease; and
- (E) The names of all persons who will occupy the Lot under the lease.

(iii) Effect of Failure to Notify.

Until such time as the Association receives the notification required in Subsections (i) and (ii), above, a transferee or lessee shall be deemed to have received any and all notices or other communications required or permitted to be given by the Association hereunder which are duly provided to the transferor or lessor.

Pursuant to Section 6.6(a)(ii)(E), the Board has the power to adopt Association Rules consistent with this Declaration relating to enforcement of these notice requirements and/or to impose penalties, including fines, for failures to give timely notice.

(b) Contract Purchasers.

A contract seller may delegate the seller's Member rights, including voting rights, pursuant to Subsection 2.5(a), above. Notwithstanding any delegation of rights to the contract purchaser, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the property sold has been transferred to the purchaser.

(c) Notification regarding Governing Documents.

(i) As more particularly provided in the California Civil Code Section 4525, or superseding statute as soon as practicable before transfer of title or the execution of a real property sales contract with respect to any Lot, the Owner thereof must give the prospective purchaser (A) a current copy of the Governing Documents; (B) the Association's most current financial statement; (C) a true statement in writing from the Association ("delinquency statement") as to the amount of any delinquent Assessments, together with information relating to late charges, attorneys' fees, interest, and reasonable costs of collection which, as of the date the statement is issued, are or may become a lien on the Lot being sold; (D) a true statement in writing from an authorized representative of the Association as to the amount of the Association's current Regular and Special Assessments (if any) and fees; and (E) a notice of any change in the Association's current Regular or Special Assessments and fees that have been approved by the Board but that have not become due and payable as of the date that the information is provided.

(ii) The Association (or its managing agent) shall, within ten (10) days of the mailing or delivery of a request for the information described in Subsection (c)(i), above, provide the Owner with copies of said documents. The Association (or its managing agent) shall be entitled to impose a fee for providing copies of those documents equal to (but not more than) the reasonable cost of preparing and reproducing the requested materials. In addition, the Association (or its managing agent) may impose a reasonable fee to cover its actual costs incurred to change its records in connection with a change of ownership of Lot.

(d) Payment of Assessments and Compliance with Association Rules.

Each Owner shall pay when due each Regular, Special and Special Individual Assessment levied against the Owner and his or her Lot and shall observe, comply with and abide by any and all Association Rules set forth in, or promulgated by the Board pursuant to, any Governing Document for the purpose of protecting the interests of all Owners or protecting the Common Area and Common Facilities.

(e) Responsibility for Conduct of Others.

Each Owner shall be fully responsible for informing members of Owner's Family, contract purchasers, lessees, tenants, employees, guests, invitees and/or licensees of the provisions of the Governing Documents and shall be fully responsible for any violation of the provisions of the Governing Documents by members of Owner's Family, contract purchasers, lessees, tenants, employees, guests, invitees and/or licensees. Each Owner shall further be fully responsible for the conduct and activities of Owner's pets and the pets of Owner's Family, contract purchasers, lessees, tenants, employees, guests, invitees and/or licensees.

(f) Indemnification for Damage & Injury.

To the extent permitted by California law, each Owner shall be liable to the Association for any damage to the Common Area not fully reimbursed to the Association by insurance if the damage is sustained because of the negligence, willful misconduct, or unauthorized or improper installation or maintenance of any improvement by the Owner, Owner's Family, contract purchaser, lessees, tenants, employees, guests, invitees, or licensees, or any other persons deriving their right and easement of use and enjoyment of the Common Area from the Owner or from the Owner's Family and guests, both minor and adult. Each Owner shall be liable to the remaining Owners and the Association for any damage to the Common Area that may be sustained by reason of the willful misconduct, negligent act or omission of the Owner, Owner's Family, contract purchasers, lessees, tenants, employees, guests, invitees, or licensees (to the extent any such damage is not covered by insurance). Each Owner, Owner's Family, contract purchasers, lessees, tenants, employees, guests, invitees, and licensees, shall indemnify each and every other Owner and/or the Association against, and hold them harmless from, and defend them against, any claim of any person for personal injury or property damage occurring within the Subdivision due to the willful misconduct, negligent act or omission of the Owner, Owner's Family, contract purchasers, lessees, tenants, employees, guests, invitees, or licensees, unless the injury or damage incurred is fully covered by insurance.

Each Owner, by acceptance of his or her deed, agrees personally and for his or her Family members, contract purchasers, tenants, guests, and invitees, to indemnify each and every other Owner, and to hold such Owner(s) harmless from, and to defend them against, any claim of any person for personal injury or property damage occurring within the Lot of that particular Owner, except to the extent (i) that such injury or damage is covered by liability insurance in favor of the Association or other Owner or (ii) the injury or damage occurred by reason of the willful or negligent act or omission of the Association or another Owner or other person temporarily visiting said Owner's Lot or the Subdivision.

No decision resulting in the liability of an Owner pursuant to this subsection shall be reached without providing such Owner with notice and hearing pursuant to Subsections 14.6(f) and (g).

(g) Discharge of Assessment Liens.

Each Owner shall promptly discharge any Assessment lien that may hereafter become a charge against their Lot.

(h) Joint Ownership of Lots.

In the event of joint ownership of any Lot, the obligations and liabilities of the multiple Owners under the Governing Documents shall be joint and several. Without limiting the foregoing, this

Subsection (h) shall apply to all obligations, duties and responsibilities of Owners as set forth in this Declaration, including, without limitation, the payment of all Assessments.

(i) Prohibition on Avoidance of Obligations.

No Owner, by non-use of the Common Area or Common Facilities, renunciation or abandonment of the Owner's Lot, any other act of renunciation or abandonment or otherwise, may avoid the burdens and obligations imposed on such Owner (by virtue of being an Owner or Association Member) by the Governing Documents, including, without limitation, the payment of Assessments levied against the Owner and his or her Lot pursuant to this Declaration. Nor may any Owner divest himself or herself of any such burden or obligation by attempting to assign responsibility therefore to a tenant, manager or any third person.

(j) Obligation to Permit Entry by Association and/or Adjacent Owners.

Each Owner shall be obligated to permit the Owners of adjacent Lots or the representatives of such adjacent Owners to enter the Owner's Lot for purposes of performing installations, alterations or repairs to mechanical or electrical services which are reasonably necessary for the use and enjoyment of their Lot, provided that the adjacent Owner furnishes the Owner(s) upon whose Lot is being entered with at least twenty-four (24) hours written notice of the intent to enter the Lot, specifying the purpose and scheduled time of such entry and shall make every reasonable effort to perform the use and schedule the entry in a manner that respects the privacy of the persons residing within the Lot and the convenience of the Owner of the Lot. Each Owner shall also honor the right of the Association and its agents to enter Lots as provided in this Declaration.

(k) Termination of Obligations.

Upon the conveyance, sale, assignment or other transfer of a Lot to a new Owner, the transferring Owner shall not be liable for any Assessments levied with respect to such Lot which become due after the date of recording of the deed evidencing said transfer and, upon such recording, all Association membership rights possessed by the transferor by virtue of the ownership of said Lot shall cease.

Section 2.8. Transfer or Conveyance of Lot Terminates Obligations.

Upon the conveyance, sale, assignment or other transfer of a Lot to a new Owner, the transferring Owner shall not be liable for any Assessments levied with respect to such Lot after the date of recording of the deed evidencing said transfer. No person, after the termination of said person's status as an Owner and prior to said person again becoming an Owner, shall incur any of the obligations or enjoy any of the benefits of an Owner under this Declaration. The voluntary conveyance of a Lot to a new Owner, however, will not extinguish any obligations of the transferring Owner for unpaid Assessments that were levied against said Lot prior to the subject transfer.

ARTICLE III: RESTRICTIONS & USE OF PROPERTY.

Section 3.1. Occupancy and Use.

(a) Occupancy.

In no event shall a Lot be occupied by more individuals than permitted by applicable zoning laws or governmental regulations.

(b) Restriction on Businesses.

The conducting of any trade or business is prohibited, except those trades or businesses that are permitted by and comply with zoning and other laws or ordinances, and which do not: (i) change the overall residential use of the Unit; (ii) require the use of more than twenty percent (20%) of the square footage of the Unit and are conducted entirely within the Unit located on the Lot; (iii) have persons other than an Occupant employed or reporting to work at the Unit; (iv) display or publish the address of the business, except on business cards and letterhead; (v) display signs or other exterior indications of a trade or business; (vi) have items sold or offered for sale on the premises; (vii) involve in-person calls by customers, employees, or delivery persons except on an infrequent basis; (viii) require the storage of large amounts of bulky goods or inventory or any hazardous or toxic materials; or (ix) require the parking of vehicles on roads and streets. This section shall not be construed to prohibit management offices and maintenance facilities within the Subdivision.

Section 3.2. Senior Citizen Housing Requirements

The Subdivision is a "Senior Citizen Housing Development" within the meaning of Section 51.3(c)(3) of the Unruh Civil Rights Act (California Civil Code Sections 51, et seq.). If any provision of this section differs from the Federal Fair Housing Amendments Act of 1988 ("Fair Housing Act") and/or from any amendments to either the Fair Housing Act or the Unruh Civil Rights Act, then the more stringent provision shall control.

(a) Minimum Age.

At least one (1) occupant of each Lot ("Qualifying Occupant") shall be fifty-five (55) years of age or older, and any other Occupant of a Unit shall be at least forty-five (45) years of age, with the following exceptions: (i) the spouse or co-habitant of such Qualifying Occupant; (ii) a "Qualified Permanent Occupant" as defined below; (iii) any person hired to provide live-in, long-term, hospice, or terminal health care to the Qualifying ("Permitted Health Care Occupant"); or (iv) any "Temporary Resident" as defined below.

(b) Qualified Permanent Occupant"

"Qualified Permanent Occupant" means a person who meets all of the following requirements: (i) such person was residing with the Qualifying Occupant prior to the death, hospitalization, or other absence of, or the dissolution of marriage with, the qualifying Occupant; and (ii) such person was forty-five (45) years of age or older or was a spouse, cohabitant, or person providing primary physical or economic support to the Qualifying Occupant. A Qualified Permanent Occupant shall be allowed to continue as a permanent Occupant upon the death or dissolution of marriage, or upon hospitalization or prolonged absence of the Qualifying Occupant.

(c) Temporary Resident.

"Temporary Resident" is an otherwise unqualified occupant, who resides with a Qualifying Occupant or a Qualified Permanent Occupant on a temporary basis for no more than ninety (90) days in any twelve (12) month period. The ninety (90) day period can be extended for good cause by the Board.

(d) Federal and State Requirements

It is intended that the Governing Documents comply with both the Fair Housing Act and the Unruh Civil Rights Act as amended and shall be interpreted to achieve such compliance. Currently, the Fair Housing Act requires eighty percent (80%) occupancy of all Lots by a Qualifying Occupant and the Unruh Civil Rights Act provides for one hundred (100%) occupancy of all Lots by a Qualifying Occupant, but allows a Qualified Permanent Occupant to continue in occupancy as provided in (b), above. No Qualified Permanent Occupant can remain in permanent Occupancy without the occupancy of a Qualifying Occupant if the number of Lots Occupied by Qualifying Occupants would drop below eighty percent (80%) as long as the Fair Housing Act limits such Occupancy by Qualified Permanent Occupants. If the number of Lots occupied by Qualifying Occupants drops below eighty percent (80%), the Association shall notify the Occupants and Owners of such occurrence and require all Owners and Occupants to bring the Subdivision into compliance. The Association shall give priority, in requiring Owners to comply, on the basis of the order in which Owners initially qualified.

Section 3.3. Antennae; Satellite Dishes.

No television, video or radio poles, antennae, satellite dishes, cables, emergency radio operator antennae, "HAM" radio antennae, or other transmission and/or reception fixture or personal property (individually and collectively the "Antenna Equipment") shall be installed or maintained on any Lot except as follows:

(a) Authorized Antenna Defined.

An "Authorized Antenna" means (i) an antenna designed to receive direct broadcast satellite service, including direct-to-home satellite service, that is one meter (i.e. 3.28 ft.) or less in diameter, and (ii) an antenna designed to receive video programming service, including multichannel multipoint distribution service, instructional television fixed service, including multichannel multipoint distribution service, and is one (1) meter (i.e. 3.28 ft.) or less in diameter or diagonal measurement, (iii) an antenna designed to receive television broadcast signals, and (iv) a mast supporting an antenna described in items (i), (ii), (iii) above.

(b) Authorized Antenna Requirements.

Owners are prohibited from installing any antenna on the exterior of a Residence of any purpose except for an "Authorized Antenna" which may be installed so long as the proposed location for such installation is reviewed by Architectural Committee before installation to ensure that the visibility of the Authorized Antenna is minimized with respect to other Owners. The Architectural Committee may require that the location of the Authorized Antenna may be moved so long as such review by the Architectural Committee does not: (i) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (ii) unreasonably increase the cost of installation, maintenance or use of an Authorized Antenna, or (iii) preclude acceptable quality reception.

(c) Additional Antenna Restrictions

So long as Owners can obtain reasonable reception, Authorized Antenna or satellite dishes must be placed on the back side of the Residence. The Association may adopt additional restrictions on installation or use of Authorized Antenna on an Owner's Lot as part of the Association's Rules and regulations so long as such restrictions do not: (i) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (ii) unreasonably increase the cost of installation, maintenance or use of

an Authorized Antenna, or (iii) preclude acceptable quality reception. The Association may prohibit the installation of an Authorized Antenna if the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of managers, agents or employees of the Association and other Owners, or for any other safety-related reason established by the Association.

Nothing herein shall be construed to restrict in any manner the Board's right to authorize a cable television franchise or other provider of similar services to provide cable television, radio or other similar services to the Development.

Section 3.4. Offensive Conduct, Nuisance, Obstructions, Hazards or Drilling.

The following activities are prohibited and shall not be performed on, upon or within the Subdivision.

(a) Noxious Activities.

Activities which are noxious, harmful or offensive.

(b) Nuisances.

Activities which are nuisances, harassment, annoy or cause unreasonable embarrassment, disturbance or annoyance to any residents of the Subdivision, Owners, Board Members, Association agents, and/or Association employees, or which shall, in any way, interfere with residents' use and enjoyment of their Lots and/or the Common Area and facilities thereon.

(c) Relating to Insurance Rates.

Activities that will increase the rate of insurance or result in the cancellation of insurance under any insurance policy obtained by the Association.

(d) Violations of Government Regulations.

Activities which are in violation of any governmental statute, ordinance, rule, and/or regulation.

(e) Drilling.

Drilling, refining, quarrying, or mining operations of any kind.

(f) Use of Machinery.

Use of machinery or equipment of any kind, except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of a private residence or appurtenant structures within the Subdivision.

(g) Obstruction of Driveways.

Activities which will obstruct entranceways, pedestrian walkways, or vehicular driveways located in or upon the Subdivision or interfere with the free use thereof, except such obstruction as may reasonably be required in connection with repair.

(h) Interference with Drainage.

Activities that impede, alter or otherwise interfere with the drainage patterns or facilities in, over, under, across and through the Subdivision, without the prior written consent of the Board, the County and all other public authorities with jurisdiction.

(i) Infectious Diseases.

Activities or conditions which would induce, breed, or harbor infectious plant diseases, noxious insects, rodents and/or vermin.

(j) Excavation.

Any excavation, improvement or work which in any way alters any Common Area or Common Facility from its existing state on the date such Common Area or Common Facility was originally constructed, except if done by the Association.

(k) Basketball Standards and Sport Apparatus.

The placement of fixed or moveable basketball standards and fixed or movable sports apparatus.

(l) Storage of Hazardous Materials.

The storage of the following materials: flammable, explosive, radioactive, or hazardous materials or items that endanger the safety of Improvements or that may cause an increase in insurance rates to the Association, any Subdivision, or to any other Owner.

(m) Accumulation of Garbage.

The accumulation, throwing, dumping, or outdoor burning of garbage, clippings from trees, weeds, shrubs, or lawns, trash, litter, debris, ashes, manure, composting or decaying vegetation material, or other refuse on any Lot. No Owner shall cause or permit any condition on his Lot which creates a fire hazard. This subsection shall not be construed to prohibit refuse containers, woodpiles, storage areas, or machinery and equipment related to yard care and maintenance, provided such materials are screened from the view of adjoining streets, Lots, and Common Areas.

(n) Collection of Refuse.

Each Owner shall provide or have available for such Owner's use suitable receptacles for the collection of refuse. Such receptacles shall be enclosed and screened from public view and protected from disturbance. No refuse shall be placed in streets or public view more than twenty-four (24) hours prior to the scheduled pick up time. No oil, petroleum product, or other chemical shall be placed in the storm drainage system or into the street drains or gutters.

(o) Operation of Electronic Devices.

The operation of any shortwave or any other kind of electronic device within the Subdivision that in any way interferes with radio, television, or other electronic signal reception within the Subdivision.

(p) Maintenance of Improvements.

Except for antennas and satellite dishes pursuant to Federal law, the maintenance, replacement, removal or decoration of any Improvements or landscaping within the Common Area without the prior written approval of the Association.

(q) Excessive Noise.

No power tools or speaker, horn, whistle, bell, or other similar sound facility or equipment upon any Lot which is capable of producing any sound in excess of sixty-five (65) decibels measured at a point (50) feet from: (1) the outside of the Unit within which the sound emanates; or (2) the speaker or other similar facility or equipment from which the sound emanates. Any activity upon any Lot, which activity causes any sound, whether intermittent, recurrent, or continuous, in excess of forty-five (45) decibels measured at any point on the boundary line of the Lot. Decibel measurements shall be the average of at least three (3) and at most five (5) decibel readings by a qualified technician. The foregoing provisions of this subsection shall not apply to the installation or use of alarm devices designed and used solely for security or fire warning purposes or apply to the construction work of any Improvement.

(r) Placement of Toys.

The placement of unattended tricycles, play toys, or other equipment in front yards and visible from adjoining Lots, Common Areas, or streets.

(s) Garage Sales.

The use of front yards and garages for garage sales or other activities which clutter areas visible from the adjacent streets for more than two (2) days within any twelve (12) month period; exterior signs advertising garage or yard sales.

(t) Clothes Lines.

The erection or maintenance of outside clothes lines, except within fenced yards so as not to be visible from streets, or the ground level of adjoining Lots.

(u) Freestanding Structures.

Except for antennas and satellite dishes pursuant to federal law, any structure, including, but not limited to, tree houses or other similar structures, that are erected or maintained in a backyard, for play or otherwise, which allows a person to stand on a surface more than twenty-four (24) inches above ground level within fifteen (15) feet of any fence line between Lots. No freestanding structures over eight (8) feet in height shall be erected or maintained within fifteen (15) feet of any fence line. This prohibition does not apply to swing sets intended for the use of children. The Association may grant a waiver of this prohibition for such structures provided they are otherwise consistent with this Declaration.

(v) Vehicles.

The placement or maintenance of mobile homes, motor homes, trucks, commercial vehicles, campers, boats, trailers, or similar vehicles, except: (i) within enclosed garages or areas completely screened from other Lots and Common Areas; (ii) where required temporarily for the construction, repair, refinishing, or maintenance of any part of the Subdivision; (iii) for moving furnishings, equipment, or

supplies into or out of the Subdivision; (i) light pick-up trucks and vans used for personal use and not for commercial purposes; or (v) for parking in designated areas within the Recreational Facility.

The placement or maintenance of motorcycles, trail bikes, off-road vehicles, or bicycles, except within enclosed garages or areas completely screened from other Lots and Common Areas.

The parking or placement of any vehicles or other mechanical equipment for the purpose of repairs or reconstruction, except within an enclosed garage. In no case are unsightly, inoperable, or damaged vehicles permitted on streets or within any Common Area.

No garage shall be used for storage or otherwise utilized so that it cannot be used to store at least two (2) of the occupant's motor vehicles. No garage shall be converted into living quarters or otherwise disabled from being used for vehicle parking. Occupants shall utilize the garage to park occupant's motor vehicles to the capacity of the garage. Occupants shall keep the exterior garage door closed except when the garage is in actual use by an occupant.

(w) Exterior Lighting.

The installation of any exterior lighting whose source is visible from neighboring Lots, without the prior written approval of the Board, except for ordinary non-directional bulbs that: (i) do not exceed 150 watts; and (ii) are white or yellow in color. This provision does not prohibit holiday lighting decorations temporarily installed for the winter holiday and New Year season.

(x) Utility Lines.

Except for temporary lines used during construction and for preexisting electrical lines installed prior to construction of the Subdivision and antennas and satellite dishes pursuant to Federal law, all utility lines, including, but not limited to, electrical, gas, telephone, cable televisions and other communications shall be underground, except for access ports and above ground transformers.

(y) Pets.

The keeping, raising, or breeding of animals, reptiles, or birds of any kind, within any Unit or Project Unit, is prohibited, except that not more than two (2) dogs, two (2) cats, or (1) dog and one (1) cat may be kept and fish and other marine life may be kept confined in an aquarium. Birds and domestic or household pets such as parrots and parakeets may be kept, provided they are kept in a cage in the Unit. The keeping of animals for commercial purposes is prohibited. No unleashed dogs are permitted within the Common Area or off the Owner's Lot.

Occupants must prevent dogs and other pets from continuously barking, or making other loud noises, or defecating in the Common Area or on other Lots. Owners must immediately clean up any pet defecation on Common Areas or on other Owner's Lots. Animals which: (1) are kept in violation of this Subsection; (ii) violate this Subsection; or (iii) the Association finds to be vicious by nature or by temperament, shall be removed by their owner from the Subdivision upon order of the Association, and if not removed by the owner, may be removed by the Association and delivered to an animal shelter, pound, or animal control officer, without liability to the Association.

(z) Signs.

(i) Except as otherwise provided by law, no signs of any kind or for any purpose whatsoever, including advertising signs or billboards will be displayed on any Lot or posted within or upon any portion of the Common Area except that Owners may post on their Lots any reasonably sized signs required by legal proceedings and a single "For Rent," "For Lease" or "For Sale" sign of reasonable dimensions.

(ii) Other signs, posters and notices approved by the Board or specified in the Association Rules or in this Declaration may be posted in locations designated by the Board.

(iii) Appropriate signs may be displayed by the Association to identify the Subdivision.

(iv) Signs required by legal proceedings may be displayed.

(v) Pursuant to Civil Code Section 4705 or superseding statute, nothing in this Declaration will be construed to limit or prohibit an Owner from displaying the United States flag on or in the Owner's Lot. Displaying the United States flag means a flag of the United States made of fabric, cloth, or paper displayed from a staff or pole or in a window, and does not mean a depiction or emblem of the flag of the United States made of lights, paint, roofing, siding, paving materials, flora, or balloons, or any other similar building, landscaping, or decorative component.

(aa) Window Coverings.

The hanging from, affixing to, or maintaining in any window, any signs not permitted under this section, or any aluminum or metal foil or other reflective materials. The color of curtains, drapes, shades, blinds, or other coverings for any Lot, as seen from the front yard of such Lot, shall be white or beige and shall also conform to the Association Rules. Characteristics, other than color, of curtains, drapes, shades, blinds, and other window coverings shall also conform to the Association Rules.

(ab) Noise Limits.

Without limiting any of the foregoing, no Owner or other resident shall permit noise, sound(s) or sight(s) which would unreasonably disturb another's enjoyment of his or her Lot and/or the Common Area.

Section 3.5. Exterior Improvements.

Except for antennas and satellite dishes, pursuant to Federal law, no Owner may at his or her expense or otherwise make any alterations or modifications to the exterior of the Buildings and/or fences on the Owner's Lot without the prior written consent of the Association or the Planning Committee, if any.

Section 3.6. Regulation of Owner Activity.

In order to promote the Owners' use and enjoyment of the Subdivision and the aesthetic and recreational purposes thereof, the Board shall be entitled to adopt, repeal or amend Association Rules governing use of the Common Area and individual Lots and/or which seek to promote the health, safety and quality of life of Association Members and other Residents of the Subdivision, and to impose appropriate fines or other penalties for the violation of the Association Rules.

Section 3.7. Use of Common Area.

All use of Common Area is subject to the Rules. There shall be no use of the Common Area except by Owners and their invitees. All persons residing within the Subdivision may enjoy the use of all facilities in the Common Area as long as they abide by the terms of the Project Documents. There shall be no obstruction of any part of the Common Area. Nothing shall be stored or kept in the Common Area without the prior consent of the Board. No alterations or additions to Common Area shall be permitted without the approval of the Board. Nothing shall be done or kept in the Common Area which will increase the rate of insurance on the Common Area without the prior consent of the Board. No Owner shall permit anything to be done or kept in the Common Area which might result in the cancellation, of insurance on any part of the Common Area, which would interfere with rights of other Owners, which would be noxious, harmful or unreasonably offensive to other Owners or which would be in violation of any governmental statute, ordinance, rule or regulation. No waste shall be committed in the Common Area.

Section 3.8. Storage.

Except entirely within a storage unit designated by the Association, nothing shall be stored in the Common Area without the prior consent of the Board.

Section 3.9. Owner Liability for Damage to Common Area.

The Owner of each Lot shall be liable to the Association for any damages to the Common Area and/or Improvements thereon caused by such Owner, or any occupant of the Owner's Lot or guest, tenant, or invitee. An Owner's liability shall be established only after notice to the Owner and hearing before the Board.

Section 3.10. Termination of Mechanics' Lien Rights and Indemnification.

No labor performed or materials furnished to and incorporated in a Lot or Residence with the consent or at the request of the Owner thereof, Owner's Family, lessees, tenants, or contract purchasers, or any of their agents, contractors, or subcontractors, shall be the basis for filing a lien against the Lot of any other Owner, if said other Owner has not expressly consented to or requested the same, or against the Common Area. Each Owner shall indemnify and hold harmless each of the other Owners and the Association from and against all liability arising from the claim of any lien against the Lot of any other Owner or against the Common Area for construction performed, or for labor, materials, services, equipment, or other products incorporated into the Owner's Lot or Residence, at such Owner's request or with his or her consent. The provisions of this section shall not apply to any labor performed or materials furnished at the request of the management agent or the Board. At the written request of any Owner, the Association shall enforce such indemnity by collecting from the Owner of the Lot on which the labor was performed or to which materials were furnished, through Special Individual Assessments against said Lot, the amount necessary to discharge any such lien, including all costs incident thereto.

Section 3.11. Variances.

Upon application by any Owner, the Board of Directors shall be authorized and empowered to grant reasonable variances from the property use restrictions set forth in this Article III, if specific application of the restriction will, in the sole discretion of the Board, either cause an undue hardship to the affected Owner or fail to further or preserve the common plan and scheme of the Project contemplated by this Declaration.

In considering and acting upon any request for a variance, the Board shall follow the procedures set forth in Article IV of this Declaration for the granting of architectural variances.

Section 3.12. Enforcement of Property Use Restrictions.

(a) Voluntary Compliance.

The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and other Residents with the environmental standards and property use restrictions contained herein. Each Owner, contract purchaser, lessee, tenant, guest, invitee or other occupant of a Lot or user of the Common Area shall comply with the provisions of the Governing Documents. In the event that the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action under Section 14.6 hereof, the Owner responsible for the violation shall receive written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the non-complying condition and request that the Owner correct the condition within a reasonable time specified in the notice.

(b) Board's Discretion Not to Pursue Enforcement.

The Board shall have the reasonable discretion to decide whether or not it is in the Association's best interest to pursue any enforcement action, including taking into consideration the potential benefits to the Association (and/or its Members) resulting from any such enforcement action as compared with the anticipated financial costs. Where the Board, in its discretion, determines that it is not in the Association's best interest to proceed with an enforcement action, the Board shall notify, in writing, any Member(s) who have requested enforcement by the Association.

Section 3.13. Building Standards for All Lots

This section does not apply to Common Areas.

(a) Roofs.

All roofs shall be of concrete tile or similar materials. Built-up roofs, composite, asphalt or fiberglass roof material are not allowed.

(b) Exterior Materials.

Exterior materials may be of wood, stucco, copper, stone, and brick. No Improvement shall use exterior wall materials of plywood, aluminum, other metal, vinyl, plastics, or have a plastic or vinyl finish except in the case of garage doors. Door and window frames shall be of wood or vinyl or metal materials, but may not be bright aluminum or other bare metal color.

(c) Finishes.

No reflective finishes shall be used on exterior surfaces other than surfaces of hardware fixtures, including, without limitation, the exterior surfaces of any of the following: roofs, all projections above roofs, retaining walls, doors, trim, fences, pipes, and equipment. Hardware fixtures may be gold, brass, or copper, but not aluminum.

(d) Color.

Except for doors and roofs, the exterior of all Improvements shall be painted in white, light pastels, or earth tones. Wood may be finished in stains. All roof colors shall have natural or earth tones. No Improvements shall be painted in red, purple, black, or orange or in shades of those colors. All exterior colors shall comply with the Association Rules.

(e) Detached Structures and Addition.

Any Building or shed detached from the main Improvement must be painted, stained, or finished to blend in color with the main Improvement, and may be of no more than one (1) story in height and such Building or shed shall not be located within fifteen (15) feet of any Lot line if it exceeds eight (8) Feet in height to the top of the roof. Additions to the main Improvement on a Lot must match the main Improvement in color, materials, style, and quality of workmanship. The provisions of this subsection shall not apply to temporary construction shelters.

(f) Fences.

All fences visible from streets shall be of wood, brick, stone, stucco, wrought iron, or a combination of such materials. Any wood fence other than a shingle or shake fence shall be grade select, tight knot or better, cedar, redwood, or better. No cyclone or other wire fence shall be allowed where it is visible from the adjacent streets. There shall be no fences within twenty (20) feet of any front yard property line adjacent to any street, except to shield parking areas within Projects, unless such fence is also along the back property line of an adjacent Lot, and no hedge or mass planting within twenty (20) feet of any property line adjacent to any street, without Planning Committee approval.

(g) Mechanical.

All air conditioning, swimming pool and spa equipment, and other mechanical equipment located on the exterior of an Improvement on a Lot must be located at ground level and be screened so as not to be visible from streets.

(h) Utility Lines.

Except for temporary lines used during construction, all utility and service lines shall be under-ground, except access ports, above-ground transformers, and lines used temporarily during a period of construction.

(i) Setbacks.

All Improvements shall be constructed in accordance with applicable building Setback requirements shown on a subdivision map, deeds, or on maps or plans approved by the government agency having jurisdiction.

(j) New Construction.

All Improvements erected on any Lot must be of new construction (other than used brick or similar material), and no Building constructed off the Subdivision shall be relocated and placed on any Lot.

Section 3.14. Building Standards for Single Family Dwelling.

(a) Height.

No Improvement may exceed one (1) story or twenty-four (24) feet in height.

(b) Minimum Floor Area.

On Lots of 5,000 square feet or less in size, each one (1) story Unit must have interior floor space of not less than one thousand (1,000) square feet, excluding porches, patios, garages, and basements.

(c) Address Signs.

All Units must have residential identification signs, showing Lot address numbers not to exceed six (6) inches, which are to be lighted either internally or externally so as to be visible from the adjoining street at night.

(d) Garages.

Each Lot must have at least a two (2) car garage, but not more than a three (3) car garage. No carport shall be constructed or maintained on any Lot.

(e) Roof Pitch.

No Unit may have a flat roof or a roof with less than a five (5) and twelve (12) pitch.

(f) Parking.

Unless first specifically authorized by the Board or the Planning Committee, if any, no facilities for vehicular parking other than a garage and a driveway connecting the garage to the street shall be constructed on any Lot.

Section 3.15. No Waiver.

The approval by the Association of any work done or proposed, or in connection with any other matter requiring its approval pursuant to this Article, shall not be deemed to constitute a waiver of any right to withhold approval as to any similar work or matter, whenever subsequently or additionally submitted for approval.

Section 3.16. Enforcement of Property Use Restrictions.

The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and other residents with the environmental standards and property use restrictions contained herein. Accordingly, in the event that the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action, the Owner responsible for the violation shall receive written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent

Governing Document provision(s). Such notice shall describe the noncomplying condition, request that the Owner correct the condition within a reasonable time specified in the notice, and advise the Owner of his or her appeal rights.

Section 3.17. Building Standards for Project Units.

Any Unit which is a Project Unit shall conform to the following standards:

(a) **Minimum Floor Area.** Each Project Unit shall have an interior floor space of not less than seven hundred (700) square feet, excluding porches, patios, garages or carport, and basements.

(b) **Roof Pitch.** No building shall have a flat roof or a roof with less than a five (5) and twelve (12) pitch.

(c) **Landscaping.** All Projects shall be landscaped and open area not covered by patios, swimming pools, parking lots and other normal and customary improvements shall be grass, trees, and other ground cover approved by the Planning Committee. All parking areas shall be shielded from roadway view by landscaping berms. All grass landscaping within Projects shall be sod irrigated by an underground sprinkler system with an automatic timer.

The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and other residents with the environmental standards and property use restrictions contained herein. Accordingly, in the event that the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action under this section, the Owner responsible for the violation shall receive written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the noncomplying condition, request that the Owner correct the condition within a reasonable time specified in the notice, and advise the Owner of his or her appeal rights.

ARTICLE IV: PLANNING COMMITTEE: ARCHITECTURAL REVIEW

Section 4.1. Planning Committee.

There shall be a Planning Committee, whose composition and operations are subject to this section.

(a) Composition.

The Planning Committee shall consist of three (3) members. The Board shall appoint all the members of the Planning Committee, who may be members of the Board. Every person appointed to the Planning Committee by the Association shall be a Member of the Association except that one member may be an engineer, architect, or other expert trained in the review of construction plans or inspections of Improvements who is not a Member of the Association.

(b) Term of Members.

Each member of the Planning Committee shall hold office until such member resigns or is removed by the Board.

(c) Operations.

The Planning Committee shall meet from time to time as necessary to perform its duties, and shall keep a record of all action taken at such meetings or otherwise. The vote or written consent of a majority of the membership of the Planning Committee shall constitute an act by the Planning Committee, unless a unanimous vote or consent is otherwise required. The members of the Planning Committee shall receive no compensation for services rendered, although they may be reimbursed for such actual expenses as the Board determines are just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

Section 4.2. Powers and Duties of the Planning Committee.

The Planning Committee shall have both the power and duty to take the following actions.

(a) Rules.

The Planning Committee may recommend to the Board to adopt, amend, and repeal, from time to time, rules and regulations, to be known as "Planning Committee Rules," that interpret or implement the provisions of this article and that provide for the designation of plans, specifications or other documents or things required as a prerequisite for consideration of proposed work.

(b) Records.

The Planning Committee shall maintain with the corporate records of the Association, for inspection by any Owner, a copy of the Planning Committee Rules, as they may be adopted, amended, or repealed, certified by any member of the Planning Committee.

(c) Action on Requests.

The Planning Committee shall approve, conditionally, approve, deny, or take any other appropriate action upon such proposals or plans as are submitted to it from time to time, in accordance with this Declaration.

(d) Other Duties.

The Planning Committee shall perform such other tasks as are given to it under the Declaration.

(e) Notice of Violations.

The Planning Committee shall notify the Association of any Improvement constructed, reconstructed, refinished, altered or maintained in violation of this Article. The Association may, upon thirty (30) days written notice to the owner of such non-complying Improvement, remove or cause to be removed or brought into conformity with the Declaration, such Improvement, or require the Owner to do so. In either case, such Owner shall reimburse the Association for all expenses incurred in connection therewith, including reasonable fees and costs.

Section 4.3. Matters Requiring Committee Approval.

No Owner, without the approval of the Planning Committee, shall construct, reconstruct or recolor, refinish, alter, or maintain any part of the exterior of any Improvement, excluding antennas and satellite dishes pursuant to Federal Law, including the installation of solar energy systems and the addition or placement of accessory buildings, or alter the topography or natural or existing surface drainage of the Subdivision, or install any utility line (wire or conduit) on or over any Lot or Common Area or install or alter any landscape or landscaping in any yard visible from a public road or Common Area. If such work does not constitute a material change in the design or color of Improvements already approved in accordance with this Declaration, it shall be sufficient for an Owner to notify the Planning Committee in writing before commencing the work, and prior approval by the Planning Committee shall not be required unless the Planning Committee determines that such work constitutes a material change. Association approval does not allow the applicant to violate any provision of this Declaration nor does it in any way exempt the applicant from complying with the building and fire codes, building permit requirements, and other governmental requirements. The approval of lot splitting, lot consolidation, and rezoning is governed by Section 13.3. Upon the Board's discretion, some or all of the Planning Committee's decisions shall be advisory to the Board.

Section 4.4. Planning Committee Approval.

The procedure and criteria for Planning Committee approval are as follows:

(a) Procedure.

(i) Application.

Any Owner proposing to do any work for which approval of the Planning Committee is required under section 4.3 shall apply to the Planning Committee as follows:

A. Owners shall submit applications to the Planning Committee for the proposed Improvements. The application shall be made by submitting to the Committee for approval, in duplicate, such plans and specifications for the proposed work as the Planning Committee may from time to time request including when deemed appropriate by the Planning committee: (i) floor plans; (ii) colors of exterior materials and colors with samples; (iii) exterior elevations; (iv) roof plans; (v) landscaping plans; (vi) site plans showing the placement of Improvements on each Lot; and (vii) the proposed construction schedule.

B. The Planning Committee may require that the submission of plans and specifications be accompanied by a fee to defray the actual cost of the review of plans and specifications the amount of which shall be set by the Planning Committee from time to time but shall not exceed one-tenth of one percent (1/10 of 1%) of the estimated cost of the work or one hundred dollars (\$100.00) whichever is greater.

(ii) Form of Approval.

The approval shall be in writing and may be conditioned upon the submission by the Owner of such additional plans and specifications as the Planning Committee in its absolute discretion deems appropriate.

(iii) Time Limits for Approval or Rejection.

All approvals and rejections of requests shall be in writing; provided, however, in the event the Planning Committee (or the Board, if the Planning Committee's decision is advisory to the Board) fails to approve or disapprove such plans and specifications within thirty (30) days after they have been submitted, the request shall be deemed denied. If an Owner's request is denied, the Owner shall have thirty (30) days to submit a written request for reconsideration to the Planning Committee. If an Owner's re-submitted application and the Planning Committee (or the Board, if the Planning Committee's decision is advisory to the Board) again fails to approve or disapprove of such plans and specifications within forty-five (45) days, the request shall be deemed approved.

Notwithstanding the above-paragraph, in the event the Planning Committee (or the Board, if the Planning Committee's decision is advisory to the Board) fails to approve or disapprove in writing a written application for the installation or use of (1) an electric vehicle charging station within sixty (60) days from the date of the receipt of the application or (2) a solar energy system within forty-five (45) days from the date of receipt of the application, then the application shall be deemed approved, unless that delay is a result of a reasonable request for additional information. The installation of an electric vehicle charging station in a Common Area shall be installed pursuant to Civil Code Section 4745, or comparable superseding statute. The installation or use of a solar energy system shall be installed pursuant to Civil Code Section 714 et. seq., or comparable superseding statutes.

(iv) Return of Plans.

If the application is approved, the Planning Committee shall return to the Owner one set of plans and specifications as finally approved and bearing the endorsement of the Planning Committee. If the Owner originally furnished only one (1) set of plans and specifications to the Planning Committee and the Planning Committee waived the requirement of such plans and specifications in duplicate, the Planning Committee may retain such plans and deliver to the Owner written Notice of the approval of such plans.

(v) Hearing on Disapproval.

If plans are disapproved by the Planning Committee, the applicant is entitled to a hearing before the Board at a regular or special Board meeting if the applicant gives written notice to the Association within thirty (30) days following the disapproval of the plans. The hearing will be set within thirty (30) days following receipt of the notice unless the Association and the applicant agree otherwise.

(b) Criteria.

The Planning Committee shall approve the work only in accordance with the criteria set forth in this subsection. Planning Committee approval does not allow the applicant to violate any provision of this Declaration nor does it in any way exempt the applicant from complying with building and fire codes, building permit requirements and other governmental requirements.

(i) General.

The Planning Committee shall not consent to any Improvements described in this article unless the Owner has submitted the materials required to the Planning Committee.

(ii) Findings Required.

The Planning Committee shall not do or consent to any Improvements described in Section 4.3 unless the Planning Committee finds that: (i) the proposed work conforms to this Declaration, the applicant has obtained or shall obtain a building permit if necessary, the proposed work conforms to all governmental requirements, and the work is consistent with the architecture and design of Improvements in the Subdivision; (ii) general architectural considerations, including the character, scale, and quality of the design, its architectural relationship with the design of Improvements in the Subdivision, and the building materials, colors, screening, exterior lighting and similar elements are incorporated into the design in order to ensure the compatibility of the proposed Improvement with the character of adjacent dwellings and Improvement; (iii) general site considerations, including site layout, open space and topography, orientation and location, vehicular access, circulation and parking, setbacks, height, walls, fence, and similar elements have been designed to provide a desirable environment; and (iv) general landscape considerations, including the location, type, size, color, texture, and coverage of plant materials provision for irrigation, maintenance, and protection of landscaped areas and similar elements have been incorporated to ensure visual relief, to complement homes and structures, and to provide an attractive environment for the use of residents and for the enhancement of property values in the Subdivision. If the plans are disapproved, the planning committee shall make written findings as to the reasons for the disapproval.

Section 4.5. Completion and Inspection

(a) Completion of Improvements; Extension.

Upon receipt of approval from the Planning Committee, the Owner shall, as soon as practicable, satisfy any conditions of such approval and diligently proceed with the commencement and completion of all work within one (1) year of the date of such approval. The Planning Committee may extend the one (1) year period if: (i) the Owner makes a written application to the Planning Committee setting forth the reason for the required extension; and (ii) the Planning Committee finds that the Owner has pursued the work diligently and in good faith. If the Planning Committee approves the extension, the Planning Committee shall, in writing, notify the Owner of the length of the extension. If the Owner fails to complete the work within one (1) year and any applicable extension period, the approval shall be deemed revoked and the work may be treated as having been constructed in violation of this Article. Nothing in this subsection imposes a requirement upon the Planning Committee to extend such one (1) year period.

(b) Inspection of Improvements.

Upon completion of the work, the Owner shall give a notice of the completion of the Improvement, in writing, to the Planning Committee. The Planning Committee, directly or through its authorized representative, may inspect the work for compliance with the approved plans. The Planning Committee shall notify the Owner of any noncompliance, in writing, and require the remedy thereof, within sixty (60) days from receipt of Owner's notice of completion. If the Planning Committee fails to give a noncompliance notice, the Improvement shall be deemed to have been completed in accordance with this Article. If notice of noncompliance is given within such sixty (60) days period, and the Owner fails to remedy such noncompliance within sixty (60) days after receipt of such notice, the Planning Committee may act in accordance with the provision of Section 4.6.

Section 4.6. Noncompliance

If Improvements are installed that are not in compliance with the Declaration, the Association may either remove the Improvement or remedy the noncompliance, or require the Owner to do so. In any such

case, such Owner shall reimburse the Association for all expenses incurred in connection therewith, including reasonable attorney's fees and costs whether or not an action is instituted. No Improvement shall be removed from, or a noncompliance remedied on, a Lot without either the consent of the Owner of the Lot or an order obtained from a court of competent jurisdiction.

Section 4.7. Estoppel Certificate.

Within thirty (30) days after written demand is delivered to the Association by any Owner, and upon payment to the Association of a reasonable fee fixed by the Association to cover costs, the Association shall provide such Owner with an estoppel certificate executed by an officer of the Association and acknowledged, certifying with respect to any Lot owned by the Owner, that as of the date of the certificate, either: (i) all Improvements and other work made or done on such Lot by the Owner, comply with this Declaration; or (ii) such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements and work, and set forth with particularity the nature of such noncompliance. Any purchaser from the Owner, and any secured party, shall be entitled to rely on such certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners, and such purchaser or secured party.

Section 4.8. Limitation of Planning Committee Liability.

Neither the Planning Committee, the Association, nor any member of the Planning Committee shall be liable to the Association, any Owner, or any other person for any damage, loss or prejudice suffered or claimed on account of: (i) the approval of any plans, drawings, or 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, or manner of development, of any property within the Subdivision; (iv) the execution and recordation of an estoppel certificate, whether or not the facts stated therein are correct, provided, however, that the officer executing the Certificate has acted in good faith. In any case, the Planning Committee or any Member of the Planning Committee, may, but is not required to, consult with or hear any Owner with respect to any plans, drawings, or specifications, or any other proposal submitted to the Planning Committee.

Section 4.9. Owner's Liability

Any Owner who alters any portion of the Subdivision, or causes any alteration to the Subdivision, shall be responsible and liable for any damage to Common Area or other Lots resulting from such alteration, and shall be responsible and liable for any violation of any law or governmental regulation resulting from such alteration.

Section 4.10. Mechanics' Liens

No Owner shall permit any mechanics' lien to arise, in connection with any work initiated by such Owner, upon the Common Area or any other Lot not owned by such Owner. Should such a lien arise, the Owner who initiated such work shall immediately take all necessary steps to remove such lien, including, if necessary, the obtaining of a bond, and shall indemnify the Association and all Owners against, and hold them harmless from, such lien and any costs incurred in removing such lien, including reasonable attorneys' fees. If any Owner fails to promptly pay all such costs upon the written demand of the Association, the Association may levy a Special Individual Assessment, in accordance with Section 7.4 against such Owner for such amounts.

Section 4.11. Property to be Annexed.

Any owner of property not within the Subdivision who wishes to have such property annexed to the Subdivision in accordance with the Declaration, may seek approval of such owner's plans and specifications for Improvements to be made to such property, prior to annexation.

Section 4.12. Variances

The Board of Directors, in its sole discretion, shall be entitled to allow reasonable variances in any procedures specified in this article, or in any land use restrictions specified in Article III to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardship to any Owner-applicant, provided all of the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a property use restriction that would otherwise be applicable under this Declaration, the Board must conduct a hearing on the proposed variance after giving prior written notice to the Board and to all Owners residing within the lesser of 50 feet or two Lots away from the Lot where the improvement is proposed to be erected. The notice shall be posted and mailed to the interested Owners at least 15 days prior to the date when the Board is scheduled to act on the requested variance. No decision shall be made with respect to the proposed variance until the 15-day comment period has elapsed.

(b) If the requested variance pertains to any material Improvement or Project, the Board 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 proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) that the variance relates to a 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 Properties.

Section 4.13. Compliance with Governmental Requirements.

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

Section 4.14. Appeal of Planning Committee Decision to Board.

Unless the Board is acting as the Planning Committee, upon its own initiative or upon the written request of the Planning Committee or any Association Member, the Board may review (and affirm or alter) any decision of the Planning Committee, provided that any such request for review shall be presented to the Board within thirty (30) days after the ACC's findings and decision has been mailed or delivered to the Owner who submitted the subject application, or, in the case of Common Area Improvements, to the managing agent of the Association. The Board, at an open meeting, will review such request and render a decision within ninety (90) days of receipt thereof or at the time of the next regular Board meeting, whichever is later. A written notice of the Board's decision will be sent to the person or persons who submitted the request for review within fifteen (15) days after the decision is made. The failure of the Board to render a decision within the ninety (90) day period shall be deemed a decision against the Owner.

ARTICLE V: MAINTENANCE RESPONSIBILITIES.

The Subdivision must be maintained, repaired, and replaced in an attractive, safe, and sanitary condition and in a good state of repair as follows:

Section 5.1. Association Maintenance Responsibility.

The Association must maintain, repair, and replace the following:

(a) Common Area

Common Area and all Improvements on Common Area including, without limitation, the Recreational Facility and Neighborhood Common Area, and excluding Project Common Area, except as described in Section 5.2 of this Declaration.

(b) Lots

(i) As designated in a Declaration of Annexation for any Phase, any landscaping, sound wall, and any feature located on Lots adjoining the entrance to a Neighborhood; and

(ii) The Association shall maintain all landscaping in the front yard areas of Lots improved with single family dwellings except that the Association is not obligated to trim the portion of trees that are above six (6) feet in height. The Association's maintenance of landscaping on Lots includes proper trimming, planting, mowing, weeding, and fertilizing at reasonable regular intervals. The Association has no duty to remove and/or replace any vegetation or trees on Lots. The Association has no duty to water front yard landscaped areas on Lots, but shall maintain and repair the irrigation system servicing such areas, including all pipes, valves, and sprinkler heads, but excluding water control timing devices. The Association has no duty to maintain landscaped or planted areas within gated, fenced, or enclosed atriums or other private areas on Lots, other than the Phase known as the Classics. The Association shall maintain the landscaping in both the front and back yards of the Lots within the Phase known as the Classics.

(c) Areas other than Common Area and Lots

(i) The structure of, exterior of, and the footings supporting the masonry wall within the "2' Sound Wall Easement" on Lots 1 through 24, inclusive, as shown on the Map, in the event such wall is not maintained by a governmental or public agency;

(ii) As designated in a Declaration of Annexation for any Phase, any landscaping, sound wall, and entry feature located on Lots adjoining the entrance to a Neighborhood;

(iii) The driveway areas and utility lines within a driveway on any Project Common Area that are shared between the Recreational Facility and such Project, including the driveway and turnaround circle as described in the REA, including all storm water drainage lines other than laterals serving such Project, and fencing at the Recreational Facility that is not required to be maintained by Owners;

(iv) Any landscaped area and sound wall on Lot B set forth on the Map as such area abuts Grandstaff Drive and Arroyo Vista Drive as designated in a Declaration of Annexation for Lot B; and

(v) Except as provided in this article, the Association shall be under no obligation to maintain walls, fences, and landscaping adjacent to public property such as parks, schools, and other public facilities.

Section 5.2. Maintenance by Owners and Project Committees.

Each Owner, or Project Committee with respect to any Project, shall, at such Owner's or Project Committee's sole cost and expense, maintain, repair, and replace as follows:

(a) Such Owner's Lot or such Project Committee's Project, and all Improvements from time to time located thereon;

(b) Any water and sanitary sewer laterals serving only such Owner's Lot or such Project Committee's Project;

(c) Landscaping on such Owner's Lot, Side Yard easement area, or such Project Committee's Project, except as provided in Section 5.1, including proper trimming, mowing, watering, planting, weeding, replacement, fertilization, removal and/or replacement of any vegetation or trees, trimming the portion of trees that are above six (6) feet in height, and maintenance and repair of water control timing units;

(d) Maintenance, repair, and replacement of fences between two Lots or located at the boundary of a Side Yard easement area under 8.1(j) of this Declaration are the joint responsibility of the Owners of the two Lots or of the Side Yard Lot and Adjoining Lot. Each Owner must pay one-half (1/2) of the cost of such maintenance;

(e) Maintenance, repair, and replacement of fences which form a border between a Lot and Common Area, including the Recreational Facility, are the responsibility of the Owner of such Lot except for the exterior surface of such fence or wall facing the Common Area, which shall be maintained by the Association; and

(f) Walls on the boundary of the Subdivision are the responsibility of the Owner of all Lots improved with such wall, except that the Association shall maintain any fencing or wall on the Recreational Facility that is not maintained by Owners, and structure of, the exterior of, and the footings for the masonry wall on Lots adjacent to Bruceville Road must be maintained by the Association in the event that such wall is not maintained by a governmental or public agency. In the event of any dissolution or suspension of the corporate powers of the Association occurring before acceptance of such wall for maintenance by a governmental agency, each owner of a Lot on Bruceville Road containing such wall shall maintain, repair, and replace it.

Section 5.3. Recovery of Costs of Certain Repairs and Maintenance.

(a) In the event that the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder is caused through the willful or negligent acts of an Owner, Owner's family, guests, tenants, or invitees, and is not covered or paid for by Association insurance policies or any liability insurance maintained by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Section 7.4 and 14.6.

(b) In the event that an Owner fails to perform maintenance functions for which the Owner is responsible, the Association may give written notice to the offending Owner with a request to correct the failure within thirty (30) days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance within the allotted time, the Association may exercise its rights under Sections 6.5 and 7.4 to enter the Owner's Lot and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing in accordance with Section 14.6, hereof.

Section 5.4. Cooperative Maintenance Obligations.

To the extent necessary or desirable to accomplish the maintenance obligations hereunder, individual Owners and the Association shall cooperate in the performance of maintenance work.

Section 5.5. Capital Improvements.

(a) Petition; Association Approval; Owner Approval.

A majority of the Owners may from time to time, in writing, petition the Association for the construction, installation or acquisition of Capital Improvements on or to the Common Area (i.e., improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities). Such petition shall be in such form and shall contain such information as the Association may require, including, without limitation, preliminary plans and cost estimates. The Association through the Board, may from time to time and on its own motion move for the construction, installation or acquisition of a Capital Improvement, in which case such motion shall be treated as if it were a petition duly submitted by an Owner.

(b) Approval of Petition.

The Association may approve the petition if it determines that the proposed Capital Improvement is desirable for the beneficial use and enjoyment of the Common Area and/or the lots, is economically feasible, is in conformance with applicable zoning, and has received all governmental required approvals.

(c) Bids.

Upon the approval of such petition by the Association, the Association shall obtain firm bids on the total cost of constructing, installing, or acquiring the proposed Capital Improvement, and the lowest acceptable bid or bids shall be deemed the estimated total cost of such Capital Improvement.

(d) Approval by Owners.

If during the fiscal year aggregate expenditures for Capital Improvements exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, the Association shall present the proposed Capital Improvements and the estimated total cost thereof to all Owners. If two-thirds (2/3's) of the voting power of the Association approves such Capital Improvements and such estimated total cost by vote or written consent, the proposed Capital Improvements shall be deemed approved and a Special Assessment for Capital Improvement shall be levied as provided in Section 7.3.

(e) Construction.

After the levy of the Special Assessment, and at such time and upon such terms and conditions as the Association may deem appropriate, but not at a cost exceeding the estimated total cost of such Capital Improvement as determined above, the Association shall construct, install, acquire, or contract for the construction, installation, or acquisition of the proposed Capital Improvement.

(f) Expenses for Improvement Not Approved.

If for any reason the construction or acquisition of the proposed Capital Improvement is not approved by the Association or the Owners, all expenses incurred by the Association with respect to the proposed Capital Improvement shall be paid proportionately by the petitioning Owners. The association may levy a Special Individual Assessment pursuant to Section 7.4 against said Owners for the purpose of paying such expenses. If the proposed Capital Improvement was initiated by the Board, such expenses shall be paid by the Association.

ARTICLE VI: HOMEOWNERS ASSOCIATION.

Section 6.1. Management and Operation.

The Association shall manage and operate the Subdivision in accordance with applicable provisions of the Governing Documents and California law, including law applicable to non-profit mutual benefit corporations and common interest developments.

Section 6.2. Association Membership.

Every Owner of a Lot shall be a Member of the Association. The Owner(s) of a Lot shall hold jointly one (1) membership in the Association for each Lot owned. The membership shall be appurtenant to each Lot and may not be separated from ownership of the Lot to which it relates. Persons or entities who hold an interest in a Lot merely as security for performance of an obligation are not Members until such time as the security holder comes into title to the Lot through foreclosure or deed. Any lessee/tenant who is delegated rights of use pursuant to Section 2.5 hereof does not thereby become a Member, although the lessee/tenant and members of the lessee/tenant's Family shall, at all times, be subject to the provisions of all Governing Documents.

Each Owner shall remain a Member of the Association until his or her ownership in every Lot in the Subdivision ceases, at which time his or her membership in the Association shall automatically cease. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale or encumbrance of the Lot to which it is appurtenant and then only to the purchaser. In the case of a sale, membership passes automatically to the purchaser upon recording of a deed evidencing transfer of title to the Lot.

Any attempt to make a prohibited transfer is void. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in the Owner's name to the purchaser of his or her Lot, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 6.3. Voting.

Each Member shall be entitled to one vote for each Lot owned by that Member. When more than one person holds an interest in any Lot, all such persons shall be Members, although in no event shall more than one vote be cast with respect to any Lot. Voting rights may be temporarily suspended under those circumstances described in Section 14.6, below.

Section 6.4. One Class of Membership.

The Association shall have one (1) class of membership and the rights, duties, obligations and privileges of the Members shall be as set forth in the Governing Documents.

Section 6.5. Powers and Authority of the Association.

(a) Powers Generally.

The Association shall have responsibility for managing and maintaining the Common Areas and Common Facilities and shall discharge all duties and responsibilities imposed on the Association by the Governing Documents and applicable California law. In discharging its responsibilities and duties, the Association and its Board shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents.

The Association and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. The specific powers of the Association and the limitations thereon shall be as set forth in this Declaration and the Bylaws.

(b) Association's Limited Right of Entry.

At the Board's discretion, the Association, and/or its agents/representative shall have the right, when necessary, to enter any Lot to perform the Association's obligations under this Declaration, including (i) exterior maintenance or repair obligations; (ii) obligations to enforce the architectural and land use restrictions of Article III and Article V hereof; (iii) any obligations with respect to construction, maintenance and repair of adjacent Common Areas, Common Facilities, utilities and/or other services; or (iv) to make necessary maintenance or repairs that an Owner has failed to perform which, if left undone, is in violation of this Declaration or will pose a threat to, or cause an unreasonable interference with, Association property or the Owners in common.

The Association's rights of entry under this Subsection (b) shall be immediate in case of an emergency originating in or threatening the Lot where entry is required, or any adjoining Lots or Common Area, and the Association's work may be performed under such circumstances whether or not the Owner or Owner's lessee is present. In all non-emergency situations, the Association or its agents shall furnish the Owner or Owner's lessee with at least twenty-four (24) hours written notice of the Association's intent to enter the Lot, specifying the purpose and scheduled time of such entry and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing within the Lot.

The Association's rights of entry under this Subsection (b) shall expressly include the right to transfer said rights of entry to others (including, but not limited to employees, contractors and/or service providers retained by the Association) by permit, license, easement, or otherwise, for the benefit of the Subdivision and the Owners of Lots therein.

(c) Reciprocal Easement Agreements.

The Association may enter into reciprocal easement agreements and joint use and maintenance agreements for use of roadways, parking areas, recreational facilities, or other common use areas.

(d) Association as Attorney-in-Fact for Owners.

Without limiting the generality of the foregoing, the Association is hereby irrevocably appointed as the attorney-in-fact for the Owners of each and every Lot to: (i) manage, control and deal with the interest of such Owners in the Common Area so as to permit the Association to fulfill all of its duties and obligations hereunder and to exercise all of its rights hereunder; (ii) deal with the Subdivision upon its destruction or obsolescence as hereinafter provided; and (iii) deal with and handle insurance and insurance proceeds, as provided in Articles IX and X hereof, and condemnation and condemnation awards, as provided in Article XI hereof. The acceptance by any person or entity of any interest in any Lot shall constitute an appointment of the Association as the Owner's attorney-in-fact as provided above.

Section 6.6. Board of Directors.

The affairs of the Association shall be managed by or under the direction of the Board of Directors. The number and qualifications of the Directors shall be as established in the Bylaws.

(a) Powers of the Board.

The Board shall have all of the powers and duties set forth in the Governing Documents.

(i) Exclusive Power.

Except as expressly otherwise provided herein, the powers and duties of the Association which the Governing Documents do not reserve to the Members shall be exclusively exercised and performed by the Board (or such committees or officers as the Board may establish, elect or appoint pursuant to the provisions of the Bylaws). Any power to be exercised or duty to be performed by the Association shall not be exercised or performed by any Owner individually without the written consent of the Board.

(ii) General Powers of the Board.

Without limiting any powers of the Board conferred elsewhere in the Governing Documents, the Board shall have the following powers:

(A) To call meetings of the Members.

(B) To appoint and remove at pleasure all officers, committees (including the nominating and architectural committees), agents and employees of the Association, prescribe their duties, fix their compensation (subject to Section 6.7(d)), and require of them such security or fidelity bonds

as it may deem necessary. Nothing contained in this Declaration shall be construed to prohibit the employment by the Association of any Member, Director or officer of the Association in any capacity whatsoever.

(C) To establish, fix, levy, assess and collect Assessments against the Owners of Lots within the Subdivision and to enforce payment of such Assessments in accordance with Article VII of this Declaration. Any Assessments levied by the Association on its Members shall be levied in accordance with and pursuant to the provisions of the Governing Documents.

(D) To authorize and cause the Association, subject to Section 6.7, to: (1) enter into management contracts and contracts for the day-to-day operation of the Association and the discharge of its responsibilities and obligations; or (2) enter into lease, license or other agreements for the use of property or facilities not a part of the Common Area. No contract for professional management shall have a term of more than three (3) years and each such contract shall be subject to all the other provisions hereof and shall be terminable by either party without cause or payment of a termination fee on ninety (90) days written notice. Any reference to the "term" of a contract as used in this Subsection 6.6(a)(ii)(D) shall not include any option or automatic renewal or extension period so long as the term of the contract may not be renewed or extended if notice is given by the Association pursuant to provisions contained within the contract.

(E) To adopt, amend, and repeal Association Rules consistent with this Declaration relating to (1) the maintenance, repair, management and use of the Common Area and all facilities thereon by Owners, their tenants, guests and invitees or any other persons who have rights of use and enjoyment of such Common Area and Common Facilities, including the right to restrict the use of certain land, facilities, air space, or structures to the Association or its officers, agents or employees; (2) minimum standards for the maintenance of landscaping or other improvements located on any Lot; (3) architectural control and the rules governing the Planning Committee under Article IV; (4) regulation of parking, pet ownership and other matters subject to regulation and restriction under Article III hereof; (5) the conduct of an Owner, its family, contract purchasers, tenants, lessees, guests, invitees, or licensees, with respect to the Subdivision and the other Owners or occupants of the Subdivision; (6) the conduct of disciplinary proceedings in accordance with Section 14.6 hereof; (7) reasonable charges for labor, services, or expenditures incurred at the request of an Owner or as a result of the actions of an Owner; (8) collection and disposal of refuse; (9) the interpretation of provisions of, and terms used in, this Declaration (said interpretation shall be conclusively be presumed to be correct so long as it is not inconsistent with this Declaration.); and (10) any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

Notwithstanding the foregoing grant of authority, the Association Rules shall not be inconsistent with or materially alter any provision of the other Governing Documents or the rights, preferences and privileges of Members thereunder. In the event of any material conflict between any Subdivision Rule and any provision of the other Governing Documents, the conflicting provisions contained in the other Governing Documents shall be deemed to prevail.

The Association shall give Notice to each Owner and Notice to each Occupant requesting such Notice of the Association Rules that may, from time to time, be adopted, amended, or repealed. The Association shall also post a copy of the Association Rules, as they may be adopted, amended, or repealed from time to time, at one (1) or more reasonable locations in the Common Area. Upon such Notice and posting, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration. Any Subdivision Rule relating to the health or safety of occupants or other persons coming upon the Subdivision shall take effect upon the adoption if the Rule so states.

(F) To delegate its powers to committees, officers, or employees of the Association.

(G) To incur debt for the purpose of maintaining and improving the Common Area, and to encumber property of the Association as security for the repayment of such debt.

(H) To grant easements on, over, under, across, and through the Property for public utility and other purposes consistent with the provisions of this Declaration.

(I) Except as expressly otherwise provided herein, the Board shall have the exclusive right and obligation to manage and administer the Common Area and to contract for all goods, services, and insurance, payment for which is to be made from the assessments hereinafter provided.

(J) Open bank accounts on behalf of the Association and designate the signatories to such bank accounts.

(K) Bring and defend actions on behalf of two or more Members or the Association to protect the interests of the Members or the Association, as such, as long as the action is pertinent to the operations of the Association, and do assess the members for the cost of such litigation. Prior to filing litigation regarding any disciplinary action against a Member, the Board shall comply with the requirements set forth in Section 14.6.

(iii) No Active Business.

Nothing contained in this Declaration, however, shall be construed to give the Board authority to conduct an active business for profit on behalf of the Association, all of the Owners, or any of them. The Board shall have no such power or authority. However, this Subsection (iii) shall not prohibit the Association and/or its Board from acquiring, owning, leasing and/or selling any Lot within the Subdivision.

(b) Duties of the Board.

The Board shall:

(i) Association Duties.

Cause all duties imposed on the Association by Governing Documents to be properly performed.

(ii) Records.

Cause a complete record of all its acts and corporate affairs to be kept, and to prepare budgets and financial statements for the Association.

(iii) Supervise.

Supervise all officers, agents and employees of the Association and to see that their duties are properly performed. The Board may at all times, subject to all provisions of this Declaration, retain professional management for the Subdivision.

(iv) Assessments.

With reference to Assessments of the Association:

(A) Fix, levy and collect Assessments pursuant to the provisions of Article VII of this Declaration.

(B) Approve the annual budget and fix the amount of the Assessment against each Member for each Assessment period in compliance with the provisions of Civil Code Section 5300, et seq., or comparable superseding statute;

(C) Prepare a roster of the Members and Assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Member;

(D) Send written notice of each Assessment to every Member subject thereto; and

(E) Issue or cause an appropriate officer to issue certificates as required by Sections 4.7 and 7.12.

(v) Insurance.

Contract for casualty, liability and other insurance, sureties and/or bonds (including indemnity bonds) on behalf of the Association with such coverages and in such amounts as required by this Declaration and as deemed necessary by the Board.

(vi) Vacancies.

Fill a vacancy or vacancies on the Board except for a vacancy created by the removal of a Board Member by a Member recall.

(vii) Utilities.

To the extent Lots are not separately metered by the utility provider, but are separately metered and billed by the Association, the Association shall have the right and power to periodically read the meter on each such Lot and to bill each Lot separately for the costs of such utility service, including, but not limited to water, sewer, gas, electric, telephone, garbage, television, refuse disposal and other necessary and/or convenient utility services. Such utility bills shall constitute assessments and be enforceable and collectable as provided in Article VII.

(viii) Discharge of Liens.

Pay any amount necessary to Bond or discharge any claim which may be or become a lien or encumbrance levied against the Subdivision as a whole or any part thereof which constitutes a lien against the Common Area, rather than merely against the interest therein of particular Owners; provided, however, that where one (1) or more Owners are responsible for the existence of such lien, they shall jointly and severally be liable for the cost of discharging it, and any costs incurred by the Association by reason of said lien or liens shall be assessed against each such Owner and said Owner's Lot as provided in Section 7.4. No decision resulting in such liability or Assessment shall be reached before

providing the Owner(s) with notice and hearing satisfying the requirements of Section 14.6 of this Declaration.

(ix) Enforcement.

Commence and maintain, in the name of the Association and on its behalf, or in the name and on behalf of any Owner who consents thereto, actions for damages arising from, or to restrain and enjoin, or to take any reasonable action necessary to prevent, any actual or threatened violation of the provisions of this Declaration, the Articles, the Bylaws, the Association Rules, the orders and awards of arbitration, or resolutions of the Board, or to enforce, by mandatory injunction or otherwise, the provisions of the foregoing.

However, the Board shall have the discretion to decide whether or not it is in the Association's best interest to pursue any such enforcement action, including taking into consideration the potential benefits to the Association (and/or its Members) resulting from any such enforcement action as compared with the anticipated financial costs. Where the Board, in its discretion, determines that it is not in the Association's best interest to file an enforcement action, the Board shall notify, in writing, any Member(s) who requested enforcement by the Association.

In addition, the Board may suspend the voting rights of an Owner or suspend the privileges of an Owner or Owner's Family, tenants, lessees, guests, invitees, or licensees to use the recreational facilities located on the Subdivision, or assess monetary penalties against any Owner or other person entitled to exercise such privileges for any violations of the provisions of the foregoing; provided that the Owner is given fair notice and the opportunity to be heard (in satisfaction of the minimum requirements of Section 14.6 of this Declaration) with respect to the alleged violation before a decision to impose discipline is made. The Board may delegate some or all of its enforcement rights to a disciplinary committee.

Notwithstanding anything to the contrary herein contained, neither the Board nor the Association shall have the power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his or her Lot, including access thereto over and across the Common Area, except when such loss or forfeiture is the result of: (A) a judgment of a court, (B) a decision arising out of arbitration, and/or (C) on account of a foreclosure (judicial or non-judicial) for failure of the Owner to pay the Assessments levied pursuant to the provisions hereof.

In the event legal action (including arbitration or mediation required under California law as a prerequisite to any lawsuit) is instituted by the Board pursuant to this section, any judgment or award rendered in any such action shall include all costs of collection (including but not limited to related management fees and costs), court/arbitration/mediation costs and reasonable attorneys' fees.

(x) Operating Requirements.

Obtain any other material, supplies, furniture, property, labor, services, maintenance, repairs, construction, reconstruction, structural alterations, insurance, taxes, or Assessments which the Association is required to secure or pay by law, local requirement, or pursuant to the terms of this Declaration, or as is necessary for the operation of the Subdivision, or for the enforcement of this Declaration; provided, however, that if any such materials, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or Assessments are provided for particular Lots, the costs thereof shall, as is reasonable, be assessed to such Lots and the Owners thereof as provided in Section 7.4 or as provided in the Bylaws.

Section 6.7. Limitations on Powers of the Association and Board.

Neither the Board nor the Association shall have the power to take, and both are hereby expressly prohibited from taking, any of the following actions without the vote or written assent of a majority of the voting power of the Association's Members:

(a) Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year with the following exceptions:

(i) A management contract as long as such contract contains provisions that allow the Association to terminate the management services under the contract upon a notice period that does not exceed sixty (60) days;

(ii) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(iii) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration provided that the policy permits short rate cancellation by the insured;

(iv) Lease agreements for laundry room fixtures and equipment not to exceed five (5) years duration.

(v) A contract to borrow money for the purpose of improving, restoring or maintaining the Common area and Common Facilities and/or the interests of the Owners and/or the benefit of the Association pursuant to Section 6.6.

(vi) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services not to exceed five (5) years' duration.

(vii) Agreements for terms not to exceed three (3) years that are terminable by the Association after no longer than one (1) year without cause, penalty or other obligation upon sixty (60) days written notice of termination to the other party.

(viii) Agreements for cable television services and equipment or satellite dish television services and equipment not to exceed five (5) years' duration.

For purposes of this Subsection (a) the one (1) year maximum "term" of a contract does not include any option period(s), renewal period(s) and/or extension(s) of time to the contract term so long as the contract contains provisions allowing the Association to non-renew and/or cancel the contract upon the expiration of said term.

(b) Incurring aggregate expenditures for Capital Improvements to the Common Area (i.e., improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities) in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(c) Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(d) Paying compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association's business; provided, however that the Board may cause a Board member or officer to be reimbursed for expenses incurred in carrying on the business or of the Association; or,

(e) Filling a vacancy on the Board created by the removal of a Director.

Section 6.8. Non-liability of Officials.

To the fullest extent permitted by law, neither a Director, officer, committee of the Association, member of a committee of the Association, nor the Board (collectively and individually referred to as the "Released Party"), shall be liable to any Member, Owner, the Association or any other party for any damage, loss, claim, liability or prejudice suffered or claimed on account of any decision, approval, disapproval, course of action, act, inaction, omission, error, negligence or the like made in good faith and within which such person or entity reasonably believed to be the scope of its duties.

(a) Claims Regarding Breach of Duty.

No Released Party shall be personally liable to any of the Association's 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 under the Bylaws, provided that such Released Party has, upon the basis of such information as may be possessed by the Released Party, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Without limiting the generality of the foregoing, this standard of care and limitation of liability shall extend to such matters as the establishment of the Association's annual financial budget, the funding of Association capital replacement and reserve accounts, repair and maintenance of Common Areas and Common Facilities and enforcement of the Governing Documents.

(b) Other Claims Involving Tortious Acts and Property Damage.

No person who suffers bodily injury (including, without limitation, emotional distress or wrongful death) as a result of the tortious act or omission of a volunteer Member of the Board or volunteer officer of the Association shall recover damages from such Board Member or officer if all of the following conditions are satisfied:

(i) The Board Member or officer does not own more than two (2) Lots;

(ii) The act or omission was performed within the scope of the volunteer Board member's or officer's Association duties;

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

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

(v) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim was made one (1) or more policies of insurance that include coverage for general liability of the Association and individual liability of the officers and Directors of the Association for negligent acts or omissions in their official capacities, with minimum coverage for both types of insurance equal to the amounts specified in Civil Code Section 5800 or comparable superseding statute.

The payment of actual expenses incurred by a Board member or officer in the execution of that person's Association duties shall not affect that person's status as a volunteer Board member or officer for the purposes of this section. However, any Director or officer who receives direct or indirect compensation from a financial institution that acquired a Lot within the Subdivision as the result of a judicial or nonjudicial foreclosure proceeding is not a volunteer.

The provisions of this Subsection (b) are intended to reflect the protections accorded to volunteer Directors and officers of community associations under Civil Code Section 5800 or superseding statute. In the event that Civil Code section is amended or superseded by another, similar provision of the California statutes, this Subsection (b) shall be deemed amended, without the necessity of further Member approval, to correspond to the amended or successor code provision.

(c) Indemnification of Directors, Officers, Employees and/or Agents.

The indemnification rights (including the right to advancement of expenses) of Directors, officers, employees and/or agents shall be governed by the provisions of Corporation Code Section 7237 or comparable superseding statute. As set forth in Article IX, the Association has the right to purchase and maintain insurance on behalf of its Directors, officers, employees and/or agents against liability asserted against or incurred by any Director, officer, employee and/or agent in its capacity or status as such.

ARTICLE VII: ASSESSMENTS.

Section 7.1. Assessments Generally.

(a) Covenant to Pay Assessments.

Each Owner of one (1) or more Lots, by acceptance of a deed or other conveyance therefore (whether or not it shall be so expressed in such deed or conveyance), covenants and agrees to pay to the Association (i) Regular Assessments, (ii) Special Assessments, and (iii) Special Individual 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 charges and for the enforcement of the liens hereinafter provided for. Each such Assessment shall be established and collected as hereinafter provided. No Owner may waive or otherwise escape liability for any Assessment provided for herein by nonuse of the Common Area or by abandonment.

(b) Extent of Owner's Personal Obligation for Assessments.

(i) Obligation Runs with the Land.

The obligation to pay Assessments and 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(s) of record of any Lot within the Subdivision shall, in turn, become liable to pay all Assessments and charges assessed during the time they are record Owner of such Lot.

(ii) Personal Debt of Owner.

All Assessments permitted or required herein, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a separate, distinct and personal debt and a personal obligation of the person or entity that was the Owner of the Lot at the time the Assessment was levied.

(iii) Liability of Subsequent Owner.

Any grantee and/or Owner who acquires title to a Lot (whether at judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Lot so purchased which become due and payable after the date of such sale, and shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability.

(iv) Liability of Prior Owner.

After a record Owner transfers, of record, any Lot the Owner owns, he or she shall not be liable for any Assessments levied after the transfer with respect to that Lot. Any unpaid Assessment of a previous Owner shall remain the debt of such previous Owner against whom the Assessment was assessed and the previous Owner shall remain personally liable. A contract seller of any Lot shall continue to be liable for all Assessments and charges until a conveyance by deed of such Lot is recorded in the Office of the Sacramento County Recorder.

(c) Authority of Board to Levy Assessments.

The Board shall have the power, duty and authority to levy Regular and Special Assessments sufficient to meet the Association's obligations under the Governing Documents and applicable law. The Board shall not levy or collect an Assessment or fee that exceeds the amount necessary to defray the costs for which it is levied. The Board shall also have the power and authority to levy Special Individual Assessments against particular Owners and their Lot(s).

(d) Authority of Board to Record Assessment Lien.

The Board shall have authority to prepare and record a lien against any Lot for which assessments are delinquent, and to foreclose upon such lien pursuant to Section 7.9 of this Declaration.

(e) No Avoidance of Assessment Obligations.

No Owner may exempt him or herself from personal liability for Assessments duly levied by the Association, nor release the Lot or other property owned by him or her from the liens and charges hereof, by waiver of the use and enjoyment of the Common Area or any facilities thereon or by abandonment or non-use of his or her Lot or any other portion of the Subdivision.

(f) Offsets.

All Assessments levied by the Board shall be payable in the full amount specified, including any additional charges imposed as provided for by the Governing Documents. No offsets against

any such Assessment shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in the Governing Documents.

Section 7.2. Regular Assessments.

(a) Purpose of Regular Assessments.

All Regular Assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents of the Subdivision and, in particular, for the maintenance, operation and improvement of the Lots, Common Area, and any real or personal property in which the Association holds an interest.

(b) Annual Budget; Regular Assessments & Board Authority.

In accord with the timing provisions of Civil Code Section 5300 (or comparable superseding statute), if any, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Facilities/Common Area), prepare and then distribute to all Association Members a budget satisfying the requirements of the Bylaws. If the Board fails to distribute the budget for any fiscal year within the time period provided for in this section, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the approval of Owners.

(c) Board or Membership Approval Requirements.

The total annual expenses estimated in the Association's budget (less projected income from sources other than assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year, provided that, except as provided in Subsections (e) and (g) below, the Board of Directors may not impose a total aggregate Regular Assessment that is more than twenty percent (20%) greater than the total aggregate Regular Assessment for the Association's immediately preceding fiscal year without the vote or written assent of Members casting a majority of the votes at a duly called meeting or election of the Association (see Section 7.7, below). For purposes of this Subsection (c), the phrase "total aggregate Regular Assessment" means the amount of Regular Assessment assessed to and due from all Lots for that particular year.

(d) Assessments to Address Emergency Situations.

The requirement of a membership vote to approve Regular Assessment increases in excess of twenty percent (20%) of the previous year's Regular Assessment shall not apply to Assessment increases necessary to address emergency situations. For purposes of this Subsection (d), an emergency situation is any of the following:

(i) An extraordinary expense required by an order of a court.

(ii) An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities or any portion of the separate interests which the Association is obligated to maintain where a threat to personal safety is discovered.

(iii) An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities or any portion of the separate interests which the Association is obligated to maintain

that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to Subsection (a), above, provided that, prior to the imposition or collection of an assessment under this Subsection (d)(iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not, or could not have been, reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of Assessment.

(e) Allocation of Regular Assessment.

(i) General Assessment Allocation. All Owners must be assessed for the estimated General Assessments, which include, but are not limited to: (i) maintenance and repairs to the Common Area landscaping, berms and entry features, including the sound walls, landscaping, and entry features described in Section 5.1 of this Declaration; (ii) maintenance and repairs to the Recreational Facility; (iii) management, accounting, bookkeeping, legal expenses, and other overhead costs relating to the Common Area; (iv) insurance premiums and deductibles required by this Declaration for the Common Area; (v) reserves for major repair and replacement of Improvements to all Common Areas including expenses attributable to the Recreational Facility but excluding any Common Area within a Project or Neighborhood which is for the use of less than all of the owners as set out in subsections (ii) and (iii) below; and (vi) expenses for driveway maintenance required by the REA, excluding those allocated in the REA to the Owners of Project Units on Lot B of the Map, and pursuant to Subsection (iv) of this section; and (vii) all other expenses not assessed under Subsections (b), (c), and (d) of this section which are reasonably related to maintenance of Common Area and operating costs of the Association. The General Assessment liability for Lots within the Subdivision shall be one (1) General Assessment share for each Lot, each Neighborhood Lot or Unit, and each Project Unit.

(ii) Neighborhood Assessment Allocation. All Lots from within a Neighborhood or group of Neighborhoods shall be assessed in equal shares for the estimated expenses attributable to: (i) maintenance and repair to any Common Area roads, privacy or security gate, and landscaping of the Common Area within such a Neighborhood or group of Neighborhoods, including utilities serving such Neighborhood Common Area; (ii) insurance, management, accounting, bookkeeping, and legal expenses and other overhead costs relating to such Neighborhood Common Area; and (iii) reserves for major repair and replacement of the Common Area Improvements within such a Neighborhood or group of Neighborhoods.

(iii) Assessments Against Projects. Upon annexation of a Project into the Subdivision, all Association assessments that are applicable to the particular Project Units, shall be levied against and paid by the applicable Project Units. If the applicable Project Unit fails to pay any such assessment, the Association shall have all of the same rights and remedies against such Project Unit and Project Unit Owner as it has against other Lots and Owners.

(iv) REA Maintenance Assessments. All Owners of Project Units located in the Project on Lot B of the Map, must be assessed for the estimated expenses attributable to them under the REA (recorded August 30, 1991, in Book 91-08-30, beginning at page 1785 of the Official Records of the Sacramento County, California, and including an amendment recorded June 17, 1992, in book 92-06-17, beginning at page 1473 of the Official Records of the Sacramento County, California), which provides, pursuant to Section 7 of the REA, that each Owner of a Project Unit located in the Project on Lot B of the Map is to pay a pro rata share of one-half of the maintenance, repair, and replacement costs of the driveway and turnaround circle identified in the REA including, but not limited to, the paved surfaces, and all utility pipes, lines, and related facilities, not within a public utility easement, except lateral pipes and lines.

(f) Failure to Make Estimate.

If, for any reason, the Board of Directors fails to make an estimate of the Common Expenses for any fiscal year, then the Regular Assessment made for the preceding fiscal year, together with any Special Assessment made pursuant to Section 7.3 for that year, shall be automatically assessed against each Owner and his or her Lot on account of the then-current fiscal year, and installment payments (as hereinafter provided) based upon such automatic Assessment shall be payable on the regular payment dates established by the Association.

The failure of the Board to fix Regular Assessments hereunder before the expiration of any year, for that or the next year, shall not be deemed a waiver or modification in any respect of the provisions of this Declaration or a release of the Owner from the obligation to pay the Assessments, or any installment thereof for that or any subsequent year. Failure to provide a copy of the budget to any Owner shall not affect the validity of Assessments based thereon so long as that Owner receives reasonable notice before the Association commences any action or proceeding to enforce collection thereof.

(g) Assessment Due Date, Installment Payments & Delinquency.

The Regular Assessment levied against each Owner and his or her Lot for the current fiscal year may be divided into twelve (12) equal monthly installments so long as the respective Owner is not in default (i.e., current on all assessments). Each monthly installment is due and payable on the first (1st) day of each month or in such other manner and/or on such other date(s) as may be established from time to time by the Association's Board of Directors.

Installments of Regular Assessments shall be delinquent if not actually received by the Association or its designated agent by the fifteenth (15th) day of the month in which the Assessment is due (if on a weekend or holiday, then on the next business day). In the event of a default in the payment of any installment, the Association may pursue the remedies set forth in Section 7.9, below, as to said delinquency.

(h) Mailing Notice of Assessment.

The Board of Directors shall mail to each Owner at the street address of the Owner's Lot, or at such other address as the Owner may designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year no less than forty-five (45) days prior to the beginning of the next fiscal year.

Section 7.3. Special Assessments.

(a) Purposes for Which Special Assessments May Be Levied.

Subject to the membership approval requirements set forth in Subsection (b), below, the Board of Directors shall have the authority to levy Special Assessments against the Owners and their Lots for the following purposes:

(i) Regular Assessment Insufficient in Amount.

If, at any time, the Regular Assessment for any fiscal year is insufficient due to extraordinary expenses not contemplated in the budget prepared for said fiscal year, then, except as prohibited by Section 7.3(b), the Board of Directors shall levy and collect a Special Assessment for the

purpose of defraying, in whole or in part, any deficit which the Association may incur in the performance of its duties and the discharge of its obligations hereunder.

(ii) Capital Improvements.

The Board may also levy Special Assessments for additional Capital Improvements within the Common Area (i.e., improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities). The Special Assessment power conferred hereunder is not intended to diminish the Board's obligation to plan and budget for normal maintenance, replacement, and repair of the Common Area or existing Common Facilities through Regular Assessments (including the funding of reasonable reserves) and to maintain adequate insurance on the Common Area and existing Common Facilities in accordance with Article IX hereof.

(iii) Reimbursement of Reserve Account(s).

A Special Assessment may be levied to reimburse any reserve account for funds borrowed from it to meet current operating expenses or to deal with emergencies.

(iv) Repair of Defects or Damage.

A Special Assessment may be levied to repair damage or defects discovered in the Common Area or Common Facilities or within those portions of a Lot or Residence which are the responsibility of the Association to maintain and repair, where the reserve funds are inadequate to pay for such repairs, or where the affected component is not a component included in the reserve funding program.

(b) Special Assessments Requiring Membership Approval.

No Special Assessments described in Section 7.3(a) hereof, which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for the fiscal year in which the Special Assessment(s) is levied shall be made without the vote or written approval of a Majority of a Quorum of Owners. For purposes of this section, a quorum shall be a majority of the Owners. This Owner approval requirement shall not apply to any Special Assessment levied to address "emergency situations" as defined in Section 7.2(d).

(c) Allocation and Payment of Special Assessments.

When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against, and charged to each Owner and his or her Lot in the same manner prescribed for the allocation of Regular Assessments pursuant to Section 7.2(e), above. Notice of the Special Assessment so levied shall be mailed to each Owner.

(d) Due Date for Special Assessments.

Unless the time for payment is extended by the Board, payment of all Special Assessments shall be due thirty (30) days after the Board gives the Owners written notice thereof or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment.

(e) Installment Payments of Special Assessment.

The Board may, in its discretion, prorate the amount of any permitted Special Assessment over a period of months. If prorated, the monthly prorated amount of any Special Assessment shall be due and payable at the same time as the Regular Assessment monthly installments. Installments of Special Assessments shall be delinquent if not actually received by the Association or its designated agent by the fifteenth (15th) day of the month in which the Special Assessment installment is due (if on a weekend or holiday, then on the next business day). In the event of a default in the payment of any Special Assessment installment, the Association may pursue the remedies set forth in Section 7.9, below, as to said delinquency, and the Board may in its discretion declare the entire unpaid amount of the Special Assessment immediately due and payable.

Section 7.4. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments.

In addition to the Special Assessments levied against all Owners in accordance with Section 7.3, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in Subsections (i) through (vi), below or as otherwise provided in this Declaration or the Governing Documents, provided that no Special Individual Assessments may be imposed against an Owner pursuant to this Section 7.4 until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Sections 14.6(f) & (g) hereof, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Association's Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

(i) Damage to Common Area or Common Facilities.

In the event that any damage to, or destruction of, any portion of the Common Area or the Common Facilities, including any portion of a Lot which the Association is obligated to repair and maintain is caused by the willful misconduct and/or negligent act or omission of any Owner, any member of Owner's Family, or any of Owner's tenants, lessees, guests, contract purchasers, employees, licensees or invitees, the Board shall cause the same to be repaired or replaced, and all costs and expenses, including but not limited to any costs or expenses incurred in deterring, apprehending and/or identifying those persons causing damage, incurred in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(ii) Expenses Incurred in Gaining Member Compliance.

In the event that the Association incurs any costs or expenses, (A) to accomplish the payment of delinquent Assessments, (B) to accomplish any repair, maintenance or replacement to any portion of the Project that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion, or (C) to otherwise bring the Owner and/or said Owner's Lot into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties duly imposed hereunder, title company fees, accounting fees, court costs and reasonable attorneys' fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

As long as Civil Code Section 5725 (or comparable superseding statutes) places restrictions upon the Association's foreclosure powers, any lien that is based upon one (1) or more Special

Individual Assessment imposed by the Board as a disciplinary measure (i.e., fines or penalties imposed under Article XIV) may only be enforceable by the sale of said Lot pursuant to judicial foreclosure. All other liens under this Subsection (ii) may be enforceable by the sale of said Lot under nonjudicial foreclosure by power of sale pursuant to Civil Code Sections 2924, 2924b and/or 2924c or comparable superseding statute(s).

(iii) Required Maintenance on Lots.

As more particularly provided in Section 6.5(b) (and without limiting the generality of that section), if the Board, in its discretion, determines that any Lot is maintained so as to become a nuisance or fire or safety hazard for any reason, including without limitation, the accumulation of trash, junk, or improper weed or vegetation control, the Association shall have the right to enter said Lot, correct the offensive or hazardous condition, and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner.

(iv) Diminution in Insurance Proceeds.

The Association shall have the authority to levy a Special Individual Assessment for the amount of the loss in insurance proceeds against any Owner who caused any diminution in the insurance proceeds otherwise payable to the Association due to the Owner's individual casualty insurance.

(v) Increase in Insurance Burden.

The Association shall have the authority to levy a Special Individual Assessment for the amount of the increased insurance premium against any Owner who caused any increase in the rate of insurance paid by the Association to reimburse the Association for any such increase in the rate of insurance.

(vi) Additional Costs Associated With Extended Payment Program.

If the Board permits payment of a Special Assessment by periodic payments over a specified period of time and funds such an extended payment program through a commercial loan or line of credit, the Owners who participate in such a program (rather than paying the entire Special Assessment when due) shall be assessed the interest, loan fees, and other costs associated with the program in addition to the principal amount of the special assessment.

(b) Levy of Special Individual Assessment and Payment.

Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed, in Section 7.4(a), notice thereof shall be mailed to the affected Owner, and the Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within fifteen (15) days after the mailing of notice of the Assessment.

Installments of Special Individual Assessments shall be delinquent if not actually received by the Association or its designated agent within fifteen (15) days from the due date provided in the mailing of notice of Assessment. In the event of a default in the payment of any Special Individual Assessment, the Association may declare that Owner's Special Individual Assessment to be in default and pursue the remedies set forth in Section 7.9, below, as to said delinquency.

Section 7.5. Allocation of Assessment Shares.

(a) General Assessment Allocation.

All Owners must be assessed for the estimated General Assessments, which include, but are not limited to: (i) maintenance and repairs to the Common Area landscaping, berms and entry features, including the sound walls, landscaping, and entry features described in Section 5.1(c) of this Declaration; (ii) maintenance and repairs to the Recreational Facility; (iii) management, accounting, bookkeeping, legal expenses, and other overhead costs relating to the Common Area; (iv) insurance premiums and deductibles required by this Declaration for the Common Area; (v) reserves for major repair and replacement of Improvements to all Common Areas including expenses attributable to the Recreational Facility but excluding any Common Area within a Project or Neighborhood which is for the use of less than all the owners as set out in Subsections (b) and (c) below; and (vi) expenses for the driveway maintenance required by the REA, excluding those allocated in the REA to the Owners of Project Units on Lot B of the Map, and pursuant to Subsection (d) of this section; and (vii) all other expenses not assessed under Subsections (b), (c), and (d) of this section and which are reasonably related to maintenance of Common Area and operating costs of the Association. The General Assessment liability for Lots within the Subdivision shall be one (1) General Assessment share for each Lot, each Neighborhood Lot or Unit, and each Project Unit.

(b) Neighborhood Assessment Allocation.

All Lots within a Neighborhood or group of Neighborhoods shall be assessed in equal shares for the estimated expenses attributable to: (i) maintenance and repair to any Common Area roads, privacy or security gate, and landscaping of the Common Area within such a Neighborhood or group of Neighborhoods, including utilities serving such neighborhood Common Area; (ii) insurance, management, accounting, bookkeeping, and legal expenses and other overhead costs relating to such neighborhood Common Area; and (iii) reserves for major repair and replacement of the Common Area Improvements within such a Neighborhood or group of neighborhoods.

(c) Assessments Against Projects.

Upon annexation of a Project into the Subdivision, all Association assessments that are applicable to the particular Project Units, shall be levied against and paid by the applicable Project Units. If the applicable Project Unit fails to pay any such assessment, the Association shall have all of the same rights and remedies against such Project Unit and Project Unit Owner as it has against other Lots and Owners.

(d) REA Maintenance Assessments.

All Owners of Project Units located on Lot B of the Map, must be assessed for the estimated expenses attributable to them under the REA (recorded August 30, 1991, in Book 91-08-30, beginning at page 1785 of the Official Records of the Sacramento County, California, and including an amendment recorded June 17, 1992, in Book 92-06-17, beginning at page 1473 of the Official Records of the Sacramento County, California), which provides, pursuant to Section 7 of the REA, that each Owner of a Project Unit located in the Project on Lot B of the Map is to pay a pro rata share of one-half of the maintenance, repair, and replacement costs of the driveway and turnaround circle identified in the REA, including, but not limited to, the paved surfaces, and all utility pipes, lines, and related facilities, not within a public utility easement, except lateral pipes and lines.

Section 7.6. Reasonableness of Assessments.

Each and every Assessment levied hereunder is further declared and agreed to be a reasonable Assessment, and to constitute a separate, distinct and personal obligation (with respect to which a separate lien may be created hereby) of the Owner of the Lot against which the Assessment is imposed that shall be binding on the Owner's heirs, successors and assigns, provided that the personal obligation of each Owner for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

Section 7.7. Notice and Procedure for Member Approval.

In the event that Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 7.2 and/or 7.3, approval of the requisite percentage of the Members shall be solicited by written ballot pursuant to Section 4.6 of the Bylaws. The quorum required for such membership action shall be a majority of Owners.

Section 7.8. Maintenance of Assessment Funds.

(a) Bank Accounts.

All sums received or collected by the Association from Assessments, together with any interest or other charges thereon, shall be promptly deposited in the Association's bank account, which shall be either an insured checking, savings or money market accounts in a bank, savings and loan association or other financial institution selected by the Board of Directors which has offices located within the United States of America. In addition, the Association shall maintain at least two (2) bank accounts which accounts shall be clearly designated as either an "operating" or "reserve" account.

Disbursements from the operating account shall be for the general operation of the Association including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Subdivision. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including (at minimum) a reserve account for replacement of Capital Improvements as set forth in this Article VII.

In addition, the Board shall be entitled to make prudent investment of reserve funds in insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees.

The Board, and such officers or agents of the Association as the Board shall designate, shall have exclusive control of said account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof.

To preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one (1) or more accounts and need not be deposited in separate accounts so long as the separate accounting records described herein are maintained.

(b) Separate Accounts & Commingling of Funds.

Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may make

appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments. If the proceeds of any Special Assessment exceed the amount required to accomplish the purpose for which such Assessment was levied, such surplus may, in the Board's discretion, be returned proportionately to the contributors thereof, reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, underfunded or credited proportionately on account of the Owners' future Regular Assessment obligations.

For purposes of accounting, but without requiring any physical segregation of assets, the Association shall maintain a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made therefrom, provided that receipts and disbursements of Special Assessments made pursuant to Section 7.3 shall be accounted for together with the receipts and disbursements of Regular Assessments.

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

(c) Checks.

All checks (or other demands for payments of Association money) and/or notes of the Association shall be signed by the president or by such other Directors and/or officers or such other person(s) as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Association reserve accounts shall require the minimum signature requirements of Civil Code Section 5510 or superseding statute (i.e., two (2) Directors or an officer (who is not a Director) and a Director).

Section 7.9. Collection of Assessments; Enforcement of Liens.

(a) Delinquent Assessments.

If any payment of a Regular or Special Assessment (installment or lump sum) or any payment of a Special Individual Assessment assessed to any Owner is not actually received by the Association or its designated agent within fifteen (15) days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law beginning thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to impose late charges for any delinquent Assessments in the amount of ten dollars (\$10) or ten percent (10%) of the delinquent amount, whichever is greater.

(b) Effect of Nonpayment of Assessments.

(i) Creation and Imposition of Liens for Delinquent Assessments.

The amount of any delinquent Regular, Special or Special Individual Assessment together with any late charges, interest, costs and/or reasonable attorneys' fees attributable thereto or incurred in the collection thereof, shall become a lien upon the Lot of the Owner so assessed from and after the time the Association causes to be recorded with the Sacramento County Recorder a Notice of Delinquent

Assessment in conformance with Civil Code Section 5675 or comparable superseding statute. Each default shall constitute a separate basis for a lien. Upon the Association's receipt of payment of the sums specified in the Notice of Delinquent Assessment, the Association shall cause to be recorded in the Office of the County Recorder of the County of Sacramento, State of California, a Notice of Satisfaction and Release of Lien.

(ii) Partial Payment of Assessments.

Subject to the limitations imposed by Civil Code Section 5655 or comparable superseding statute, if any, any partial payments the Association receives will be applied as specified in the Association's Delinquent Assessment Collection Policy and/or Association Rules.

(iii) Remedies Available to the Association to Collect Assessments.

In the event of default in payment of any assessment, the Association may commence any procedure for collection upon its own decision. In addition to any other remedies herein or by law provided, the Association may enforce each such obligation as follows: (A) initiate a legal action against the Owner personally obligated to pay the delinquent Assessment, (B) foreclose its lien against the Owner's Lot, or (C) accept a deed in lieu of foreclosure. Foreclosure by the Association of its lien may be by judicial foreclosure or by non-judicial foreclosure. However, except as otherwise provided by law, judicial or non-judicial foreclosure shall only be available to collect delinquent Assessments in excess of one thousand eight hundred dollars (\$1,800) exclusive of any accelerated Assessments, late charges, fees and costs of collection, attorney's fees or interest or if the Assessments are more than twelve (12) months delinquent. The Association shall, in collecting any delinquent Assessment, comply with the requirements for internal dispute resolution and alternative dispute resolution set forth in the Governing Documents or California law.

(iv) Non-judicial Foreclosure.

Non-judicial foreclosure shall be commenced by the Association in compliance with California law. (See Civil Code Section 2924(c), or comparable superseding statute.) Each of the Owners does, by mere acceptance of a deed to a Lot, give the Association the power to appoint a trustee and attorney-in-fact by special power of attorney to enforce and to foreclose such lien by private power of sale as provided in Division Third, Part 4, Title 14, Chapter 1, Article 1, Sections 2920 et seq. of the Civil Code or superseding statute and further grants to the Association the authority and power to sell the Lot of such defaulting Owner, or any part thereof to satisfy said lien, for lawful money of the United States to the highest bidder. The Association shall have the rights conferred by California Civil Code Section 2934a or superseding statute to assign its rights and obligations as trustee in any non-judicial foreclosure proceedings to the same extent as a trustee designated under a deed of trust and for purposes of said Section 2934a, the Association shall be deemed to be the sole beneficiary of the delinquent Assessment obligation. Furthermore, in lieu of an assignment of trusteeship, the Association shall be entitled to employ the services of a title insurance company or other responsible company authorized to serve as a trustee in non-judicial foreclosure proceedings to act as an agent on behalf of the Association in commencing and prosecuting any non-judicial foreclosure hereunder.

(v) Judicial Foreclosure.

In the event foreclosure is by action in court, reasonable costs, including attorneys' fees, shall be allowed.

(vi) Actions for Money Judgment.

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

(c) Payment Plans.

The Board may, but is not required to adopt rules or polices (which shall become part of the Association Rules) permitting an owner to make installment payments on any delinquent Assessments, accelerated Assessments, late charges, fees and costs of collection, attorney's fees and/or interest, subject to reasonable terms and conditions, including payment of additional administrative costs for administering such a payment plan.

Section 7.10. Transfer of Lot by Sale or Foreclosure.

The following shall govern the Association's rights to enforce its Assessment collection remedies following the sale or foreclosure of a Lot.

(a) Assessment Liens Recorded Prior to Transfer.

Except as provided in Subsection (b), below, the sale or transfer of any Lot shall not affect any Assessment lien duly recorded with respect to that Lot before the sale or transfer, and the Association may continue to foreclose its lien in spite of the change in ownership.

(b) Foreclosure by Holder of Prior Encumbrance.

The Association's assessment lien shall be extinguished as to all delinquent sums, late charges, interest, and costs of collection incurred before the sale or transfer of a Lot under a foreclosure or exercise of a power of sale by the holder of a prior encumbrance (but not under a deed-in-lieu of foreclosure). A "prior encumbrance" means any First Mortgage or other mortgage or lien recorded before the Association's Notice of Delinquent Assessment is recorded.

(c) Liability of New Owner for Future Assessments.

No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale, or otherwise, shall relieve the new Owner of that Lot (whether it be the former beneficiary of the First Mortgage or other prior encumbrance, or a third party acquiring an interest in the Lot) from liability for any Assessments thereafter becoming due or from the lien thereof.

(d) Personal Liability of Prior Owner for Assessments.

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

Section 7.11. Priorities.

Except as otherwise 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 Notice of Delinquent Assessment, over all other liens and encumbrances applicable to the Lot, except (a) all taxes, bonds, Assessments and other levies which, by law, would be superior thereto; (b) any lien or encumbrance recorded prior to the recording of the Notice of Delinquent Assessment; or (c) the lien or charge of any First Mortgage of record made in good faith and for value, provided that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such First Mortgage.

Section 7.12. Estoppel Certificate.

A certificate executed by any two (2) members of the Board setting forth the amount of any due and unpaid Assessments with respect to a Lot (or the fact that all Assessments due are paid, if such is the case) shall be conclusive against the Board, the Association, and/or the Owners in favor of any and all persons who rely thereon in good faith. Any Owner shall be entitled to such a certificate within ten (10) days after demand therefore and upon payment of a reasonable fee.

Section 7.13. Unallocated Taxes.

In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than being assessed to the Lots, such taxes shall be included in the Regular Assessments imposed pursuant to Section 7.2 and, if necessary, a Special Assessment may be levied against the Lots in an amount equal to such taxes to be paid in two (2) installments, thirty (30) days prior to the due date of each tax installment.

Section 7.14. Assignment of Rents.

Each Owner does hereby presently assign to the Association, absolutely and regardless of possession of the property, all rents and other monies now due or hereafter to become due under any lease or agreement or otherwise for the use or occupation of any or all parts of any Lot owned by the Owner, now existing or hereafter made for the purpose of collecting all Assessments due the Association pursuant to this Declaration which are in default. The Association hereby confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable. Upon an Owner's default of Assessments due to the Association, the Association after providing written notice to the defaulting Owner may, in its discretion, revoke the authority allowing the defaulting Owner to collect and retain rents and other monies. Upon revocation of such authority the Association may, pursuant to court order or by court-appointed receiver, collect and retain such monies, whether past due and unpaid or current. The Association's rights under this section shall be subordinate to the rights of any First Mortgagee. In addition, the Association shall have the right to levy a Special Individual Assessment, pursuant to Section 7.4 above, against the defaulting Owner for attorney's fees and costs incurred by the Association in collecting or retaining rents and other monies derived from an Owner's lease or agreement for failure to pay the Owner's Assessments.

Section 7.15. Waiver of Exemptions.

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

Section 7.16. Secondary Address.

Any Member may provide the Association with a secondary address. Any notice of a secondary address shall be in writing and shall be mailed to the Association in a manner that shall indicate the Association has received it. If a secondary address is provided in accordance with this section, the Association shall send any and all correspondence and legal notices regarding Assessments and foreclosures required by this Article VII or by California law to both the primary and the secondary address.

ARTICLE VIII: EASEMENTS & RESERVATIONS.

Section 8.1. Easements.

The ownership interests in the Common Area and Lots described in this Article are subject to the easements granted and reserved in this Declaration. Each of the easements reserved or granted herein shall be deemed to be established upon the recordation of this Declaration and shall thenceforth be deemed to be covenants running with the land for the use and benefit of the Owners and their Lots superior to all other encumbrances applied against or in favor of any portion of the Subdivision. Individual grant deeds to Lots may, but shall not be required to, set forth the easements specified in this Article.

(a) Easements on Subdivision Map.

The Common Area and Lots are subject to the easements and rights of way shown on the Map.

(b) Easements for Common Area.

Every Owner shall have a non-exclusive right and easement of use and enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the right of the Association to dedicate and/or grant easements over all or any portion of the Common Area. The rights herein created shall include, but not be limited to, the right of the Owners of Lots fronting on public streets to have access to and across the Private Streets; provided, however, that any conveyance, dedication or encumbrance affecting the Common Area is expressly subject to the Owners' rights to use the Private Streets for ingress and egress.

(c) Utilities.

There are reserved and granted for the benefit of each Lot, as dominant tenement, over, under, across and through the Subdivision (including the Common Area and each other Lot), as the servient tenement, non-exclusive easements for utility services and affording the Association and any and all utility companies a right of access to all Lots and improvements where necessary to install utilities and perform necessary maintenance and repair.

By virtue of this easement, it shall be expressly permissible for the providing utility company and/or service provider to erect and maintain the necessary equipment and underground facilities on the Common Area. Notwithstanding the foregoing, no sewer, electrical lines, water lines, or other utilities may be installed or relocated on said Subdivision except as the Subdivision was initially designed or thereafter as approved by the Association's Board of Directors. The easements provided for in this section shall in no way effect any other recorded easement on the Subdivision.

(d) Encroachment.

There are reserved and granted for the benefit of each Lot, as dominant tenement, over, under and across each other Lot and Common Area, as servient tenements, and for the benefit of the Common Area, as dominant tenement, over, under and across each Lot, as servient tenement, non-exclusive easements for encroachment, support, occupancy and use of such portions of Lots and/or Common Area as are encroached upon, used and occupied by the dominant tenement as a result of any original construction design, accretion, erosion, addition, deterioration, decay, errors in original construction, movement, settlement, shifting or subsidence of any building or structure or any portion thereof, or any other cause. In the event any portion of the Subdivision is partially or totally destroyed, the encroachment easement shall exist for any replacement structure which is rebuilt pursuant to the original construction design. The easement for the maintenance of the encroaching Improvement shall exist for as long as the encroachments exists; provided, however, that no valid easement of encroachment shall be created due to the willful misconduct of the Association or any Owner. Any easement of encroachment may but need not be cured by repair and restoration of the structure.

(e) Support, Maintenance and Repair.

There is hereby reserved and granted a non-exclusive easement appurtenant to the Common Area and to all other Lots, as dominant tenements, through each Lot and the Common Area, as servient tenements, for the support, maintenance and repair of the Common Area and all Lots.

(f) Annexation of Additional Property.

Upon the recordation of a Declaration of Annexation, the Lots and the Owners of Lots in the annexed Phase shall have all of the easements specified in this Article and the Lots and the Owners of Lots in the Subdivision prior to the annexation shall have all of the easements specified in this Article as though the annexed phase were initially a part of the Subdivision.

(g) Association's Easements.

There are hereby reserved to the Association and its duly authorized agents and representatives such easements as are necessary to perform the rights, duties, and obligations of the Association set forth in the Governing Documents, including without limitation and subject to Section 6.5(b), the right to enter upon Lots.

(h) Private Utility Easements.

Where necessary to allow utility service to Lots from utility installations in the Private Streets there is hereby created and reserved to the Lots, as dominant tenements, a nonexclusive easement appurtenant, over, across, above and under the abutting Lots, as servient tenements, for the purpose of installing, maintaining, repairing and replacing utility connections to the utilities located in a Private Street.

(i) Other Easements.

Each Lot and its Owner, and the Association as to the Common Area, are hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the Properties and each Lot and Common Area as shown on the Subdivision Map.

(j) Side Yard Easements.

(i) Purpose.

In order to provide Lots with wider side yards on one side than would otherwise be available, certain Lots are granted exclusive easements over a portion of the adjacent Lots as set forth in this section. Such easements are to permit landscaping and recreational uses in the side yard, while allowing access to the easement area by the owner of the adjacent Lot for maintenance and repair of the Improvements located on the adjacent Lot.

(ii) Definitions.

The provisions of this section shall apply to: (i) any Lot designated as a "Side Yard Lot" in this section; and (ii) any designated adjoining Lot subject to the easements described in this section ("Adjoining Lot").

(iii) Easement Description.

The Owner of a Side Yard Lot has an easement over a portion of the Adjoining Lot, for the purposes described in this section. Such easement area, with respect to most Adjoining Lots, runs from the Lot line between such Lots to the greater of an even depth of four (4) feet or the actual placement of the dwelling on the Adjoining Lot and the fence that encloses the easement area. The exact description of such easements shall be set out either on the Map or any subdivision map for a Subsequent Phase or in the deeds to the Lots benefitted and burdened by such easement and such description shall control over the location described in this Declaration. For purposes of side yard easements on Lots within the Subdivision described in Exhibit "A" (the first phase), such easements are designated on the Map (filed for Record on May 31, 1991, in Book 216 of Maps, Map No. 7, with title to the land shown on such subdivision map vested as per Certificate No. 5517, Records of Sacramento County) as "4' Private Building Maintenance Easement to be Deeded to Adjacent Lot." For purposes of side yard easements on Lots within the phase known as the Classics such easements are designated on the subdivision map entitled Regency Place Unit No. 3, recorded January 8, 1993, in book 225 of Maps and Plats, Map No. 15, Records of Sacramento County.

(iv) Easement for Planting and Recreation; Easement for Utilities.

The Owner of a Side Yard Lot has the right over the easement area for the installation and maintenance of lawns, plants, and ground cover within the side yard easement and for recreational purposes. The Owner of a Side Yard Lot also has the right over the easement area for the purpose of service and maintenance of service and utility lines and easements serving such Side Yard Lot and for access to utility or service meters by governmental or private utility company employees for such purposes.

(v) Easement for Repair and Maintenance.

The Owner of the Adjoining Lot subject to the easement described in subsection (iii) is granted a non-exclusive easement for the right to cross the Side Yard Lot for access to the easement area, and that Owner reserves over the easement area the right to use it for the purpose of maintaining, inspecting, repairing, or reconstructing Improvements on the Adjoining Lot that are located adjacent to the easement area, including the side of the house, roof, roof overhang, and the fence facing the easement area.

(vi) Easement for Roof Overhead and for Drainage.

The owner of the Adjoining Lot reserves over the easement area the right for the roof overhang of the dwelling on the Adjoining Lot to protrude into the easement area to the same extent as originally constructed. The Owner of the Side Yard Lot may use such easement area for any reason consistent with the purpose of the easement, but such Owner shall not impair or block any drainage from the Adjoining Lot.

(vii) Use of the Easement Area.

The Owner of the Side Yard Lot may use the easement described in Subsection (iii) for any reason consistent with the purpose of the easements granted to the owner of the Adjoining Lot in Subsections (v) and (vi). The Owner of the Side Yard Lot has no right: (i) to use the adjacent wall and roof, or any other part of the house or fence on the Adjoining Lot for any purpose; (ii) to install plants within eighteen (18) inches of the side of the dwelling or fence facing the easement area; (iii) to alter the existing drainage of the Adjoining Lot, nor (iv) to use the easement area for any reason inconsistent with the purpose of maintenance of plantings and utilities, and for recreation. The Owner of the Side Yard Lot shall not install, maintain or replace any sprinkler so as to sprinkle water within twelve (12) inches of the dwelling or fence facing the easement area. Any maintenance performed by the Owner of a Side Yard Lot in the easement area shall be accomplished so as to minimize damage to the Adjoining Lot, and the Owner of the Side Yard Lot shall restore the Improvements on the Adjoining Lot to the condition in which they were found before such work. Use of the easement area for storage is prohibited, and placement of firewood, or material that may be fire hazards is prohibited.

(viii) Encroachments.

If any Improvements encroach upon an easement area established by this section for any of the reasons set forth below, an easement exists for such encroachment and for its maintenance for so long as the encroachment remains, and all Side Yard Lots and Adjoining Lots are subject to such easement. This easement shall be for any encroachment arising from the following circumstances (i) construction, reconstruction, repair, shifting, settlement, or movement of any Improvements; (ii) any Improvement completed as part of original construction of the Subdivision; (iii) any work to repair or replace original construction of the subdivision; or (iv) mis-description or error in draftsmanship on a Subdivision map or on a deed. An intentional encroachment by an Owner shall not create such an easement.

(ix) Amendments.

In the event an amendment to this Declaration is necessary to conform the easements granted by this Declaration to the actual placement of Improvements constructed on Lots, or due to any lot line adjustments, the consent of Owners unaffected by such adjustments is not required for such amendment, provided the written consent of any Owners of Lots affected by such amendment is obtained.

(x) Designation of Easements.

This subsection identifies those Lots having the appurtenant planting, utility, and recreational easements described in Subsection (j) of this section over the Adjoining Lot. The charts attached hereto as Exhibit "B" list every Lot, in Column 2 every Lot subject to an easement held by the Lot listed in Column 1 (Adjoining Lot), and in Column 3 every Lot holding an easement over a portion of the Lot listed in Column 1 (Side Yard Easement). If there is no easement held by a Side Yard Lot, or no Adjoining Lot subject to such easement the letters "N/A" signify there is no such easement. The term "out

of Phase I” in the Declaration of Annexations refers to property that is not shown on the Map and was to be described in the initial deed of the Lot.

(k) Priority of Easements.

Wherever easements granted to the City and/or County are, in whole or in part, conterminous with any other easements, the easements of the City and/or County shall have and are hereby granted priority over the other easements in all respects.

Section 8.2. REA: Reciprocal Easement regarding Lot B.

The Subdivision is subject to the “Grant of Reciprocal Easement, Easement Agreement, and Covenants under Civil Code Section 1468 – Regency Place”, recorded July 31, 1991, in Book 91-0830, at Page 1785, Official Records of Sacramento County and “Amendment to Reciprocal Easement, Easement Agreement, and Covenants Under Civil Code Section 1468- Regency Place”, recorded June 17, 1992, in Book 92-0617, at Page 1473 (“REA”). The REA provides for mutual use and sharing of costs between the Association and the condominium project in Lot B of the Map for maintenance and upkeep of the driveway and turnaround circle.

ARTICLE IX: INSURANCE.

Section 9.1. Types of Insurance Coverage.

The Association shall purchase, obtain and maintain the following types of insurance with the coverages described below to the extent economically feasible:

(a) Hazard Insurance

The Association shall obtain, and maintain in force, a policy of hazard insurance covering all insurable Improvements in the Common Area, including fixtures, machinery and building service equipment, and other personal property and supplies owned by the Association. Such insurance shall cover loss or damage by fire and other perils normally covered by the standard extended coverage endorsement, “all risk” or other special form endorsements and such other perils which are customarily covered with respect to Improvements similar in construction, location and use. The amount of coverages shall not be less than one hundred percent (100%) of the current replacement cost. The policy shall include: (i) an “Agreed Amount and Inflation Guard Endorsement;” (ii) a “Demolition Cost Endorsements;” (iii) a “Contingent Liability from Operation of Building Laws Endorsement;” (iv) “Increase Cost of Construction Endorsement”, if the insured Improvements are subject to a code provision that would require changes in the reconstruction of undamaged portions of partially damaged Improvements; (v) a Steam Boiler and Machinery Coverage Endorsement, if applicable, which provides that the insurer’s minimum liability per accident at least equals the lesser of three million dollars (\$3,000,000.00) or the insurable value of the buildings housing the boiler or machinery; and (vi) recognition of any Insurance Trust Agreement.

(b) General Liability Coverage

The Association shall obtain and maintain in force, a policy of general liability insurance on the Common Area, in the amount of at least three million dollars (\$3,000,000.00), per occurrence and in the annual aggregate, insuring each Owner, the Board, and the Association, against: (i) liability for property damage, bodily injury or death in connection with the ownership, operation, maintenance, or use

of the Subdivision or any part thereof; and (ii) liability under any applicable worker's compensation statutes. The policy shall contain a "severability of interest" clause or cross liability endorsement. The insurer's liability under the policy shall be primary of any other insurance obtained by or for any other Owner and shall not claim any right of set-off, counterclaim, apportionment, proration, or contribution by reason of any act or negligence of any Owner.

(c) Additional Coverage

The Association must also carry any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following where applicable and available: (i) comprehensive owned and non-owned automobile liability; (ii) bailee's liability; (iii) elevator collision liability; (iv) garage keeper's liability; (v) host liquor liability; (vi) worker's compensation and employer's liability; and (vii) contractual liability.

(d) Fidelity Bond.

The Association shall maintain one or more blanked fidelity bonds or equivalent insurance policies, for all officers, directors, trustees, or employees of the Association; and all volunteers, and all other persons, who handle or are responsible for funds belonging to or administered by the Association. The amount of coverage shall cover the maximum amount of the funds that will be in the custody of the Association or its management agent at any time while the bond is in force, but its coverage must at least equal the sum of three (3) months assessments on all Lots, plus the accumulated reserves. The bond or bonds shall name the Association as obligees, and shall cover all persons so handling Association funds, whether or not for compensation. In the event the Association is unable to obtain a fidelity bond meeting the requirements of this section, including the specified amount of coverage, or if the Association cannot obtain such a bond at a cost consistent with good management practice, the Association may: (i) obtain a fidelity bond with a lower amount of coverage; (ii) provide comparable coverage for employee dishonesty under any liability policy; or (iii) otherwise provide for the holding of funds the Association has custody of in accounts that require multiple signature of the officers, directors or employees of the Association.

(e) Flood Insurance

If any Common Area property required to be covered by hazard insurance under this Article is located in a Special Flood Hazard Area, which is designated as A, AE, AH, AO, A1-30, A-99, V, VE, or VI-30 on a Flood Insurance Rate Map, or in an area identified by the Federal Emergency Management Agency ("FEMA") as having special flood hazards and for which flood insurance has been made available under the National Flood Insurance Program ("NFIP") the Association shall obtain a master or blanket policy of flood insurance in the form issued by members of the National Flood Insurance Association, or in a form which meets the criteria set forth in the most recent guidelines published by the National Flood Insurance Administration. The policy shall cover any portion of the Common Area located within the special flood hazard area, and shall be in an amount equal to the lesser of: (i) the maximum coverage available under the NFIP for all buildings and other insurable property; or (ii) one hundred percent (100%) of the current replacement cost of all buildings and other insurable property.

Section 9.2. General Insurance Requirements.

(a) Carrier Rating.

All hazard insurance required to be maintained under this Article shall be issued by an insurance carrier which: (i) is acceptable to FNMA and FHLMC; and (ii) falls into a financial category, as

designated in Best's Insurance Reports, of Class B/III or better, or has a rating of A/II or better, provides coverage that is underwritten by Lloyd's of London or by a Fair Access to Insurance Requirements (FAIR) or breach and windstorm plan, or is covered by 100% reinsurance provided by an insurer which is rated B/III or better and which expressly agrees not to terminate such reinsurance without ninety (90) days' written notice to the Association. All insurance required to be maintained under this Article shall be issued by an insurance carrier which is specifically authorized by law or licensed to do business in the state in which the Subdivision is located.

(b) Named Insured: Loss Payee.

The Association, and any Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement, shall be named as insured on any insurance policy or fidelity bond required by this Article and obtained by the Association, for the use and benefit of the Owners. The Association, or Insurance Trustee if applicable, shall be named as loss payee, in trust for all Owners and Secured Parties.

(c) Prohibited Provisions.

No insurance policy or fidelity bond required by this article shall contain or be subject to any provision under which: (i) the Association, or any Owner or Secured Party would be liable for any contribution or assessment; or (ii) any contribution or assessment for which any other person is liable may become a lien on any property prior to the lien of a Secured Party; or (iii) loss payments are contingent upon any action by the insurer's board of directors, policy holders, or members; or (iv) a Secured Party, Owner, or the Association would be prevented from collecting insurance proceeds other than in accordance with standard insurance conditions.

(d) Notice of Cancellation or Modification.

No Insurance policy or fidelity bond required by this Article shall be subject to cancellation or material modification, including for nonpayment of premiums, except at least ten (10) days' prior written notice to the Association or any insurance trustee for the Association and to any Secured Party listed in such policy.

(e) Increased Hazards.

No insurance policy or fidelity bond required by this Article shall contain a provision relieving the insurer from liability for loss occurring while any covered hazard is increased, whether or not within the knowledge of the Association, the Board, or any owner, by act or omission, or breach of any warranty, condition, covenant, or restriction, by the Board, Association, any Owner, or any other person acting under such person.

(f) Acts of Individual Owners.

Each insurance policy must provide that coverage is not prejudiced by any act or neglect of individual Owners or Occupants not within the control of the Owners collectively.

(g) Waiver of Subrogation.

Each insurance policy and fidelity bond required by this Article shall contain a waiver by the insurer of any right of subrogation to the rights of any person or entity against the Board, the Association, and any Owner or Occupant.

(h) Compliance with Law.

All insurance coverage obtained by the Association shall be in accordance with and consistent with local and state insurance law.

(i) Mortgagee Clause.

Any hazard insurance policy obtained by the Association shall contain the standard Mortgagee clause, in a form commonly accepted by private institutional mortgage investors in the area in which the Subdivision is located, which shall:

(A) Provide that the coverage of the Secured Party's failure to notify the insurer of any hazardous use or vacancy invalidates the mortgagee clause; and

(B) Waive any provision that the Secured Party's failure to notify the insurer of any hazardous use vacancy invalidates the mortgagee clause; and

(C) Name each Secured Party and each Secured Party's "successors and assigns."

(j) Certificates.

The Association must hold certificates or other evidence of all insurance policies or fidelity bonds obtained under this article, and shall issue such certificate or other evidence to each owner and First Mortgagee upon request.

(k) Claim Filing.

For any insurance policy obtained by or on behalf of the Association, only the Association, acting through authorized representatives, may file a claim with the insurance trustee or insurance carrier. Individual owners must submit any claim to the Association and shall not file any claim directly with the Associations insurance carrier or agent or instruct the Associations insurance agent to accept or file a claim without written authorization from the Association.

(l) Proceeds.

The Association, and any Insurance Trustee, if applicable, shall receive, hold, or otherwise properly dispose of any insurance or fidelity bond proceeds in trust for Owners and Secured Parties as their interests may appear.

Section 9.3. Other Insurance.

(a) Required.

Notwithstanding any other provision of this Declaration, the Association shall continuously maintain in effect such casualty, flood, and liability insurance, and a fidelity bond, meeting the insurance and fidelity bond requirements for planned residential developments established by FNMA, FHLMC, and the Government National Mortgage Association ("GNMA"), except to the extent such coverage is not available or has been waived in writing by FNMA, FHLMC, or GNMA.

(b) Optional.

The Board must consider and may obtain other insurance protection that from time to time is necessary or desirable to protect the Association, its members, directors, and officers.

Section 9.4. Project Common Area Coverage.

In the event that joint hazard and liability coverage is available for both the Common Area and for Project Common Area within a Project, the Association may maintain such policy of coverage. The cost of obtaining and keeping in force such coverage shall be allocated between the Association and the owners association of the Project in the same proportion as the amount of coverage attribute to each. If the Association incurs the cost of such coverage, the Project association shall reimburse the Association for its share of such cost. The costs to be allocated under this section include applicable premiums, deductibles, and other costs related to such coverage.

Section 9.5. Owners Right to Policies & Notice of Significant Changes.

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 Association Members at any reasonable time. Pursuant to Civil Code Section 5300(b)(9) and 5810 or comparable superseding statutes, the Association shall notify Members if any insurance policies are not immediately renewed or replaced upon cancellation or lapse and/or if there is a significant change in the policy.

Section 9.6. Coverage Not Available.

In the event any insurance policy, or any endorsement thereof, required by this Article is for any reason not available, 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 above. The Board shall notify the Owners of any material adverse changes in the Association's insurance coverage.

Section 9.7. Individual Insurance.

Owners shall separately insure that Owner's Residence.

Section 9.8. Adjustment of Losses.

The 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 9.1. 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.

Section 9.9. Deductibles.

(a) Owner Responsible for Acts or Omissions.

If any Owner is responsible for causing an insurable loss on the Association's insurance policy (by either the Owner's acts and/or the acts of Owner's Family members, contract purchasers, tenants, guests, or invitees or as a result of a defective condition within the Owner's Lot), the Owner shall be obligated to contribute the Owner's proportional share of the insurance deductible, if any, corresponding to the insurance covering the loss. The proportional share of each Owner responsible for causing the insurable

loss under this section shall be based upon the ratio that the responsibility of each Owner responsible for causing the insurable loss bears to the total responsibility of all Owners responsible for causing the insurable loss.

(b) Failure to Pay Deductible.

If, within thirty (30) days of notice by the Association to an Owner regarding that Owner's proportionate share under Section 9.9(a), any Owner fails or refuses to pay his or her proportionate share, the Board may levy a Special Individual Assessment against the Lot of such Owner which may be enforced under the lien provisions contained in Article VII or in any other manner provided in this Declaration.

(c) Objection to Payment of Deductible.

Within fifteen (15) days of the date that the notice to the Owner of his or her share of the liability is mailed, any Owner may contest the amount of his or her proportionate liability under Subsection (a) of this section by submitting to the Board written objections supported by cost estimates or other information that the Owner deems to be material. Upon receipt of said written objections, the Board shall set a hearing date on the matter. The Owner(s) contesting liability may be represented by counsel at this hearing. Following such hearing, the Board shall give written notice of its decision to all affected Owners, including any recommendation that adjustments be made with respect to the liability of any Owner(s). The Board's decision shall be final and binding.

Section 9.10. Insurance Trustee.

All insurance proceeds payable under Article X, shall be paid to an insurance trustee to be held and, in the discretion of the Board of Directors, expended for the benefit of the Owners, Mortgagees and others, and their representative interests shall appear. Said insurance trustee shall be a commercial bank or other institution with trust powers within Sacramento County that agrees in writing to accept such trust. If repair or reconstruction is authorized pursuant to Article X, below, the Association and any duly appointed insurance trustee shall have the duty to contract for such work.

ARTICLE X: DAMAGE OR DESTRUCTION AND EMINENT DOMAIN OF COMMON AREA.

Section 10.1. General Provisions.

This Article shall apply in the event that substantial portions of the Common Area or Common Facilities are substantially damaged or destroyed as a result of fire, earthquake or other casualty. In such event, the Association shall have exclusive authority to negotiate losses/insurance proceeds covering such losses.

All insurance proceeds shall be held by the Association in a separate trust account in trust for the Association, the Owner(s) and their Mortgagees as their respective interests may appear to be in accordance with the terms and provisions of any applicable Mortgage.

Section 10.2. Reconstruction Fund.

Upon the damage or destruction of any part of the Common Area, the Board shall create and maintain a separate Reconstruction Fund for the following types of Common Areas in the event such Common Areas are damaged or destroyed: (1) the Recreational Facility; (2) Neighborhood Common Area; and (3) all other Common Area. Each Reconstruction Fund shall comprise any: (i) insurance proceeds, and

any amounts recovered as a direct settlement from a third party; (ii) accumulated reserves for repair or replacement of the damaged Improvements; (iii) special or remedial assessments levied for the damage or destruction; and (iv) damages recovered from an action brought by the Association pursuant to this Article. The funds in each Reconstruction Fund do not need to be segregated in a separate bank account. The amount in the Reconstruction Fund shall be dispersed in accordance with the provisions in Section 10.5.

Section 10.3. Damage or Destruction to Common Area.

If there is damage or destruction to any of the Common Area, then:

(a) Cost Does Not Exceed Assessments.

If the cost of replacing or rebuilding does not exceed the amount in the Reconstruction Fund by more than the amount the Board could assess without the Owners' vote under Section 7.3, and the Board votes to repair and rebuild, then the Association shall contract to repair or rebuild the damaged areas according to the original plans and specifications, and shall levy an assessment on all Owners responsible for the Assessments for the maintenance and upkeep of the damaged Common Area, in the proportions established in Section 7.5, in the amount, if any, by which the cost or repair or rebuilding exceeds the amount in the Reconstruction Fund.

(b) Cost Exceeds Assessments.

If the cost of replacing or rebuilding does exceed the amount in the Reconstruction Fund by more than the amount the Association could assess without the affected Owner's vote under the Section entitled "Assessments" or if the Board does not wish to repair and rebuild, the question of repairing and rebuilding shall be decided by a vote of the Owners responsible for the Assessments for the Maintenance and upkeep of the damaged Common Area, and a disapproval by such Owners of the necessary assessment to replace or rebuild the damaged or destroyed Improvements shall be the affected Owners' decision not to replace or rebuild in which case the Association shall clear the property and place it in a neat and attractive condition.

Section 10.4. Recovery of Damages for Damage or Destruction to Common Area.

The Association may commence and maintain action for the recovery of any damages caused to the Subdivision if any part of the Common Area and related facilities is damaged or destroyed. This provision shall survive the termination of this Declaration, and any recovery minus costs advanced by the Association shall be paid into the Reconstruction Fund, designated, and paid out as provided for under this Article.

Section 10.5. Disbursement of Reconstruction Fund.

Each Reconstruction Fund shall be disbursed to pay for any costs of replacing, rebuilding or removing and placing Common Area in a neat and attractive condition as provided in Section 10.4. Any unused amount in each Reconstruction Fund shall be first credited to make up any deficiency in the appropriate Maintenance Reserve Fund and then to the Operating Fund.

Section 10.6. Eminent Domain.

(a) Action by Association.

If there is a taking of all or a portion of the Common Area and related facilities, the Association shall negotiate or settle with the condemning authority for the acquisition of all or part of such Common Area, subject to the rights of affected Owners to so negotiate, litigate, and settle for any loss or diminution to their Lots or Neighborhood, as the case may be. Any condemnation award or settlement shall be paid into the Operating Fund.

(b) Repair of Common Area.

If there is a taking of a portion of the Common Area and related facilities, the Association has the authority to apply any or all of the condemnation award to the repair or rebuilding of that portion of such Common Area damaged from the severance so that the remaining Common Area is kept in a neat and attractive condition.

(c) "Taking" Defined.

A "taking," for the purpose of this section, is a taking of the Common Area under the power of eminent domain or as a conveyance of the Common Area by the Association in settlement of a proposed taking by eminent domain.

Section 10.7. Repairs and Reconstruction.

This section shall apply if repair and reconstruction is authorized under Section 10.3, above.

(a) Board's Authority to Contract.

The Board shall have the sole authority to contract for repair and reconstruction of the Common Area and Common Facilities under this Article and to hire appropriate contractors, design professionals and other necessary consultants for the work. The Board shall award the contract(s) for repair and reconstruction to such bidder as the Board determines is more qualified and favorable for the Association. Such repair and reconstruction shall commence no later than one hundred eighty (180) days after the event requiring reconstruction and it shall be the obligation of the Board to take all steps necessary to assure the commencement and the completion of authorized repairs and reconstruction occur at the earliest possible date.

(b) Licensed Contractors.

Only contractors duly licensed in the State of California shall be employed by the Association for the work.

(c) Scope of Repairs and Reconstruction.

The damaged or destroyed improvements shall be rebuilt to the condition existing immediately prior to the event causing the loss, subject to current building codes and ordinances, unless the Board, Owners and First Mortgagees agree upon a different scope of work.

Section 10.8. Emergency Repairs.

Without waiting to obtain insurance settlements or bids, the Board may undertake such emergency repair work after a casualty as the Board may deem necessary or desirable under the circumstances, and the Board may charge the maintenance fund for the costs thereof where such repairs are done prior to settlement of insurance claims.

ARTICLE XI: CONDEMNATION.

Section 11.1. Condemnation of Common Area.

If all or part of the Common Area is taken by any authority having the power of eminent domain, all compensation and damages for or on account of the taking of the Common Area shall be payable to the Association as trustee for all Owners and Mortgagees. The Board may act on behalf of the Owners with respect to issues regarding the taking and compensation affecting the Common Area. Each Owner designates and appoints the Association as his or her attorney-in-fact for such purposes.

Section 11.2. Condemnation of a Lot.

In the event of any taking of a Lot, the Owner (and such Owner's Mortgagees as their interests appear) of the Lot shall be entitled to receive the award for such taking and after acceptance thereof such Owner and such Owner's Mortgagee shall be divested of all further interest in the Lot and membership in the Association if such Owner shall vacate such Owner's Lot as a result of such taking.

ARTICLE XII: PARTITION OF COMMON AREA.

Section 12.1. Suspension or Right of Partition.

Except as expressly provided in this Article XII, an Owner shall have no right to partition or divide his or her ownership of the Common Area. Partition of the Common Area can be had on a showing that the conditions to such partition as stated in Article X (relating to damage or destruction) or in Article XI (relating to condemnation) or in California Civil Code Section 4610 or superseding statute have been met.

Nothing in this Declaration shall prevent partition of a co-tenancy in a Lot; provided, however, that any such judicial partition of a co-tenancy shall require the prior written consent of any First Mortgagee holding a Mortgage on such Lot.

Section 12.2. Distribution of Proceeds upon Partition.

Proceeds resulting from a partition of property shall be distributed to and among the respective Owners and their Mortgagees as their interests appear in proportion to the ratio that the fair market value of each Owner's Lot bears to the fair market value of all Owners' Lots determined by appraisal. The fair market value shall be determined as of a date immediately prior to the event giving rise to the right of Owners to partition the Common Area.

Section 12.3. Power of Attorney.

Each of the Owners irrevocably appoints the Association as attorney-in-fact and irrevocably grants to the Association full power in the name and stead of such Owner to dispose of the entire Subdivision, and to execute deeds and conveyances to it, in one (1) or more transactions, for the benefit of all Owners when

partition of the Subdivision may be had under Civil Code Section 4610 or superseding statute and under the circumstances authorizing partition under this Declaration.

The power of attorney shall: (a) be binding on all Owners, whether they assume the obligations under this Declaration or not; (b) be exercisable by a majority of the Board acting on behalf of the Association, subject to obtaining the prior approval by vote or written consent of a majority of the Members in Good Standing (as defined in Section 1.2(b) of the Bylaws); and (c) be exercisable only after recordation with the Sacramento County Recorder of a certificate executed by those who have power to exercise the power of attorney that the power of attorney is properly exercisable under Civil Code Section 4610 or superseding statute. This certificate shall be conclusive evidence of proper exercise in favor of any person relying on it in good faith.

ARTICLE XIII: NON-SEVERABILITY OF COMPONENT INTERESTS.

Section 13.1. Severance Prohibited.

An Owner shall not be entitled to sever his or her Lot from his or her membership in the Association. Nor shall an Owner be entitled to sever his or her Lot or his or her membership from the Owner's undivided interest in the Common Area for any purpose. None of the component interests in a Lot can be severally sold, conveyed, encumbered or hypothecated. Any violation or attempted violation of this provision shall be void. Similarly, an Owner shall not sever any exclusive easement appurtenant to his or her Lot over the Common Area from the Owner's Lot. Any attempt to do so shall be void.

Section 13.2. Limitation on Interests Conveyed.

Unless otherwise expressly stated, any conveyance of a Lot or any portion of it by an Owner shall be presumed to convey the entire Lot. However, nothing contained in this Section 13.2 shall preclude the Owner of any Lot from creating an estate for life or an estate for years or from creating a co-tenancy or joint tenancy in the ownership of the Lot with any other person or persons.

Section 13.3. Lot Splitting, Consolidation.

(a) Partition or Subdivision of Lot.

No Lot or real property interest shall be subdivided without prior written approval of the Board and the First Mortgagee of such Lot.

(b) Consolidation of Lots.

No two (2) or more Lots shall be consolidated into one Lot without the prior written approval of the Board and the First Mortgagees of each such Lots.

(c) Change in Voting or Assessments.

The Association may require a change in the voting rights and assessment obligations after any Lot subdivision or consolidation, to keep the assessment and voting rights the same after the subdivision or consolidation as they were before such change.

(d) Costs.

All Owners seeking permission to consolidate or subdivide a Lot shall be responsible for engineering, legal, and other costs of the consolidation or subdivision including the costs of changing the voting and assessment rights and obligations as provided in Subsection (c) of this section and shall pay such costs upon demand. The Association may require pre-payment of the estimated costs of the Association as a condition of approval.

ARTICLE XIV: BREACH & DEFAULT.

Section 14.1. Remedy at Law Inadequate.

The provisions of the Declaration, the Bylaws, the Association Rules and/or resolutions of the Board, as the same may be adopted or amended from time to time, shall constitute enforceable servitudes which shall inure to and bind each Owner, Owner's Family, lessee, tenant, contract purchaser, guest, invitee, licensee, occupant or user of any Lot. Any Owner, the Association, its officers or Board, or by their respective successors in interest, may enforce, by any proceeding at law or in equity, said provisions of the Governing Documents against any Owner, member of Owner's Family, lessee, tenant, contract purchaser, guest, invitee, licensee, occupant or user of any Lot, or any portion of the Common Area or Common Facilities. Further, the failure of any Owner, member of Owner's Family, lessee, tenant, contract purchaser, guest, invitee, licensee, occupant or user of any Lot, or any portion of the Common Area or Common Facilities, to strictly comply with any provision of the Governing Documents shall be grounds for: (1) an action to recover sums due for damages, and/or (2) an action to enjoin by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board, or by their respective successors in interest.

Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration and the Association's Governing Documents is inadequate.

Section 14.2. Nuisance.

Without limiting the generality of Section 14.1, the result of every act or omission whereby any covenant contained in this Declaration or the Association's Governing Documents is violated, in whole or in part, is hereby declared to be 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, and/or any Owner.

Further, every remedy against nuisance, either public or private, shall be applicable against every such act or omission; provided, however, the Board shall not be obligated to take action to abate or enjoin a particular violation if, in the discretion of the Board, 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.

Section 14.3. Violation of Law.

Any violation of a federal, state, county, municipal, local or other governmental law, ordinance or regulation pertaining to the ownership, occupation or use of any property within the Subdivision is hereby declared to be a violation of this Declaration and subject to any and all enforcement procedures set forth herein.

Section 14.4. Cumulative Remedies.

The respective rights and remedies provided by this Declaration or by law shall be cumulative, and not exclusive. The exercise of any one (1) or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights, or remedies for the same, or any different default, or breach, or for the same or any different failure of any Owner, or others to perform or observe any provision of this Declaration, or the Governing Documents.

Section 14.5. Failure Not a Waiver.

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

Section 14.6. Rights and Remedies of the Association.

(a) Rights Generally.

In the event of a breach or violation of any Association Rule or of any of the restrictions contained in any Governing Document by an Owner, the Owner's Family, guests, contract purchasers, employees, invitees, licensees, lessees and/or tenants, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use recreational Common Facilities or suspension of the Owner's voting rights as a Member of the Association. The Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this Section 14.6. The initiation of legal action shall be subject to Section 14.7, below.

The decision of whether it is appropriate or necessary for the Association to initiate enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Association's Board. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement as may exist by virtue of California Civil Code Section 5975 (or superseding statute) or otherwise by law.

Upon a determination by the Board of Directors, after prior notice to the affected Member and an opportunity for a hearing pursuant to Subsections 14.6(f) and (g), that said Member has violated any provision of the Governing Documents, including but not limited to a failure to pay any Assessment when due, the Board may give notice in writing to such Member that the Member is deemed to be a Member not in good standing. Such Member shall be deemed to be a Member not in good standing until such time as the Board shall determine in writing that the violation which resulted in the Board's determination that the Member was not in good standing 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 of the Association in good standing.

(i) Rights by Project Committee.

Each Project Committee shall have the primary responsibility for enforcement of use restrictions relating to the use of that Project Committee's Common Area and building and architectural standards within the Project.

(ii) Priority of Enforcement.

The Association, any Project Committee, and any Owner or Owners may enforce any or all of the provisions of this Declaration against any other associations, persons, or entities and property subject to this Declaration, subject to the other provisions of this Section. The Association may enforce the provisions of the REA against a Project Committee and against any Owner within such Project. No Owner shall have the power to enforce the provisions of this Declaration against a Project Committee or against property or incidents in a Project, unless such Owner is an Owner in that Project. No Project Committee can enforce the provisions of this Declaration against property or incidents located outside the Project, but may enforce the provisions of the REA against such property. If the association having the primary duty of enforcement undertakes enforcement, no Owner, entity, or other association shall continue any such enforcement or action without the written consent of the association having the primary duty of enforcement.

(b) Schedule of Fines.

The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles). Once imposed, a fine or penalty may be collected as a Special Individual Assessment and shall be enforceable as a Special Individual Assessment pursuant to Section 7.4.

(c) Definition of "Violation".

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

(d) "Meet and Confer" Requirement.

In the event of a dispute between the Association and a Member or between two (2) or more Members of the Association concerning an alleged violation of the Governing Documents, either party may request in writing to meet with the other party to discuss the dispute. The Association shall comply with any request by a Member by notifying the requesting Member of the date and time for such a meeting within thirty (30) days of receipt of the written request. If such a request is made by the Association to a Member, the Member may, but is not required to, respond in writing within ten (10) days agreeing to the requested meeting on the terms set forth in the Association's request. The meeting shall be attended by the Board or the Board's designated representative and the requesting Member. If the Member chooses to obtain legal representation for such a meeting, the Member shall notify the Association of the Member's decision to do so at least seven (7) days prior to the date of the meeting. If the meeting is not attended by

the entire Board, the Member may appeal any resolution resulting from the meeting to the entire Board. Any agreement between the Association and the Member as a result of such a meeting shall be reduced to writing and signed by the Association and the Member. Once signed by both parties, such agreement shall become final, binding and un-appealable. The Association may comply with any "Meet and Confer" request by a Member pursuant to this subsection by a disciplinary hearing pursuant to Subsection 14.6(f) below. However, if the meeting is to be in conjunction with a disciplinary hearing, the notice required by Subsection 14.6(g) must be given to the Member.

(e) Limitations of Disciplinary Rights.

(i) Loss of Rights: Forfeitures.

The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his or her Lot due to the failure by the Owner (or Owner's Family members, tenants, lessees, contract purchasers, guests, invitees and/or licensees) to comply with any provision of the Governing Documents, including, but not limited to any duly enacted Association Rule, except where the loss or forfeiture is the result of: (A) the judgment of a court of competent jurisdiction, (B) a decision arising out of arbitration, (C) a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association, or (D) where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Association or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Association's actions satisfy the due process requirements of Subsections 14.6(f) and (g).

(ii) Liens Against Member's Lot.

Except as provided in the Association's delinquent assessment collection policy, or Association Rules, if any, an 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 and/or the Member's Family, guests, lessees, tenants, contract purchasers, employees, invitees and/or licensees were responsible may become a lien against the Member's Lot enforceable by the sale of the Lot and Improvements under Civil Code Sections 2924, 2924b, and 2924c, or comparable superseding statutes.

(f) Hearings.

No penalty or temporary suspension of rights shall be imposed pursuant to this Article XIV unless the Owner alleged to be in violation is given prior notice of the proposed penalty or temporary suspension, and is given an opportunity to be heard before the Board of Directors or appropriate committee established by the Board with respect to the alleged violation(s) as provided in Association Rules adopted by the Board pursuant to Subsection 14.6(h). However, this subsection shall not prevent the Board from taking emergency action (such as towing of vehicles) to eliminate an immediate threat to the health or safety of residents or a nuisance causing substantial interference with the property rights of other Residents. The required disciplinary hearing shall be scheduled as soon as practicable after any such emergency action has been taken, and if it is determined that such action was unnecessary or improper, the Association shall compensate the Member for any costs incurred as a result of such action. The Association Rules may specify those violations justifying emergency action pursuant to this subsection.

(g) Notices.

Any notice of a disciplinary hearing pursuant to Subsection 14.6(f) above shall, at a minimum, set forth the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation of the Governing Documents, and a reference to the specific Governing Document provision(s) alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice, provided that if notice is given by mail it shall be sent by first-class or certified mail sent to the last address of the Member shown on the records of the Association. The Association's notice of a disciplinary hearing shall be delivered to the Member at least ten (10) days prior to any hearing. Notice of the Board's action as a result of the disciplinary hearing must be delivered to the Member within fifteen (15) days after the Board's decision.

(h) Rules Regarding Disciplinary Proceedings.

The Board shall be entitled to adopt rules that set forth the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Association Rules and shall provide for notices and procedures satisfying the alternative dispute resolution requirements of Civil Code Section 5975 or comparable superseding statute.

(i) To the extent permitted by law, the Association may execute and record in the office of the County Recorder notice of any Owner's breach of, violation of, or failure to comply with, any provision of the Governing Documents or of any duly enacted Association Rule, within a reasonable time after the occurrence of such breach, violation or failure. The Association shall deliver by first class mail to the Owner responsible for such breach a copy of the notice that it executes and records.

Section 14.7. Court Actions; Alternative Dispute Resolution ("ADR").

Court actions to enforce the Governing Documents may only be initiated on behalf of the Association upon approval of the Board. As long as Civil Code Sections 4925 - 4965 (or comparable superseding statutes requiring ADR) are in force, this Section 14.7 shall control the initiation of a legal action by the Association and/or its Members. This Section 14.7 shall automatically be repealed from this Declaration should the above Civil Code sections (or comparable superseding statutes) be repealed by the California Legislature.

(a) Alternative Dispute Resolution.

Before initiating any court action seeking declaratory or injunctive relief to interpret or enforce the Governing Documents (including either of those actions coupled with a claim for monetary damages not in excess of the maximum recoverable amount for small claims currently set at five thousand dollars (\$5,000) for corporations and ten thousand dollars (\$10,000) for individuals, subject to any superseding statutes), the Association and/or Owners shall first comply with the provisions of Civil Code Sections 5925 - 5965, or comparable superseding statutes, relating to alternative dispute resolution. The Board shall have discretion as to the form of ADR which shall be proposed to an Owner to satisfy the requirements of this Subsection and Civil Code Sections 5925 - 5965.

(b) Actions Relating to Assessments.

Disputes related to Association Assessments are expressly exempted from the provisions of this Section 14.7, unless the Member strictly complies with the requirements of Civil Code Section 5705 or comparable superseding statute.

(c) Small Claims Court Actions.

If any claim, dispute or controversy involves a sum of money not in excess of the jurisdiction of the Small Claims Court, any party to the dispute shall have the right to file a claim in Small Claims Court and have the matter determined therein in lieu of the ADR procedures required by this section.

(d) Statement and Admissions During ADR.

Unless mutually agreed to in writing by all parties to the dispute, evidence of anything said or of any admissions made in the course of the ADR process shall not be admissible into evidence in any legal proceeding. Testimony referring to such statement or admission shall not be admissible. Nor shall disclosure of any such statement or admission be compelled in any civil action. Documents prepared for the purpose of, in the course of or pursuant to ADR procedure shall not be admissible into evidence and disclosure of such documents may not be compelled in any legal proceeding.

Section 14.8. Joint and Several Liability of Co-Owners.

If a Lot is owned jointly by two (2) or more persons, the liability of each Owner thereof in connection with the obligations of Owners imposed by this Declaration shall be joint and several.

Section 14.9. Costs and Attorneys' Fees.

In the event that the Association takes any action because of any alleged breach or default of any Member or other party hereto under the Association's Governing Documents (whether or not any legal proceeding, including an arbitration, is initiated), the Association shall be entitled to recover from that Member (or other party) all costs, including attorneys' fees, the Association incurred as a result of the alleged breach or default. The Association's remedies to recover its costs and attorneys' fees shall include, but are not limited to, the imposition of a Special Individual Assessment pursuant to Section 7.4.

In the event an action (including an arbitration) is brought by a Member (or other individual with the right to enforce the Governing Documents) because of any alleged breach or default by any party hereto under the Association's Governing Documents, the court may award to the prevailing party in any such action (as defined by Civil Code Section 1717 or comparable superseding statute) such attorneys' fees and other costs, including by way of example, but not limited to court costs and experts' fees, incurred in connection therewith as the court deems just and reasonable.

ARTICLE XV: MORTGAGE PROTECTION.

Section 15.1. In General

(a) Conflict.

The provisions and requirements of this Article, and any other provisions and requirements of this Declaration relating to the rights of First Mortgagees: (i) shall prevail over any conflicting provisions of this Declaration; and (ii) are in addition to any other provisions of this Declaration.

(b) Application of this Declaration.

Except as specifically provided in this Article or elsewhere in this Declaration, all security devisees and secured parties are governed by this Declaration.

Section 15.2. Application of Assessments to First Mortgagees.

The assessment liens created under this Declaration are subordinate to the rights of First Mortgagees. Each First Mortgagee who obtains title pursuant to its remedies under the First Mortgage, and any purchaser at a foreclosure sale conducted pursuant to the provisions of a First Mortgage, shall take title to the Lot free and clear of any claims or liens for unpaid assessments and charges which were payable prior to such acquisition of title. Any such sale shall extinguish such liens, but the purchaser or First Mortgagee who so acquires title shall be liable for all assessments accruing after the date of such sale, including assessments levied against all Lots proportionately to compensate for the unpaid assessments and charges, which assessments shall constitute a lien upon the purchased Lot in accordance with Article VII.

Section 15.3. Limitation of Enforcement Against First Mortgagees.

No violation of this Declaration by, or enforcement of this Declaration against an Owner, shall impair the lien of any First Mortgage against the Owner's Lot, but this Declaration shall be enforceable against any Owner whose title is acquired by foreclosure, trustee's sale, voluntary conveyance, or otherwise.

Section 15.4. Availability of Documents.

The Association must have current copies of the Governing Documents, books, records, and financial statements of the Association, available for inspection, during normal business hours, upon request, to Owners, First Mortgagees, and Guarantors.

Section 15.5. Audited Financial Statements.

(a) Fifty Lots or More.

At any time when the Subdivision contains fifty (50) Lots or more, any First Mortgagee or Guarantor is entitled, upon written request and free of charge, to an audited financial statement of the Association for the immediately preceding fiscal year, if one is available.

(b) Fewer Than Fifty Lots.

At any time when the Subdivision contains fewer than fifty (50) Lots, any First Mortgagee or Guarantor is entitled, at its expense, to have an audited financial statement prepared for the Association's immediately preceding fiscal year, if one is not otherwise available.

(c) Timelines.

Any financial statement requested under this section shall be furnished within a reasonable time following the request.

Section 15.6. Management Agreements.

Any agreement for professional management of the Subdivision may not exceed a term of three (3) years, and shall provide for termination by either party without cause and without payment of a termination fee, on ninety (90) days' or less written notice.

Section 15.7. Property Owned by the Association.

First Mortgagees may, jointly or singly, pay taxes or other charges against such property which are in default and which may or have become a charge against any Common Area, and may pay overdue premiums on hazard insurance policies for such property, or secure new hazard insurance coverage on the lapse of a policy. First Mortgagees making such payments are entitled to immediate reimbursement for such payments from the Association, and the Association shall, at the request of any First Mortgagee, enter into an agreement to the effect in favor of all First Mortgagees.

Section 15.8. No Restraints on Alienation.

No provision of this Declaration creates a right of first refusal in the Association or other restraint with respect to the sale, transfer, mortgage, or other conveyance or encumbrance of a Lot as a whole by the Owner.

Section 15.9. Insurance and Condemnation Proceeds.

Notwithstanding any other provision of this Declaration, whenever insurance or condemnation proceeds are to be distributed to Owners of Lots, the First Mortgagee of each Lot shall have such rights to priority of distribution of the proceeds allocated to that Lot as are provided for in the First Mortgage.

ARTICLE XVI: AMENDMENT OF DECLARATION.

Section 16.1. Amendment in General.

(a) This Declaration may be amended or revoked in any respect by the vote or assent of Members representing at least a bare majority of the Members of the Association. Notwithstanding the foregoing, the percentage of the Members necessary to amend a specific clause or provision of this Declaration shall be at least the percentage of affirmative votes prescribed in said clause or provision.

(b) The percentage of the voting power necessary to amend a specific provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under such provision. The rights of a class of Owner or the rights of one or more Owners having special privileges or protections or both granted by this Declaration cannot be modified or deleted without the vote or written consent of two-thirds (2/3) of the class of Owner or persons so affected. This Subdivision (b) may not be amended except by the unanimous vote or written consent of the Owners.

(c) Amendments may be adopted which only affect Owners within a Neighborhood by the vote or assent by written ballot of fifty-one percent (51%) of the voting power of the Owners of Lots within the Neighborhood.

Section 16.2. Effective Date of Amendments.

Any amendment to this Declaration will be effective upon the recording in the Office of the Recorder of Sacramento County 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 Section 16.1, above, have been duly met. Notwithstanding anything to the contrary herein contained, no such amendment shall affect the rights of the holder of any first deed of trust or Mortgage recorded prior to the recording of such amendment. 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.

Section 16.3. Reliance on Amendments.

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

ARTICLE XVII: ANNEXATION.

Section 17.1. Annexation.

Any real property which consists of a parcel or parcels shown on a final subdivision or parcel map of Record may be annexed to the Subdivision in accordance with this article, and shall thereupon become subject to this Declaration with the consent of the Owner of the property.

The Association may annex real property to the Subdivision provided that such annexation is approved by a vote or written consent of a majority of the Owners.

Section 17.2. Method of Annexation.

Any annexation undertaken in accordance with this section shall be effected when a Declaration of Annexation executed by the Association and the owner of the interest to be annexed covering the property to be annexed, and includes the following information:

- (a) A description of the property to be annexed.
- (b) A description of any parcel of the property to be annexed which is Common Area, and of any property to be annexed which is designated for maintenance in accordance with Section 5.1(c).
- (c) A description of any Neighborhood, and Common Areas within such Neighborhood, and any areas and Improvements within a Neighborhood to be maintained in accordance with Section 5.1.
- (d) A description of any parcel of property to be annexed which is a Project or part of a Project, together with a description of the Project Common Area.
- (e) A description of any Side Yard Lot and adjoining Lot, in accordance with Section 8.1(j).
- (f) A description of any landscaping, sound wall and entry feature within a Phase, whether or not the annexed Property is a Project or a Neighborhood.

Section 17.3. Effect of Declaration on Annexation.

Upon any annexation becoming effective, the Declaration of Annexation shall become a part of this Declaration, and shall be deemed amended by any amendment to this Declaration.

Section 17.4. Assessments and Voting Rights in Subsequent Phases.

Except as modified by a Declaration of Annexation, assessment and voting rights applicable to Lots in subsequent Phases shall be as set forth in the applicable provisions of this Declaration.

Section 17.5. Adjustment for Capital Improvements.

Where annexation of a Phase occurs after existing Lots within the Subdivision have been assessed for Capital Improvements to Common Area, the Association may adjust the assessment on the annexed Lots so that the annexed Lots pay their proportionate share of the Improvements minus reasonable depreciation of the Improvement. The Association may adjust the assessments on the annexed Lots so that the annexed Lots pay for any Improvements that are reasonably necessary as a result of the annexation.

Section 17.6. Completion of Common Area in Annexed Property.

It is the responsibility of the owner of the property to be annexed to complete all Common Areas in first class operating condition prior to the annexation.

Section 17.7. Completion of Annexed Property.

During construction and sale of annexed property, the owner of the annexed property may:

(a) have access during regular business hours through the streets and street gates, but not common areas, within the Subdivision, except in the event of tours with prospective purchasers of homes within the annexed property, that is reasonably necessary for the construction and development of the annexed property;

(b) maintain within the annexed property, but not within the Subdivision, structures, including sales offices and dumpsters, that are reasonably necessary for the construction and development of the annexed property;

(c) maintain within the annexed property, but not within the Subdivision, rental facilities that are reasonably necessary for the development of the annexed property;

(d) park within the annexed property, but not within the Subdivision, vehicles that are reasonably necessary for the construction and development of the annexed property;

Section 17.8. Conveyance of Common Area in Annexed Property.

Prior to the conveyance of the first Lot within annexed property, the owner of the annexed property shall convey to the Association title to Common Area within such property. The annexed property must be free and clear of all title exceptions, except those listed below and title shall be evidenced by an Owner's policy of title insurance paid for by the owner of the annexed property and issued to the Association in an amount equal to the fair market value of the Common Area in the annexed property.

(a) Taxes which are not delinquent, provided that the owner of the annexed property has paid all taxes to the day of conveyance.

(b) Easements, which do not materially adversely affect the value of the property.

ARTICLE XVIII: GENERAL PROVISIONS.

Section 18.1. Effective Date.

This Declaration shall become effective upon its recordation in the Official Records of the County of Sacramento, State of California.

Section 18.2. Notices.

(a) Mailing as Alternative to Personal Service.

Any communication or notice of any kind permitted or required pursuant to any provision of the Governing Documents shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows: to an Owner at the Owner's Lot or to such other address as the Owner may designate from time to time in writing to the Association; to the Association at the principal office of the Association manager or to such other address as the Board may from time to time designate in writing to the Association Members; and to Eligible Holders or First Mortgagees at the most recent address of the Eligible Holders or First Mortgagees provided in writing to the Association or to such other address as the First Mortgagee may from time to time designate in writing to the Association. Any mailing by the Association based upon the information in its records at the time of the mailing shall be deemed effective for any notice required under the Governing Documents.

(b) Personal Service upon Co-Owners & Others.

Personal service of a notice or demand to one of the co-Owners of any Lot, to any general partner of a partnership which is the Owner of the Lot, or to any officer or agent for service of process of a corporation which is the Owner of the Lot, shall be deemed delivered to all such co-owners, to such partnership, or to such corporation, as the case may be.

Section 18.3. No Public Rights in Subdivision.

Nothing contained in this Declaration shall be deemed to be a gift or a dedication of all or any portion of the Subdivision to the general public or for any public use or purpose whatsoever.

Section 18.4. Construction of Declaration.

(a) Restrictions Construed Together.

All of the covenants, conditions, and restrictions of this Declaration shall be liberally construed together to promote and effectuate the fundamental concepts of the Subdivision as set forth in the Recitals of this Declaration.

Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision in a subsequent application or any other provision hereof.

(b) Restrictions Severable.

Notwithstanding the provisions of Subsection 17.4(a), above, the covenants, conditions, and restrictions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision which shall remain in full force and effect.

(c) Singular Includes Plural/Gender.

The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine or neuter shall each include the masculine, feminine and neuter, as the context requires.

(d) Captions.

All captions, titles or headings used in this Declaration are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of the Declaration.

(e) Conflicts.

In the event of any conflict between any of the provisions of this Article XVIII and any other provisions of this Declaration, the provisions of this Article XVIII shall control. In the event of any conflict between any of the provisions of this Declaration and any other provisions of the Governing Documents, the provisions of this Declaration shall control. Further, neither the Articles nor the Bylaws shall be amended so as to be inconsistent with this Declaration; and, in the event of any inconsistency, the provisions of this Declaration shall control.

(f) Exhibits.

All exhibits to which reference is made herein are deemed to be incorporated herein by reference, whether or not actually attached.

Section 18.5. Power of Attorney.

To the extent necessary to carry out and enforce the provisions of this Declaration and the Association's Governing Documents in general, an irrevocable power of attorney coupled with an interest is granted to the Association by the Owners.

Section 18.6. Term of Declaration.

The provisions of this Declaration shall be effective to bind the Owners, the Association, its Board of Directors, its officers and agents and their successors in interest for a period of sixty (60) years from the date this Declaration is recorded. After the expiration of this term, the term of this Declaration shall be automatically extended for successive periods of ten (10) years each, unless within six (6) months before the expiration of the initial sixty (60)-year term established by this section, or any ten (10)-year extension period, a recordable written instrument approved by Owners entitled to vote and holding a majority of the voting power of the Association (or such other majority of Owners as may be required by California law) terminating the effectiveness of this Declaration is recorded.

Certification

We, the undersigned hereby certify, under penalty of perjury, that this Declaration of Covenants, Conditions and Restrictions set for herein was duly adopted with the vote or consent of not less than fifty-one percent (51%) of the eligible Members of the Association.

Dated: 5-3-16

Regency Place Owners' Association

By President: St Paul Falcon
sign name

Steven Paul Falcone
print name

By Secretary: Sally Patricia Mann
sign name

SALLY PATRICIA Mann
print name

EXHIBIT "A"

PROPERTY SUBJECT TO THIS DECLARATION

All that certain real property situated in the City of Sacramento, County of Sacramento, State of California, more particularly described as follows:

Lots 1 through 53, inclusive and Lot C, as shown on that certain Subdivision Map entitled "Regency Place Unit No. 1" filed for record May 31, 1991, in Book 216 of Maps, Map No. 7, Records of Sacramento County.

All that portion of Parcels 1 and 2 as said Parcels are described in that certain Grant Deed to Elk Grove Unified School District of Sacramento County, a political subdivision of the State of California recorded in the office of the Recorder, County Of Sacramento, State of California in Book 670103 Official Records, Page 295 more particularly described as follows:

Beginning at an angle point on the northwesterly boundary line of Lot "C" as said Lot is shown on that certain "PLAT OF RECENCY PLACE UNIT NO. 1", filed in said Recorder's office in Book 216 of maps, Map No. 7 which point bears South 41°30'35" West 182.55 feet from the most northerly corner of said Lot "C"; thence from said Point of beginning along the westerly boundary line of said Lot "C" South 10°16'49" East 29.00 feet; thence North 48°29'25" West 16.99 feet; thence North 23°35'23" East 18.85 feet to the point of beginning.

All that portion of Parcels 1 and 3 as said Parcels are described in that certain Grant Deed to Elk Grove Unified School District of Sacramento County, a political subdivision of the State of California, recorded in the office of the Recorder, County of Sacramento, State of California in Book 670103 official Records, Page 295 more particularly described as follows:

Beginning at a point on the southeasterly boundary line of said Parcel 3, which point bears South 41°3'35" West 105.74 feet from the most easterly corner of said Parcel 3; thence from said Point of beginning along the southeasterly boundary line of said Parcel 3 the following two (2) courses: 1) along the arc of a curve to the left having a radius of 41.00 feet, said Arc being subtended by a chord bearing South 14°11'55" West 37.62 feet; and 2) South 76°53'15" West 21.00 feet; thence along the southeasterly boundary line of said Parcel 1, South 76°53'15" West 5.81 feet; thence North 41°30'35" East 57.73 feet to the point of beginning.

All that portion of Parcel 2 as said Parcel is described in that certain Grant Deed to Elk Grove Unified School District of Sacramento County, a political subdivision of the State of California recorded in the office of the Recorder, County of Sacramento, State of California in Book 670103, Official Records, Page 295 more particularly described as follows!

Beginning at the moat easterly corner of said Parcel 2; thence from said Point of beginning along the southeasterly boundary line of said Parcel 2, along the arc of a curve to the left having a radius of 41.00 feet, said Arc being subtended by a chord

bearing South 60°36'53" West 26.84 feet; thence North 23°35'23" East 26.65 feet; thence South 48°29'25" East 16.99 feet to the point of beginning.

TOGETHER WITH all that portion of parcels 1 and 2 as said Parcels are described in that certain Grant Deed to Elk Grove unified School District of Sacramento County, a political subdivision of the State of California recorded in the office of the Recorder, County of Sacramento, State of California in Book 670103 official Records, Page 295 more particularly described as follows:

Beginning at the most southerly corner of said Parcel 2; thence from Said Point of beginning along the southeasterly boundary line of said parcel 1, South 76°53'22" West 8.81 feet; thence North 41°30'35" East 57.73 feet to an angle point on the southeasterly boundary line of said Parcel 2 thence along said Southeasterly boundary line the following two (2) courses: 1) along the arc of a curve to the left having a radius of 41.00 feet, said Arc being subtended by a chord bearing South 14°12'00" West 37.62 feet; and 2) South 76°53'22" West 21.00 feet to the point of beginning.

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

Lots 114 through 133, inclusive, and Lot A, as shown on that certain Subdivision Map entitled Regency Place Unit No. 3, recorded January 8, 1993, in Book 225 of Maps and Plats, Map No. 15, Records of Sacramento County.-

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

Lots 1 through 3, inclusive, and Lot A, and Phase Two, Lot 4, as shown on that certain Subdivision Map entitled "Regency Place Unit No. 4," recorded JULY 7th, 1992, in Book 223 of Maps, Map No 5, Records of Sacramento County.

LEGAL DESCRIPTION FOR LANDSCAPE AREA BEING A PORTION OF REGENCY PLACE UNIT NO. 4 CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, CALIFORNIA

All that portion of Lot "B" as said Lot is shown and so designated on that certain Plat of "REGENCY PLACE UNIT NO. 1" filed in the office of the Recorder, County of Sacramento, State of California in Book 216 of Maps, Map NO. 7 more particularly described as follows:

Beginning at the most westerly corner of said Lot "B"; thence from said Point of beginning along the southwesterly and southeasterly boundary line of said Lot "B" the following five (5) courses: 1) along the arc of a non-tangent curve to the left having a radius of 800.00 feet, said Arc being subtended by a chord bearing South 65°36'36" East 80.45 feet, 2) South 68°29'32" East 225.76 feet; 3) along the arc of a curve to the left having a radius of 25.00 feet, said Arc being subtended by a chord bearing North 66°30'28" East 35.36 feet; 4) North 21°30'28" East 43.13 feet; and 5) along the arc of a curve to the right having a radius of 427.00 feet, said Arc being

subtended by a chord bearing North 39°51'11" East 268.79 feet; thence North 48°29'25" West 20.44 feet; thence South 41°30'35" West 40.15 feet; thence South 66°53'12" West 14.00 foot; thence South 41°30'35" West 25.00 feet; thence North 48°29'25" West 6.00 feet; thence South 41°30'35" West 104.00 foot; thence South 48°29'25" East 6.00 feet; thence South 41°30'35" West 26.10 feet; thence North 68°29'32" West 6.00 feet; thence South 21°30'28" West 96.44 feet; thence North 68°29'32" West 8.00 feet; thence along the arc of a non-tangent curve to the right having a radius of 20.00 feet, said Arc being subtended by a chord bearing South 66°30'28" West 28.20 feet; thence South 21°30'28" West 8.00 feet; thence North 68°29'32" West 50.68 feet; thence North 48°29'25" West 53.99 feet; thence South 41°30'35" West 18.00 feet; thence North 48°29'25" West 68.00 feet; thence South 41°30'35" West 25.00 feet; thence North 48°29'25" West 96.00 foot to a point on the northwesterly boundary line of said Lot "B"; thence along said Northwesterly boundary line South 41°30'35" West 45.35 feet to the point of beginning.

All that certain real property in the City of Sacramento, County of Sacramento, California, more particularly described as following:

Phase No. 1

Lots 1 through 3, inclusive, as shown on that certain Subdivision Map entitled "Plat of Regency Place Unit No. 2," recorded May 17, 1999, in Book 260 of Maps, Map No. 14, Official Records of Sacramento.

Phase No. 2

Lots 4, 5, and 42 through 46, inclusive, as shown on that certain Subdivision Map entitled "Plat of Regency Place Unit No. 2," recorded May 17, 1999, in Book 260 of Maps, Map No. 14, Official Records of Sacramento.

Phase No. 3

Lots 6 through 11, inclusive, and 38 through 41, inclusive, as shown on that certain Subdivision Map entitled "Plat of Regency Place Unit No. 2," recorded May 17, 1999, in Book 260 of Maps, Map No. 14, Official Records of Sacramento.

Phase No. 4

Lots 12 through 16, inclusive, and 33 through 37, inclusive, as shown on that certain Subdivision Map entitled "Plat of Regency Place Unit No. 2," recorded May 17, 1999, in Book 260 of Maps, Map No. 14, Official Records of Sacramento.

Phase No. 5

Lots 17 through 22, inclusive, and 30 through 32, inclusive, as shown on that certain Subdivision Map entitled "Plat of Regency Place Unit No. 2," recorded May 17, 1999, in Book 260 of Maps, Map No. 14, Official Records of Sacramento.

Phase No. 6

Lots 23 through 29, inclusive, as shown on that certain Subdivision Map entitled "Plat of Regency Place Unit No. 2," recorded May 17, 1999, in Book 260 of Maps, Map No. 14, Official Records of Sacramento.

Phase No. 7

That certain 2.214 Acre Remainder lot, as shown on that certain Subdivision Map entitled "Plat of Regency Place Unit No. 2," recorded May 17, 1999, in Book 260 of Maps, Map No. 14, Official Records of Sacramento.

EXHIBIT B
LIST OF SIDE YARD LOTS AND ADJOINING LOTS
FIRST PHASE

*(Recorded in the Sacramento County Recorder on February 13, 1992,
Book 92 02 13, Page 1236, Exhibit C)*

The following is a list of those Lots in the first Phase of the Subdivision having the easements or subject to the easements described in the section entitled "Side yard Easements":

LOT NO.	ADJOINING LOT NO.	SIDE YARD LOT NO.
1	2	N/A
2	3	1
3	4	2
4	N/A	3
5	N/A	6
6	5	7
7	6	8
8	7	9
9	8	10
10	9	11
11	10	12
12	11	13
13	12	14
14	13	15
15	14	16
16	15	17
17	16	18
18	17	19
19	18	20
20	19	21
21	20	22
22	21	N/A
23	N/A	N/A
24	25	N/A
25	26	24
26	27	25
27	28	26
28	29	27
29	30	28
30	31	29
31	32	30
32	33	31
33	34	32
34	35	33

LOT NO.	ADJOINING LOT NO.	SIDE YARD LOT NO.
35	36	34
36	N/A	35
37	N/A	N/A
38	39	N/A
39	40	38
40	41	39
41	42	40
42	N/A	41
43	44	N/A
44	45	43
45	N/A	44
46	N/A	OUT OF PHASE I
47	N/A	OUT OF PHASE I
48	49	N/A
49	50	48
50	51	49
51	N/A	50
52	N/A	OUT OF PHASE I
53	N/A	OUT OF PHASE I

EXHIBIT B
REGENCY PLACE PLANNED DEVELOPMENT SUBDIVISION
PHASE THREE
LIST OF SIDE YARD LOTS AND ADJOINING LOTS
*(Recorded in the Official Records of the Sacramento County Recorder on
February 25, 1993, within Book No. 93 02 25, Page 1719)*

LOT NO.	ADJOINING LOT NO.	SIDE YARD LOT NO.
114	N/A	N/A
115	N/A	116
116	115	N/A
117	118	N/A
118	N/A	117
119	N/A	N/A
120	N/A	N/A
121	N/A	122
122	121	N/A
123	N/A	N/A
124	N/A	125
125	124	N/A
126	N/A	N/A

LOT NO.	ADJOINING LOT NO.	SIDE YARD LOT NO.
127	N/A	N/A
128	N/A	N/A
129	N/A	N/A
130	N/A	131
131	130	N/A
132	N/A	N/A
133	N/A	Out of Phase 6

EXHIBIT B
REGENCY PLACE PLANNED DEVELOPMENT SUBDIVISION FOR
UNIT NO. 2 AND ADJOINING PROPERTY
LIST OF SIDE YARD LOTS AND ADJOINING LOTS
(Recorded in the Sacramento County Recorder on
August 31, 1999, within Document No. 199908311855)

LOT NO.	ADJOINING LOT NO.	SIDE YARD LOT NO.
1	2	N/A
2	3	1
3	4	2
4	5	3
5	6	4
6	7	5
7	8	6
8	N/A	7
9	10	N/A
10	N/A	9
11	N/A	N/A
12	N/A	13
13	12	14
14	13	15
15	14	16
16	15	N/A
17	N/A	N/A
18	N/A	N/A
19	N/A	N/A
20	N/A	21
21	20	22
22	21	23
23	22	24
24	23	25
25	24	26

LOT NO.	ADJOINING LOT NO.	SIDE YARD LOT NO.
26	25	N/A
27	28	N/A
28	29	27
29	30	28
30	31	29
31	32	30
32	33	31
33	N/A	32
34	N/A	N/A
35	36	N/A
36	37	35
37	N/A	36
38	N/A	N/A
39	N/A	40
40	39	41
41	40	42
42	41	43
43	42	44
44	43	45
45	44	46
46	45	N/A

CALIFORNIA ALL- PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

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

State of California }

County of Sacramento }

On 5/3/16 before me, T. B. Gordon, Notary Public
(Here insert name and title of the officer)

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

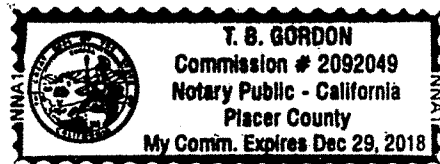
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

[Handwritten Signature]

 Notary Public Signature

(Notary Public Seal)



ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages _____ Document Date _____

INSTRUCTIONS FOR COMPLETING THIS FORM

This form complies with current California statutes regarding notary wording and, if needed, should be completed and attached to the document. Acknowledgments from other states may be completed for documents being sent to that state so long as the wording does not require the California notary to violate California notary law.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. he/she/they- is /are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document with a staple.

CAPACITY CLAIMED BY THE SIGNER

- Individual (s)
- Corporate Officer
- _____ (Title)
- Partner(s)
- Attorney-in-Fact
- Trustee(s)
- Other _____

T. B. GORDON
Commissioner & Secretary
Hawaii Public - Commerce
Hawaii County
Honolulu, Hawaii, U.S.A.



CALIFORNIA ALL- PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

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State of California }

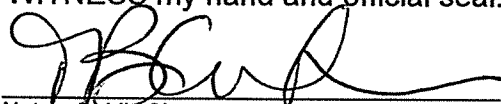
County of Sacramento }

On 5/3/16 before me, T.B. Gordon, Notary Public
(Here insert name and title of the officer)

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

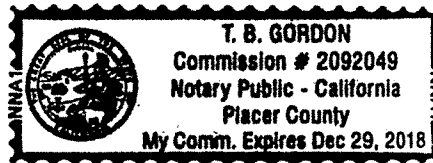
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Notary Public Signature

(Notary Public Seal)



ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages _____ Document Date _____

CAPACITY CLAIMED BY THE SIGNER

- Individual (s)
 Corporate Officer

_____ (Title)

- Partner(s)
 Attorney-in-Fact
 Trustee(s)
 Other _____

INSTRUCTIONS FOR COMPLETING THIS FORM

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- Print the name(s) of document signer(s) who personally appear at the time of notarization.
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- Securely attach this document to the signed document with a staple.

L. B. GORDON
Commissioner of
Public Health - District
of Columbia
Washington, D. C.

