

**RESTATED AND AMENDED DECLARATION OF COVENANTS, CONDITIONS &
RESTRICTIONS**

OLD ORCHARD ASSOCIATION I

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**RESTATED AND AMENDED DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS**

THIS RESTATED AND AMENDED DECLARATION is made this ____ day of _____, by Old Orchard Association I, a nonprofit mutual benefit corporation, incorporated under the laws of the State of California, its successors and assigns and shall hereafter be referred to as "Old Orchard I".

RECITALS:

A. A Declaration of Covenants, Conditions and Restrictions was recorded on July 6, 1967, as Document No. 3665, in Book No. M 2598, Page 91, of the official records of the County of Los Angeles; and has subsequently been amended and,

B. Said Declaration of Covenants, Conditions and Restrictions concerned the following described real property:

Tract No. 25997 in the County of Los Angeles, State of California, per map filed in Book 761, Pages 81 to 88, inclusive of Maps, Records of said County, EXCEPT LOT 117 thereof:

Lot 1 of Tract No. 25998 in the County of Los Angeles, State of California, per map filed in Book 762, Pages 63 and 64 of Maps, Records of said County

as well as property subsequently annexed thereto.

C. Old Orchard I has deemed it desirable to amend and restate covenants, conditions and restrictions upon the "Covered Property" (as hereinafter defined) and each and every portion thereof, which will constitute a general scheme for the management of the Covered Property, and for the use, occupancy and enjoyment thereof, all for the purpose of enhancing and protecting the value, desirability and attractiveness of the Covered Property and enhancing the quality of life within the Covered Property.

D. The Covered Property will be developed as a "Common Interest Development" as defined in Civil Code Section 1351 (c) and as a "Planned Development", as defined in Civil Code Section (k).

DECLARATION

NOW, THEREFORE, Old Orchard I as for the purposes above set forth, hereby declares that all of said real property described above and each part thereof, shall be held, sold and conveyed subject to the following easements, equitable servitudes, restrictions, covenants and conditions in accordance with Civil Code Section 1354, which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the real property, and which shall constitute equitable servitudes on the Covered Property and which shall run with the Covered Property and be binding on and inure to the benefit of all parties having any right, title or interest therein, or in any part thereof, their heirs, successors and assigns.

**ARTICLE I
DEFINITIONS**

Section 1. "Architectural Committee" shall mean and refer to the committee or committees provided for in the Article hereof entitled "Architectural Control".

Section 2. "Articles" and "Bylaws" shall mean and refer to the Articles of Incorporation and Bylaws of the Association as the same may from time to time be duly amended.

Section 3. "Assessments": The following meanings shall be given to the Assessments hereinafter defined:

"Regular Assessment" shall mean the amount which is to be paid by each Member to the Association for Common Expenses.

"Remedial Assessment" shall mean a charge against a particular Owner and his Residence, directly attributable to the Owner, to reimburse the Association for costs incurred in bringing an Owner and his Residence into compliance with the provisions of this Declaration, the Articles, Bylaws or Association Rules, together with attorney's fees, interest and other charges payable by such Owner, pursuant to the provisions of this Declaration, plus interest thereon as provided for in this Declaration.

"Special Assessment" shall mean any charge designated as a Special Assessment in this Declaration, the Articles, Bylaws or Association Rules.

"Reconstruction Assessment" shall mean a charge against each Owner and his Residence representing a portion of the cost to the Association for reconstruction of any portion or portions of the Common Areas pursuant to the provisions of this Declaration.

"Capital Improvement Assessment" shall mean a charge against each Owner and his Residence, representing a portion of the cost to the Association for installation or construction of any capital improvements on any of the Common Area which the Association may from time to time authorize pursuant to the provisions of this Declaration.

"Reimbursement Assessment" shall mean a charge against each Owner and his Residence representing a portion of the cost to the Association to reimburse the Association for materials or services provided by the Association which benefit individual Lots and/or Common Areas; and shall also mean a charge against each Owner and Residence to reimburse the Association for any other charge designated as a Reimbursement Assessment in this Declaration, the Articles, Bylaws or Association Rules.

Section 4. "Association" shall mean and refer to Old Orchard Association I, a nonprofit mutual benefit corporation, incorporated under the laws of the State of California, its successors and assigns.

Section 5. "Association Rules" shall mean rules adopted by the Association pursuant to the Article hereof entitled "Duties and Powers of the Association".

Section 6. "Board" shall mean the Board of Directors of the Association duly elected and acting pursuant to its Articles of Incorporation and Bylaws.

Section 7. "Common Areas" shall mean all real property and the improvements thereon owned by the Association for the common use and enjoyment of the Members of the Association.

Section 8. "Common Expenses" shall mean and refer to the actual and estimated costs of:

- (a) maintenance, management, operation, repair, replacement of the Common Areas and all other areas on the Covered Property which are maintained by the Association;
- (b) unpaid Assessments;
- (c) maintenance by the Association of areas within the public right-of-way of public streets

in the vicinity of the Covered Property as provided in this Declaration or pursuant to agreements with the County or City of Santa Clarita;

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

(e) the costs of utilities, trash pickup and disposal, gardening and other services which generally benefit and enhance the value and desirability of the Common Areas;

(f) the costs of fire, casualty, liability, workmen's compensation and other insurance covering the Common Areas;

(g) the costs of any other insurance obtained by the Association;

(h) reasonable reserves as deemed appropriate by the Board;

(i) the costs of bonding of the members of the Board, any professional managing agent or any other person handling the funds of the Association;

(j) taxes paid by the Association;

(k) amounts paid by the Association for discharge of any lien or encumbrance levied against the Common Area or portions thereof;

(l) costs incurred by the Architectural Committee or other committee established by the Board; and

(m) other expenses incurred by the Association for any reason whatsoever in connection with the Common Areas, or the costs of any other item or items designated by this Declaration, the Articles, Bylaws or Association Rules, or in furtherance of the purposes of the Association or in the discharge of any duties or powers of the Association.

Section 9. "County" shall mean and refer to the County of Los Angeles, State of California.

Section 10. "Covered Property" shall mean and refer to all the real property described above.

Section 11. "Declaration" shall refer to this Restated and Amended Declaration of Covenants, Conditions and Restrictions and all subsequent amendments thereto.

Section 12. "Development" shall mean and refer to all the real property described above and commonly known Old Orchard I.

Section 13. "Exhibit" shall mean and refer to those documents so designated herein and attached hereto and each of such Exhibits is by this reference incorporated in this Declaration.

Section 14. "Institutional Mortgagee" shall mean and refer to a First Mortgagee which is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, any federal or state agency, or any other institution regulated by federal or state law.

Section 15. "Landscape Maintenance District" (sometimes hereinafter referred to as "LMD") shall mean and refer to such district(s) as is(are) established in conjunction with Los Angeles County, which is responsible for the landscaping, maintenance, repair and administration of certain portions of the Covered Property. The LMD is funded through assessment districts which contain all of the properties within the boundary of the LMD.

Section 16. "Lot" shall mean any numbered plot of land shown upon the Map of the Properties with the exceptions of Common Areas and areas owned by or dedicated to the public or any political subdivision of the State of California.

Section 17. "Member" shall mean every person or entity who qualifies for membership pursuant to the Article of this Declaration entitled "Membership".

Section 18. "Mortgage" shall mean and refer to any duly recorded mortgage or deed of trust encumbering a Residence. A "First Mortgage" shall refer to a Mortgage which has priority over all other Mortgages encumbering a specific Residence.

Section 19. "Mortgagee" shall mean and refer to the mortgagee or beneficiary under any Mortgage. A "First Mortgagee" shall mean the holder of a First Mortgage.

Section 20. "Owner" shall mean and refer to one or more persons or entities who are alone or collectively the record owner of a fee simple title to any Lot, including contract sellers.

Section 21. "Residence" shall mean and refer to a lot shown on any final map filed for record or a parcel shown on any parcel map filed for record to the extent such lots or parcels are part of the Covered Property.

Section 22. "Voting Power" means those Members who are eligible to vote for the election of Directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at the time any determination of Voting Power is made.

ARTICLE II MEMBERSHIP

Section 1. Membership. Every Owner shall be a Member. The terms and provisions set forth in this Declaration, which are binding upon all Owners are not exclusive, as Owners shall, in addition, be subject to the terms and provisions of the Articles, Bylaws and Association Rules to the extent the provisions thereof are not in conflict with this Declaration. Membership of Owners shall be appurtenant to and may not be separated from the interest of such Owner in any Lot. Ownership of a Lot shall be the sole qualification for membership; provided, however, a Member's voting rights or privileges in the Common Areas, or both may be regulated or suspended as provided in this Declaration, the Bylaws or the Association Rules. Not more than one membership or vote shall exist based upon ownership of a single Residence.

Section 2. Transfer. The Association membership of each Owner shall be appurtenant to the Lot giving rise to such membership, and shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon the transfer of title to said Lot and then only to the transferee of title to said Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof

Section 3. Voting Rights. An Owner's right to vote shall vest upon the recording of a deed

on a Lot in the name of the Owner. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles, Bylaws and Association Rules. Where more than one person holds an interest in any Lot, each such person shall be a Member and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Section 4. Approval of Members. Unless elsewhere otherwise specifically provided in this Declaration or the Bylaws, any provision of this Declaration or the Bylaws which requires the vote or written assent of the Voting Power of the Association shall be deemed satisfied by either of the following:

- (a) the vote, in person or by proxy, of a majority of the votes of the Owners constituting a quorum at a meeting duly called and noticed pursuant to the provisions of the Bylaws dealing with annual or special meetings of the Members; or
- (b) written consents signed and cast by a majority of the votes by the Owners constituting a quorum at a duly called and noticed meeting.

ARTICLE III RIGHTS OF ENJOYMENT

Section 1. Members' Right of Enjoyment. Every Member shall have a nonexclusive easement for use and enjoyment in and to the Common Areas and such right shall be appurtenant to and shall pass with the interest of every Lot, subject to all of the easements, covenants, conditions, restrictions and other provisions of record or contained in this Declaration, including, without limitation, the following provisions:

- (a) the right of the Association to limit the number of guests of Members and to limit the use of the Common Areas by persons not in possession of a Lot, but owning a portion of the interest in a Lot required for Membership;
- (b) the right of the Association to establish reasonable rules and regulations pertaining to the use of the Common Area;
- (c) the right of the Association to borrow money for the purpose of improving, replacing, restoring or expanding the Common Areas or adding new Common Areas and in aid thereof, to mortgage said property, provided that the prior affirmative vote or written approval of a majority of each of the Owners has been obtained to mortgage said property, and provided further that the rights of the lender thereunder shall be subordinated to the rights of the Members. In the event of a default upon any such mortgage of the Common Areas, the lender's rights thereunder shall be limited to a right, after taking possession of such properties, to charge admission and other fees as a condition to continued enjoyment by the Members and, if necessary, to open the enjoyment of the Common Areas to a wider public until the mortgage debt is satisfied, whereupon the possession of such properties shall be returned to the Association and all rights of the Members hereunder shall be fully restored;
- (d) the rights of the Association to suspend the right of a Member to use the Common Areas or any portion thereof designated by the Board during any time in which any Assessment against his Lot remains unpaid and delinquent for a period not to exceed thirty (30) days for any single infraction of the rules and regulations of the Association; provided, that any suspension of such right to use such Common Areas, except for failure to pay Assessments, shall be made only by the Association or a duly appointed committee thereof, after notice and hearing given and held in accordance with the Bylaws.

Notwithstanding the foregoing, the Association shall not have the right hereunder to suspend any Member's right to use any portion of the Covered Property necessary for such Member to gain access to his Lot;

(e) the right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency, authority or utility or other entity. No such dedication or transfer, including, without limitation the conveyance, lease or other transfer of any portion of the Common Areas to a special tax assessment district or to the County, shall be effective unless an instrument signed by Members entitled to cast two-thirds (2/3) of the Voting Power of the membership has been recorded, agreeing to such dedication or transfer. The certificate of the President and the Secretary of the Association attached to such instrument certifying that the Members signing such instrument represent two-thirds (2/3) of the Voting Power of the Association shall be deemed conclusive proof thereof; and

(f) the right of the Association to establish in cooperation with the County, a special tax assessment district for the performance of all or a portion of the maintenance and other functions now within the responsibility of the Association.

Section 2. Delegation of Use. Any Member may delegate his right of enjoyment to the Common Areas to the members of his family or his tenants who reside on his Lot, or to his guests, subject to rules and regulations adopted by the Board. In the event and for so long as an Owner delegates said rights of enjoyment to his tenants, said Owner shall not be entitled to said rights.

Section 3. Waiver of Use. No Member may exempt himself from personal liability for Assessments duly levied by the Association, nor release the Lot owned by him from the liens, charges or other provisions of this Declaration, the Articles, Bylaws and Association Rules, by waiver of the use and enjoyment of the Common Areas, or the abandonment of his Lot.

ARTICLE IV COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot by acceptance of a deed or other conveyances creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or other conveyances is deemed to covenant and agree to pay to the Association: Regular Assessments, Special Assessments, Reimbursement Assessments, Capital Improvement Assessments, Remedial Assessments and Reconstruction Assessments. Such Assessments shall be fixed, established and collected from time to time as provided in this Declaration. The Regular, Special, Reimbursement, Capital Improvement Assessments, and Reconstruction Assessments together with interest thereon, late charges, attorneys' fees and court costs, and other costs of collection thereof, as hereinafter provided, shall be a continuing lien and charge upon the Lot against which each such Assessment is made. Each such Assessment, including Remedial Assessments, together with such interest, late charges, costs and attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment becomes due. The personal obligation for delinquent Assessments shall not pass to the successors in title of an Owner unless expressly assumed by such successors but shall remain a charge upon the Lot until paid in full. No Owner may waive or otherwise escape liability for Assessments by nonuse of the Common Areas or any part thereof, or abandonment of his Lot.

Section 2. Purpose of Assessments. The Assessments levied by the Association shall be

used exclusively for the purposes of promoting the recreation, health, safety and welfare of the Members, the management of the Covered Property, enhancing the quality of life in the Covered Property, and the value of the Covered Property, including, without limitation, the improvement and maintenance of the properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Areas, or in furtherance of any other duty or power of the Association. The Association shall not impose or collect an assessment, penalty or fee that exceeds the amount necessary for the purpose or purposes for which it is levied.

Section 3. Regular Assessments.

The Board shall not later than November 15th of each year determine the amount of the Regular Assessment to be paid by each Member for the following year. Each Member shall thereafter pay to the Association his or her Regular Assessment in installments as established by the Board. Each such installment shall be due and payable on a date established by the Board in the written notice sent to Members. In the event the Board shall determine that the estimate of total charges for the current year is, or will become inadequate to meet all Common Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of Regular Assessment against each Member, and the date or dates when due. The Association shall not impose a Regular Assessment which is increased more than twenty percent (20%) over the amount of the Regular Assessment in the immediately preceding accounting year, without the approval of a majority of a quorum of the Voting Power of the Association. For purposes of this Article, a quorum shall be defined as more than fifty percent (50%) of the Voting Power of the Association. The Association shall provide notice by first-class mail to the Owners of any increase in the Regular Assessment, not less than thirty (30) days nor more than sixty (60) days prior to the increased assessment becoming due. In the event the amount budgeted to meet Common Expenses for the then current year proves to be excessive in light of the actual Common Expenses, the Board in its discretion may either reduce the amount of the Regular Assessment or may abate collection of Regular Assessments as it deems appropriate. Notwithstanding the foregoing, Regular Assessment increases shall not be limited in the case of "emergency situations" which include any of the following:

- (a) an extraordinary expense required by court order;
- (b) an extraordinary expense necessary to repair or maintain the Covered Property and/or Common Areas, or any part of it for which the Association is responsible where a threat to safety of persons is discovered; or
- (c) repair to or maintenance of the Covered Property and/or Common Areas that could not have been reasonably foreseen in preparing the budget; provided, however, that prior to imposition of such an assessment, the Board shall make findings, distributed to the Members, as to the necessity of the expense and why such expense could not have been foreseen.

Section 4. Capital Improvement Assessments.

In addition to the Regular Assessments, the Association may levy in any calendar year, a Capital Improvement Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or replacement (other than due to destruction) of a described capital improvement upon the Common Areas to the extent the same is not covered by the provisions affecting Reconstruction Assessments in the Article hereof entitled "Destruction of Improvements", including the necessary fixtures and personal property related thereto.

The Association shall not impose a Capital Improvement Assessment, the total amount of which exceeds five percent (5%) of the estimated Common Expenses as set forth in the Section of this Article entitled "Regular Assessments", without the approval of a majority of a quorum of the Voting Power of the Association. Any reserves collected by the Association for the future maintenance and repair of the Common Areas, or any portion thereof, shall not be included in determining said annual Capital Improvement Assessment limitation. All amounts collected as Capital Improvement Assessments may only be used for capital improvements and shall be deposited by the Board in a separate bank account to be held in trust for such purposes. Said funds shall not be commingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by the Members. The Association shall provide notice to Owners, by first class mail, of any decision by the Association to levy a Capital Improvement Assessment, not less than 30 nor more than 60 days prior to the due date for such Assessment.

Section 5. Uniform Assessment. Regular and Capital Improvement Assessments shall be fixed at an equal amount for each Lot and may be collected at intervals selected by the Board.

Section 6. Certificate of Payment. The Association shall, upon demand, furnish to any Member liable for Assessments, a certificate in writing signed by an officer or authorized agent of the Association, setting forth whether the Assessments on a specified Lot have been paid, and the amount of delinquency, if any. A reasonable charge not to exceed Fifteen Dollars (\$15.00) may be collected by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any Assessment therein stated to have been paid.

Section 7. Exempt Property. All properties dedicated to and accepted by or otherwise owned or acquired by a public authority shall be exempt from the Assessments created herein.

Section 8. Special Assessment. Special Assessments may be levied by the Association to fund any budgetary shortfall or to restore any funds transferred from the Association's reserve account. Special Assessments shall also be levied by the Board against an Owner and his Lot to reimburse the Association for any other charge designated as a Special Assessment in this Declaration, the Articles, Bylaws or Association Rules. Notwithstanding the foregoing, the Board shall not impose Special Assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses for the current accounting year without first obtaining the approval of the majority of a quorum of the Voting Power of the Association. The foregoing limitation shall be subject to the exception carved out for "emergency situations" in Section 3 above. The Association shall provide notice by first-class mail to the Owners subject to a Special Assessment of any decision to levy such Special Assessment, not less than 30 nor more than 60 days prior to the Special Assessment becoming due.

Section 9. Remedial Assessment. Remedial Assessments may be levied by the Board against a Residence to reimburse the Association for costs incurred in bringing an Owner and his Residence into compliance with the provisions of this Declaration, the Articles, the Bylaws, or Association Rules, together with actual attorney's fees, interest and other charges relating thereto as provided in this Declaration.

Section 10. Reimbursement Assessment. Reimbursement Assessments may be levied by the Association to reimburse the Association for materials or services provided by the Association which benefit individual Lots and/or Common Areas. Reimbursement Assessments shall also be levied

by the Board against an Owner (and his or her Lot) to reimburse the Association for any other charge designated as a Reimbursement Assessment in this Declaration, the Articles, Bylaws or Association Rules. The Association shall provide notice by first-class mail to the Owners subject to a Reimbursement Assessment of any decision to levy such Reimbursement Assessment, not less than 30 nor more than 60 days prior to the Reimbursement Assessment becoming due.

Section 11. Date of Commencement of Regular Assessments. The Regular Assessments shall be deemed to be levied upon all Residences at the time of conveyance and shall commence as to all Residences on the first day of the month following said conveyance.

Section 12. No Offsets. All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that (i) the Association is not properly exercising its duties and powers as provided in this Declaration; (ii) a Member has made or elects to make no use of the Common Areas; or (iii) any construction or maintenance performed pursuant to the Article entitled "Repair and Maintenance" of this Declaration shall in any way postpone Assessments or entitle a Member to claim any such offset or reduction.

Section 13. Homestead Waiver. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of California now in effect, or in effect from time to time hereafter.

Section 14. Reserves. The Regular Assessments shall include reasonable amounts as determined by the Board collected as reserves for the future periodic maintenance, repair or replacement of all or a portion of the Common Areas, or any other purpose as determined by the Board. All amounts collected as reserves, whether pursuant to this Section or otherwise, shall be deposited by the Board in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association. Such reserves shall be deemed a contribution to the capital account of the Association by the Members. The Board shall not expend funds designated as reserve funds for any purpose other than:

(a) the repair, restoration, replacement or maintenance of the Common Areas for which the reserve fund was established; or

(b) litigation involving use of reserve funds for the purposes set forth in (a) above.

Notwithstanding the provisions of (a) and (b) above, the Board:

(a) may authorize the temporary transfer of money from the reserve account to meet short term cash flow requirements or other expenses of the Association;

(b) shall cause the transferred funds to be restored to the reserve account within three years of the date of the initial transfer; however, the Board may, upon making a documented finding that a delay of restoration of the funds to the reserve account would be in the best interests of the Association, delay the restoration until such time it reasonably determines to be necessary; and

(c) shall exercise prudent fiscal management in delaying restoration of the transferred funds to the reserve account and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits specified in (b) above. Any such Special Assessments shall not be subject to the 5% limitations specified in Section 8 of this Article.

Withdrawal of funds from the Association's reserve account shall require the signatures of two (2) Members of the Board.

The Board shall do all of the following:

(a) at least once every three years, cause a study to be conducted of the reserve account requirements, if the current replacement value of the major components of the Common Areas is equal to or greater than one-half of the gross budget for any fiscal year;

(b) annually review the reserve account study and shall consider and implement necessary adjustments to its analysis of the reserve account requirements as a result of that review;

(c) cause the reserve account study to include at a minimum:

- (i) identification of the major components of the Common Areas which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than 30 years;
- (ii) identification of the probable remaining useful life of the components identified in (i) above as of the date of the study;
- (iii) an estimate of the cost of repair, replacements restoration or maintenance of each major component identified in paragraph (i) during and at the end of its useful life; and
- (iv) an estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

ARTICLE V NONPAYMENT OF ASSESSMENT

Section 1. Delinquency. Any Assessment provided for in this Declaration which is not paid when due shall be delinquent on said date (the "delinquency date"). If any such Assessment is not paid within ten (10) days after delivery of notice of such delinquency from the Association, a reasonable late charge as established by the Board not to exceed ten percent (10%) of the delinquent amount shall be levied and the Assessment shall bear interest at the rate of ten percent (10%) per annum commencing thirty (30) days after the payment is due until paid. The Association may, at its option, and without waiving the right to judicially foreclose its lien against the Lot, pursue any available remedies, including, without limitations bringing an action at law against the Member personally obligated to pay the same

and/or upon compliance with the notice provisions set forth in the Section entitled "Notice of Lien" of this Article to foreclose the lien against the Lot. If action is commenced, there shall be added to the amount of such Assessment the late charge, interest, the costs of such action, and actual attorneys' fees incurred in connection with such action; and in the event a judgment is obtained, such judgment shall include said late charge, interest and actual attorneys' fee, together with the costs of action. Each Member vests in the Association or its assigns, the right and power to bring all actions at law or lien foreclosure against such Member or other Members for the collection of such delinquent Assessments; provided, the Association may not create a lien against the Lot of any Owner based on nonpayment of Remedial Assessments. The Board shall annually distribute, within sixty (60) days prior to the beginning of each accounting year, a statement of the Association's policies and practices in enforcing its remedies against Owners for defaults in the payment of assessments and any other monetary obligations, including the recording and foreclosing of liens against Owners' Lots.

Section 2. Notice of Lien. No action shall be brought to foreclose said Assessment lien or to proceed under the power of sale herein provided until thirty (30) days after the date a notice of delinquent Assessment is deposited in the United States mail, certified or registered, postage prepaid, to the owner of said Residence, and a copy thereof is recorded by the Association in the office of the County Recorder of the County; said notice of delinquent Assessment must recite a good and sufficient legal description of any such Lot, the record owner or reputed Owner thereof, the amount claimed (which shall include interest on the unpaid Assessment at the rate of ten percent (10%) per annum commencing thirty (30) days after the payment is due until paid, a late charge as established by the Board not to exceed ten percent (10%) of the delinquent amount, plus actual attorneys' fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the claimant.

Section 3. Foreclosure Sale. Said Assessment lien may be enforced by sale by the Association, its attorney or any other person authorized by the Board to make the sale after failure of the Owner to make the payments specified in the notice of delinquent Assessment within said thirty (30) day period. Any such sale provided for above is to be conducted in accordance with the provisions of Sections 2924, 2924b, 2924c, 2924f, 2924g and 2924h of the Civil Code of the State of California as said statutes may from time to time be amended, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted or provided by law. The Association, through its duly authorized agents, shall have the power to bid on the Lot using Association funds, or funds borrowed for such purpose, at the sale, and to acquire and hold, lease, mortgage and convey the same. No transfer of a Lot as the result of a foreclosure or exercise of sale shall relieve the new owner from liability for any Assessments thereafter becoming due or from the lien thereof.

Section 4. Curing of Default. Upon the timely payment or other satisfaction of: (a) all delinquent Assessments specified in the notice of delinquent Assessment, (b) all other Assessments which have become due and payable with respect to the Lot as to which such notice of delinquent Assessment was recorded, and (c) interest, late charges, actual attorneys' fees and other costs of collection pursuant to this Declaration and the notice of delinquent Assessment which have accrued, Officers of the Association or any other persons designated by the Board are hereby authorized to file or record, as the case may be, an appropriate release of such notice, upon payment by the defaulting Owner of a fee, to be determined by the Association, but not to exceed Fifty Dollars (\$50.00) to cover the costs of preparing and filing or recording such release.

Section 5. Assessment Power of County. If the County exercises its rights under this Declaration, it shall have the right to assess Special Assessments in equal amounts against all of the Owners in order to obtain reimbursement of any costs incurred by the County in such exercise. Furthermore, the County shall have the right to enforce said Special Assessments pursuant to this Article.

ARTICLE VI ARCHITECTURAL CONTROL

Section 1. Appointment of Architectural Committee. The Architectural Committee shall consist of not less than three (3) nor more than five (5) persons as fixed from time to time by resolution of the Board. Persons appointed by the Board to the Architectural Committee must be Members.

Section 2. General Provisions.

(a) The Architectural Committee may establish reasonable fees and procedural rules and the Owner shall be responsible for any costs incurred by the Architectural Committee per submission of plans in connection with review of plans and specifications including, without limitation, the number of sets of plans to be submitted; however, the Architectural Committee may delegate its plan review responsibilities to one or more members of such Architectural Committee. Upon such delegation, the approval or disapproval of plans and specifications by such persons shall be equivalent to approval or disapproval by the entire Architectural Committee. Unless any such rules are complied with, such plans and specifications shall be deemed not submitted.

(b) The address of the Architectural Committee shall be the address established for giving notice to the Association. Such address shall be the place for the submittal of plans and specifications and the place where the current Architectural Standards shall be kept.

(c) The establishment of the Architectural Committee and the systems herein for architectural approval shall not be construed as changing any rights or restrictions upon Owners to maintain, repair, alter or modify or otherwise have control over the Lots as may otherwise be specified in this Declaration, in the Bylaws or in any Association Rules.

(d) In the event the Architectural Committee fails to approve or disapprove such plans and specifications within sixty (60) days after the same have been duly submitted in accordance with any rules regarding such submission adopted by the Architectural Committee, such plans and specifications will be deemed approved.

Section 3. Approval and Conformity of Plans. No building, fence, wall, structure, landscaping improvements that consist of predominantly hardscape material(s) (including but not limited to cement, rock and gravel) which hardscaping material(s) are located within the yard of any Lot visible from any street, adjoining Lot or Common Areas, shall be commenced, erected, maintained upon or removed from the Covered Property, nor shall there be any addition to or change in the exterior of any Lot, building, fence, wall, structure, the painting (other than painting with the same color of paint as previously existed) of exterior walls, patio covers and solar and other energy saving devices, except in compliance with plans and specifications therefor which have been submitted to and approved by the Architectural Committee as to harmony of external design and location in relation to surrounding structures and topography. The Board may, from time to time, adopt and promulgate architectural standards (the "Architectural Standards") to be administered through the Architectural Committee. The Architectural Standards may include among other things those restrictions and limitations upon the Owners set forth below:

(a) time limitations for the completion of the architectural improvements for which is required pursuant to the Architectural Standards;

(b) conformity of completed architectural improvements to plans and specifications

approved by the Architectural Committee; provided, however, as to purchasers and encumbrancers in good faith and for value, unless notice of noncompletion or nonconformance identifying the violating Lot and its Owner and specifying the reason for the notice shall be mailed or given to such Owner within one (1) year of the expiration of the time limitation described in subsection (a) above, or unless legal proceedings shall have been instituted to enforce compliance or completion within said one (1) year period, the completed architectural improvements shall be deemed to be in compliance with plans and specifications approved by the Architectural Committee and in compliance with the Architectural Standards of the Association, but only with respect to purchasers and encumbrancers in good faith and for value; and

(c) such other limitations and restrictions as the Board in its reasonable discretion shall adopt, including, without limitation, the regulation of the following: construction, reconstruction, exterior addition, change or alteration to or maintenance of any building, structure, wall or fence, including, without limitation, the nature, kinds, shape, height, materials, exterior color and surface and location of such dwelling structure.

Section 4. Basis for Approval of Improvements.

When a proposed work of improvement is submitted to the Architectural Committee for review, the Committee shall grant the requested approval only if the Committee, in its sole discretion, finds that all of the following provisions have been satisfied:

(a) The Owner's plans and specifications: (i) conform to this Declaration and to the Architectural Standards in effect at the time those plans are submitted to the Committee; (ii) will result in the construction of an improvement that is in harmony with the external design of other structures and/or landscaping within the Covered Property; and (iii) will not interfere with the reasonable enjoyment of any other Owner of his Lot;

(b) The proposed improvement(s), if approved, will otherwise be consistent with the architectural and aesthetic standard prevailing within the Covered Property and with the overall plan and scheme of development of the Covered Property and the purpose of this Declaration.

Though it is recognized that the Committee's determination to approve or disprove an improvement will, of necessity, be subjective to some degree, the members of the Committee shall act reasonably and in good faith. Factors commonly considered by the Committee in reviewing proposed improvements include, but are not limited to, the quality of workmanship and materials proposed for the improvement project; the harmony of the proposed improvement's exterior design, finish materials, and color with that of the existing structures; and the proposed location of the improvement in relation to existing topography, finished grade elevations, roads, Common Areas, and other structures.

The Committee shall be entitled to determine that a proposed improvement or component thereof is unacceptable in the context of a particular Lot, even if the same or a similar improvement/component has previously been approved for use at another location or locations within the Covered Property. Factors that may cause the Committee to reject a proposal that was previously approved at another site include, but are not limited to, poor drainage; unique topography; visibility from roads, Common Areas or other Lots; proximity to other residences or common facilities; or prior adverse experience with the product or design of the proposed improvement or any component thereof.

Section 5. Nonliability for Approval of Plans.

Each Owner shall be solely responsible for any violation of this Declaration or any applicable instrument, law or regulation, caused by an improvement made by such Owner even though same is approved by the Architectural Committee. Plans and specifications shall be approved by the Architectural Committee as to style, exterior design, appearance

and location, and are not approved for engineering design or for compliance with zoning and building ordinances, this Declaration, easements, deed restrictions and other rights and obligations affecting the Covered Property, and by approving such plans and specifications neither the Architectural Committee, the members thereof, the Association, the Members, or the Board assume liability or responsibility therefor, or for any defect in any structure constructed from such plans and specifications. The Architectural Committee shall have the right to require, as a condition of approval, that an Owner provide indemnification on terms and conditions satisfactory to the Architectural Committee.

Section 6. Appeal. In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board. The written request must be received by the Board not more than fifteen (15) days following the final decision of the Architectural Committee. The Board shall submit such request to the Architectural Committee for review, whose written recommendations will be submitted to the Board. Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. The failure of the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the appellant.

Section 7. Inspection and Recording of Approval. Any member of the Architectural Committee or any Officer, Director, employee or agent of the Association may at any reasonable time enter, without being deemed guilty of trespass, upon any Lot after notice to the Owner in order to inspect improvements constructed or being constructed on such Lot to ascertain that such improvements have been or are being built in compliance with plans and specifications approved by the Architectural Committee and in accordance with the Architectural Standards. The Architectural Committee shall cause such an inspection to be undertaken within thirty (30) days of a request therefor from any Owner as to his Lot, and if such inspection reveals that the improvements located on such Lot have been completed in compliance with this Article, the President and the Secretary of the Association shall provide to such Owner a notice of such approval which shall be conclusive evidence of compliance with the provisions of this Article as to the improvements described but as to such improvements only.

ARTICLE VII USE RESTRICTIONS

Section 1. Single Family Residential. Each Lot shall be improved, used and occupied for private, single-family dwelling purposes only. Consistent with Section 6 of this Article, no part of any lot shall be used for commercial purposes.

Section 2. Maintenance by Owner. The Owner of each Lot shall maintain his Lot including the improvements which are a part thereof in a clean and attractive condition. Without limiting the generality of the foregoing, the Owner of each Lot shall: (a) keep his Lot free from rubbish, litter and noxious weeds, (b) maintain, cultivate and keep in good condition and repair, shrubs, trees including without limitation grass, lawns, or plantings and other landscaping located or from time to time placed upon his Lot, (c) trim and restrain all trees, shrubs or plantings of any kind so that they shall not be allowed to encroach upon, above or below any sidewalk, street or neighboring residence, or create a traffic or safety problem, (d) maintain in good condition and repair and adequately painted or otherwise finished all improvements which are from time to time a part of his Lot, and (e) maintain all paved surfaces of his Lot and keep them clean, reasonably dry and free of oil and other extraneous matter. Provided, however, that landscaping and/or a ground cover as approved by the Architectural Committee shall be maintained in the front yards of the Residences at all times. Upon the sale of the property, the new owner shall have up to a maximum of six months to comply with this provision. Each Lot shall be subject to an easement for access to make reasonable repairs upon the adjoining Lots and structures thereon; provided, however, that:

(a) any damage caused by such entry shall be repaired at expense of the Owner whose property was the object of the repair work which caused the same;

(b) any such entry shall be made only at reasonable times and with as little inconvenience as possible to the Owner of the entered Lot; and

(c) in no event shall said easement be deemed to permit entry into the interior portions of any residence.

Section 3. Clotheslines. No clothesline shall be erected or maintained on any Lot in a manner which is visible from any street, neighboring Lot or Common Area.

Section 4. Animals. No animals, livestock, or poultry of any kind, shall be raised, bred, or kept upon any Lot, except that dogs, cats, or other household pets may be kept on the Lots, provided they are not kept, bred or maintained for any commercial purpose, or in numbers as provided for in the Association Rules. Notwithstanding the foregoing, no animals or fowl may be kept on the Lots which in the good faith judgment of the Board or a committee selected by the Board for this purpose, result in an annoyance or are obnoxious to the vicinity. All animals permitted to be kept by this Section shall be allowed on the Common Area only when they are leashed and are otherwise under the supervision and restraint of their Owners. Each and every owner of any pet shall immediately clean, remove and dispose all animal waste materials and shall be responsible for the conduct of said pets. The Association, its Board, Officers, employees and agents shall have no liability (whether by virtue of this Declaration or otherwise) to any Owners, their family members, guests, invitees, tenants for any damage or injury to persons or property caused by any pet.

Section 5. Oil and Mineral Rights. No drilling, quarrying, or mining operations of any kind shall be permitted upon any Lot, nor shall wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of any Lot. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon the Covered Property.

Section 6. Commercial Use Prohibited. No part of a Lot shall be used or caused to be used or allowed or authorized in any way, directly or indirectly for any business, commercial, manufacturing, mercantile, storing, vending, or any nonresidential purpose; provided, however, the Association shall have the right to provide or authorize such usage of the Common Areas as it deems appropriate for the enjoyment of the Common Areas or for the benefit of the Members. The provisions of this Section shall not preclude any of the above described activities without external evidence thereof, provided that all of the following conditions are fulfilled: (a) such activities are conducted in conformance with all governmental ordinances; (b) the patrons or clientele of such activities do not create a safety hazard or unreasonable interference or burden on other Owners or the Association; (c) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside the boundaries of the Lot; (d) no such activity increases the liability or casualty insurance obligations or premium of the Association; and (e) such activities are consistent with the residential character of the Development and conform with the provisions of this Declaration. The Board at its sole discretion may determine if said activity constitutes an unreasonable safety hazard or inconvenience to other Members and require said activity to immediately cease.

Section 7. Nuisances. No noxious or offensive trade or activity shall be carried on upon any Lot, or any part of the Common Area, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective Lot.

Section 8. Signs. No advertising signs or billboards shall 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 signs required by legal proceedings and a single "For Rent," "For Lease" or "For Sale" sign as long as such sign shall comply with any customary and reasonable standards promulgated by the Board as to size, color, shape or other qualifications for permitted signs. Notwithstanding the restrictions set forth in this Section, Owners may install signs in numbers as set forth in the Association Rules which disclose that the Residence is protected by a security system. Such security signs may be placed on or around the Lot, provided, however, that such signs do not exceed dimensions as set forth in the Association Rules.

Section 9. Solar and Other Energy Saving Devices. No solar and other energy saving device or system shall be permitted to be installed without the prior written approval of the Architectural Committee.

Section 10. Temporary Structures. No temporary residence structure or shelter of any kind shall be maintained on any Lot nor shall any Lot be used for temporary residence purposes, except as otherwise approved by the Board.

Section 11. Vehicles.

(a) Only "conventional passenger vehicles" are permitted to park on the Covered Property. Except as provided in this Section, no commercial or recreational vehicles or equipment shall be permitted to remain upon the Covered Property, including, without limitation, streets, driveways, or side and rear yards, unless parked, placed or maintained completely concealed from view. Nothing contained herein shall preclude the parking of a vehicle within the garage of a Lot.

(b) Recreational vehicles and equipment are not permitted to be parked on or in front of any Lot or anywhere within the Covered Property unless prior written approval of the Board has first been obtained; and said recreational vehicle or equipment owned or rented by a Member may be parked in front of said Member's Lot (and not in front of any other Lot) for a maximum of twenty-four (24) hours prior to departure on any trip and a period not to exceed twenty-four (24) hours upon returning from any trip, not to exceed forty-eight (48) hours in any seven (7) consecutive day period for the sole purpose of loading and/or unloading such recreational vehicle or equipment immediately prior or after to the use of such recreational vehicle or equipment for recreational purposes. Upon receipt of prior written approval from the Board, recreational vehicles and equipment owned or leased by guests temporarily visiting a Member may be parked in front of such Member's Lot (and nowhere else within the Covered Property) for a period not to exceed one (1) week.

(c) No conventional passenger vehicle, recreational vehicle or equipment or commercial vehicle or any other motorized vehicle may be dismantled, rebuilt, repaired, abandoned, stored, disabled, serviced or repainted on a Lot unless performed within a completely enclosed garage or other area located on the Lot which completely screens the sight and sound of such activity from streets, Common Areas and all neighboring Lots. For purposes of this Section, and without limiting the generality of the foregoing, a vehicle shall be deemed to be in storage if such vehicle is placed on a Lot for the primary purpose of storing such vehicle even if such vehicle is used occasionally. The Board's decision as to whether a vehicle is being stored is conclusive and at its sole discretion. The foregoing restrictions shall not be deemed to prevent temporary parking for loading or unloading of vehicles or washing and polishing and those activities normally incident to washing and polishing of vehicles.

(d) As used in this Section, "conventional passenger vehicles" shall be defined to be station wagons, family sedans, sports utility vehicles, compacts, subcompacts, pick-up trucks, pick-up trucks with shell not extending above the cab level beyond six (6) inches, passenger vans and passenger vans with extended tops not extending above the top more than six (6) inches.

(e) As used in this Section, "recreational vehicles or equipment" shall include without limitation, trailers, boats, campers, trailer coaches, buses, house cars, camp cars, motor homes (if a size larger than seven (7) feet in height and/or greater than one hundred twenty-four (124) inches in wheel base length), or any other similar type of equipment or vehicle.

(f) As used in this Section, "commercial vehicle" shall be defined as a truck of greater than one (1) ton capacity and/or any vehicle with a sign displayed on any part thereof advertising any kind of trade, or business or on which racks, materials, and/or tools are visible, or with a body type normally employed as a business vehicle whether or not a sign is displayed on any part thereof. The type of motor vehicle license plate shall not be material to the foregoing definition.

(g) Temporary parking shall mean parking of vehicles belonging to guests of Owners and commercial vehicles being used in the furnishing of services to the Association or the Owners and parking of vehicles belonging to or being used by Owners for loading and unloading purposes.

(h) Any fence, screen or structure required under this Section shall comply with any standards established pursuant to the Article entitled "Architectural Control" of this Declaration as to size, color, or other qualification for permitted fences, screens or other structures.

Section 12. Antennae and Other Roof Structures. No television, radio, or other electronic towers, aeriels, antennae, satellite dish or device of any type for the reception or transmission of radio or television broadcasts or other means of communication shall hereafter be erected, constructed, placed or permitted to remain on the Covered Property unless and until the same shall have been approved in writing by the Architectural Committee, or unless the same be contained within a building or underground conduits, or as otherwise provided for by Federal law. No appliances or installations on exterior roofs of structures shall be permitted unless they are installed in such a manner that they are not visible from streets, Common Areas or neighboring Lots, except that attic ventilators and solar panels which are architecturally treated in conformity with guidelines contained in the Architectural Standards and which have been approved by the Architectural Committee pursuant to the Article of this Declaration entitled "Architectural Control" shall be permitted.

Section 13. Drainage. All drainage of water from any Lot shall drain or flow into adjacent streets and shall not be allowed to drain or flow upon, across, or under any other portion of another Lot or Common Area unless an easement for such purpose is granted. An Owner shall not alter the drainage of water which exists pursuant to the drainage plan originally created except through the use of a positive drainage device which does not materially affect the concentration or flow direction of drainage water under said drainage plan.

Section 14. Basketball Backboards. All basketball backboards and structures, including portable basketball equipment, require prior approval by the Architectural Committee or Board of Directors. Basketball backboards may only be mounted on the garage of a Residence over the driveway and only if completely clear or painted to match one of the two exterior paint colors of the Residence. All

basketball facilities must be well maintained at all times.

Portable basketball equipment in addition to prior approval is subject to all traffic and public right of way ordinance as set forth by the City of Santa Clarita. When in use, portable basketball equipment must be placed on driveways, side yards or rear yards and must not be placed on Common Area or sidewalks or streets. Portable basketball equipment must be placed out of sight from public view or neighboring Lots when not in use.

Section 15. Garbage and Other Unsightly Items. All trash, garbage, weeds, rubbish, debris, or unsightly material or objects of any kind shall be regularly removed from the Lots and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, trash cans, woodpiles, storage areas, machinery and equipment shall be prohibited upon any Lot unless obscured from view from any street, neighboring Lot or Common Area. All trash, garbage, weeds, rubbish, debris or other unsightly material or objects shall be placed and stored within appropriate covered disposal containers, trash cans or facilities and all disposal containers or trash cans must be removed within twenty four (24) hours of collection. Any fence or screen required by this Section shall comply with any standards established pursuant to the Article entitled "Architectural Control" of this Declaration.

Section 16. Paseos. No motorized skateboards or similar apparatus shall be allowed on any paseos located within the Common Area. The Board may adopt additional rules and regulations concerning use of the paseo.

Section 17. Window Covers. Curtains, drapes, shutters or blinds may be installed as window covers. No window shall be covered with aluminum foil, sheets, blankets, newspaper or other material not designed for use as a window cover.

Section 18. Diseases and Pests. No Owner shall permit any thing or condition to exist on his Lot which shall induce, breed, or harbor infectious plant diseases, rodents, or noxious insects.

Section 19. Burning. There shall be no exterior fires whatsoever except barbecue fires located upon the Owner's Lot and contained within receptacles designed for such purpose. No Owner or resident shall permit any condition to exist on his Lot, including, without limitation, trash piles or weeds, which create a fire hazard or is in violation of local fire regulations.

Section 20. Garages. No garage doors shall be permitted to remain open except for a temporary purpose.

Section 21. View Obstructions. No Owner shall construct, install or maintain any improvement, structure or vegetation which unreasonably interferes with the view from a particular Lot of the immediate vicinity or any Lot's access to direct and natural sunlight. In the event the Architectural Committee determines that a particular improvement, structure or vegetation is unreasonable, such improvement, structure or vegetation shall be immediately removed by the installing Owner (or his or her successor) at such Owner's sole cost and expense. Without limiting the foregoing, no hedge or fence shall be placed or located upon any Lot in a manner likely, in the sole discretion of the Architectural Committee, to unreasonably interfere with or impede a view available on another Lot. In connection with the approval of hedges, the Committee is expressly authorized to grant approval conditioned on the agreement of the Lot Owner upon which the hedge is planted to trim, top or prune the hedge in such manner so that it shall not exceed at any time a stated height deemed acceptable by the Architectural Committee. No trees or shrubs shall be placed or located on any Lot in a manner likely, in the sole discretion of the Architectural Committee, to unreasonably interfere with or impede a view available on

another Lot. In connection with the approval of trees, the Architectural Committee is expressly authorized to grant approval conditioned on the agreement of the Owner of the Lot upon which the tree is planted (said agreement to be for the benefit of the Association and the Lot with the affected view), to trim, top or prune the tree or shrub in such manner so that it shall not exceed at any time a stated height deemed acceptable by the Architectural Committee. Notwithstanding the foregoing, Owners acknowledge that nothing in this Section guarantees that any Owner's view will remain unobstructed or unchanged and that any Owner's view is subject to obstruction. Furthermore any Architectural Committee approval shall not be construed to be an approval of any violation of the restrictions imposed by this Declaration or other codes and regulations. Owner shall indemnify the Architectural Committee against any action or complaint arising out of any improvements approved under this Section.

Section 22. Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated, stored or maintained upon or adjacent to any Lot except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of the Lot.

Section 23. Holiday Lighting and Materials. The temporary erection of lighting and materials customarily used to decorate the exterior of homes during a holiday season is acceptable, provided that:

(a) the lighting and materials used are not excessive or offensive, the determination of excessive or offensive shall be at the sole discretion of the Board;

(b) the installation of such lighting and materials shall not occur prior to one (1) month before a holiday and all lighting and material used for the project shall be completely removed not later than two (2) weeks after the holiday.

Section 24. Compliance with Law. Nothing shall be done or kept in or on any Lot or in the Common Area which might increase the rate of, or cause the cancellation of, insurance on the Covered Property, or any portion thereof, without the prior written consent of the Association. No Owner shall permit anything to be done or kept in or on his Lot which is in violation of any law, ordinance, statute, rule or regulation of any local, county, state or federal body.

ARTICLE VIII PARTY WALLS

Section 1. Definition of Party Wall. Each wall which is built on or within two (2) feet of the dividing line between the Lots therein shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. A party wall shall be considered to adjoin and abut against the property line dividing the Lots from the bottom of the foundation over the full length and height of any structure or wall. There shall be no changes in, impairments of or permanent structural attachments made to any such wall unless expressly made in conformity with Article VI of this Declaration entitled "Architectural Control" and consented to by all persons having an interest in said wall.

Section 2. Use of Party Wall. Owners whose Lots are separated by a party wall shall equally have the right to use such party wall, except that each shall have the right to have the exclusive use of the surface of the wall on his side. Neither such Owner shall use any portion of such party wall so as to interfere with the use and enjoyment of the other Owner.

Section 3. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such

use.

Section 4. Destruction by Fire or Other Casualty. If a party wall is destroyed, or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 5. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 6. Right of Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 7. Arbitration. In the event of any dispute between Owners concerning a party wall, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and resolution of the dispute shall be decided by a majority of all arbitrators. Should any party refuse to appoint an arbitrator within ten (10) days after written request, the Board of Directors of the Association shall select an arbitrator for the refusing party. Said arbitrators shall render a decision within thirty (30) days after appointment.

ARTICLE IX DUTIES AND POWERS OF THE ASSOCIATION

Section 1. General Duties and Powers. In addition to the duties and powers enumerated in its Articles and Bylaws, or elsewhere provided for, and without limiting the generality thereof, the Association shall have the specific duties and powers specified in this Article.

Section 2. General Duties of the Association. The Association through the Board shall have the duty and obligation to:

- (a) enforce the provisions of this Declaration, the Articles, Bylaws and Association Rules, by appropriate means and carry out the obligations of the Association hereunder;
- (b) maintain and otherwise manage the following:
 - (i) all easements and real property and all facilities, improvements and landscaping thereon in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association;
 - (ii) all personal property in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association; and

- (iii) all property, real or personal, which the Association is obligated to repair or maintain pursuant to this Declaration, including, without limitation, the Article of this Declaration entitled "Repair and Maintenance".
- (c) pay any real and personal property taxes and other charges assessed to or payable by the Association;
- (d) obtain, for the benefit of the Common Areas, water, gas and electric, refuse collections and other services; and
- (e) make available the books, records and financial statements of the Association for inspection by Owners during normal business hours.

Section 3. Budget and Financial Statements. Not less than forty-five (45) days and not more than sixty (60) days prior to the beginning of each accounting year of the Association (the "Distribution Date"), the Board shall distribute to each Member a pro forma operating statement or budget for the upcoming accounting year which shall specifically include the following items:

- (a) a statement of estimated revenue and expenses on an accrual basis;
- (b) a summary of the Association's reserves based upon the most recent review or study conducted pursuant to the Article of this Declaration entitled "Covenant for Maintenance Assessments" which shall be printed in bold type and include all of the following:
 - (i) the current estimated replacement cost, estimated remaining life and estimated useful life of each major component of the Common Area;
 - (ii) as of the end of the accounting year for which the study is prepared
 - (1) the current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain major components of the Common Area; and
 - (2) the current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components of the Common Area; and
 - (iii) the percentage that accumulated cash reserves actually set aside is of the current estimate of cash reserves necessary;
- (c) a statement as to whether the Board has determined or anticipates that the levy of one or more Special or Capital Improvements Assessments will be required to repair, replace or restore any major component of the Common Area or to provide adequate reserves therefore; and
- (d) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of future repair, replacement or additions to the Common Areas for which the Association is responsible.

A report consisting of the following shall be distributed within 120 days after the close of the accounting year:

- (a) a balance sheet as of the end of the accounting year;
- (b) an operating (income) statement for the accounting year;
- (c) a statement of changes in financial position for the accounting year; and

(d) for any accounting year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

If the report referred to in this Section is not prepared by an independent accountant it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the bank statements and records of the Association without independent audit or review.

In lieu of the distribution of the pro forma operating statements set forth in the Section, the Board may elect to distribute a summary of the pro forma operating statements to all of its Members with a written notice that the pro forma operating statements are available at the business office of the Association or at another suitable location within the boundaries of the Covered Property and that copies will be provided upon request and at the expense of the Association. If any Member requests copies of the pro forma operating budget, including the statements described in this Section, to be mailed to the Member, the Association shall provide copies to the Member by first-class United States mail at the expense of the Association and mailed within five days. The written notice that is distributed to each of the Association Members shall be in at least 10-point bold type on the front page of the summary of the statements.

The Board shall take the following actions not less frequently than quarterly:

- (a) cause a current reconciliation of the Association's operating accounts to be made and review the same;
- (b) cause a current reconciliation of the Association's reserve accounts to be made and review the same;
- (c) review the current year's actual reserve revenues and expenses compared to the current year's budget;
- (d) review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts; and
- (e) review an income and expenses statement for the Association's operating and reserve accounts.

The Board of Directors shall annually distribute, within sixty (60) days prior to the beginning of each accounting year, a statement of the Association's policies and practices in enforcing its remedies against Owners for defaults in the payment of the Assessments set forth in Article V hereof, including the recording and foreclosing of liens against Owners' Lots.

The Board of Directors shall distribute a summary of the Association's property, general liability, and earthquake and flood insurance policies, which shall be distributed within 60 days preceding the beginning of the Association's fiscal year, that includes all of the following information about each policy:

- (a) the name of the insurer.
- (b) the type of insurance.
- (c) the policy limits of the insurance.
- (d) the amount of deductibles, if any.

The Association shall, as soon as reasonably practicable, notify its Members by first class mail if any of the policies described above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, as to any of those policies. If the Association receives any notice of nonrenewal of a policy described above the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

To the extent that any of the information required to be disclosed is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it to all of its Members. The summary distributed shall contain, in at least 10-point boldface type, the following statement: "This summary of the association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage."

Section 4. General Powers of the Association.

The Association through the Board shall have

the power but not the obligation to:

(a) employ a manager or other persons and contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, provided that any contract with a person or firm appointed as a manager or managing agent shall have (i) a term of not more than one (1) year with successive one (1) year renewal periods upon mutual agreement of the parties, and (ii) shall provide for the right to terminate without cause or penalty on ninety (90) days notice;

(b) acquire interests in real or personal property for offices or other facilities that may be necessary or convenient for the management of the Covered Property, the administration of the affairs of the Association or for the benefit or enjoyment of the Members;

(c) borrow money in a total amount not to exceed ten percent (10%) of the then existing estimated annual Common Expenses, as may be needed in connection with the discharge by the Association of its powers and duties;

(d) establish in cooperation with the County a special tax assessment district for the performance of all or a portion of the maintenance or other functions now within the responsibility of the Association;

(e) establish and maintain a working capital and contingency fund in an amount to be determined by the Board. Such contribution shall be a Common Expense and shall be used by the Board as it deems fit to carry out the objectives and purposes of the Association.

Section 5. General Limitations and Restrictions on the Powers of the Board. In addition to the limitations and restrictions enumerated in the Articles and Bylaws or elsewhere provided for herein, and without limiting the generality thereof, the Board shall be prohibited from taking any of the following actions without the approval of a majority of the Voting Power of the Association and a majority of the votes of Members:

(a) enter into contracts for materials or services which have a term in excess of one (1) year, with the following exceptions:

- (i) 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;
- (ii) prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration, provided that the applicable policy permits short rate cancellation by the insured;
- (iii) management contract which contract provides that the Association may terminate the contract without cause or penalty upon no more than ninety (90) days notice;
- (iv) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration;
- (v) agreements for cable television services and equipment or satellite television services and equipment of not to exceed five (5) years duration;

(b) sell any real or personal property of the Association with an aggregate fair market value in excess of five percent (5%) of said estimated Common Expenses during any accounting year;

(c) pay compensation to Directors or to Officers of the Association for services performed in the conduct of the Association's business; provided, however, the Board may cause a Director or Officer to be reimbursed for expenses incurred in carrying on the business of the Association;

(d) incur aggregate indebtedness in excess of ten percent (10%) of the then existing estimated annual Common Expenses; and

(e) fill any vacancy on the Board created by the removal of a member of the Board.

Section 6. Association Rules. The Board shall also have the exclusive power to adopt, amend, and repeal such rules and regulations as it deems reasonable (the "Association Rules") which may include the establishment of a system of fines and penalties enforceable as Remedial Assessments. The Association Rules shall govern such matters in furtherance of the purposes of the Association, including without limitation, the use of the Common Areas; provided, however, that the Association Rules may not discriminate among Owners, and shall not be inconsistent with this Declaration, the Articles or Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal of specific portions of the Association Rules shall be delivered to each Owner in the same manner established in this Declaration for the delivery of notices. Upon completion of the notice requirements, said Association Rules shall have the same force and effect as, if they were set forth in and were a part of this Declaration and shall be binding on the Owners and their successors in interest whether or not actually received thereby. The Association Rules, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner upon request. In the event of any conflict between any such Association Rules and any other provisions of this Declaration, or the Articles and Bylaws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such conflict.

Section 7. Delegation of Powers. The Association shall have the right, according to law, to delegate to committees, Officers, employees or agents any of its duties and powers under this Declaration, the Articles and Bylaws; provided, however, no such delegation to a professional management company, the Architectural Committee or otherwise shall relieve the Association of its obligation to perform such delegated duty.

Section 8. Pledge of Assessment Rights. The Association shall have the power to pledge the right to exercise its Assessment powers in connection with obtaining funds to repay a debt of the Association; provided, however, any such pledge shall require the prior affirmative vote or written assent of not less than sixty-six and two thirds percent (66-2/3%) of the Voting Power of the Association present in person or by proxy at a duly and validly held meeting of the Members or by written consent as set forth in the Bylaws. Said power shall include, but not be limited to, the ability to make an assignment of Assessments which are then payable to or which will become payable to the Association; which assignment may be then presently effective but shall allow said Assessments to continue to be paid by the Association as set forth in this Declaration, unless and until the Association shall default on the repayment of the debt which is secured by said assignment. The Association may levy Special Assessments against the Members to obtain such funds. Upon the failure of any Member to pay said Special Assessment when due, the Association may exercise all its rights, including, without limitation, the right to foreclose its lien, pursuant to the Article hereof entitled "Nonpayment of Assessments".

Section 9. Emergency Powers. The Association or any person authorized by the Association may enter any Lot or Common Area in the event of any emergency involving illness or potential danger

to life or property. Such entry shall be made with as little inconvenience to the Owners as practicable and any damage caused thereby shall be repaired by the Association unless covered by insurance carried by the Owner.

ARTICLE X REPAIR AND MAINTENANCE

Section 1. Repair and Maintenance by Association. Except to the extent that an Owner may be obligated to maintain and repair as hereinafter provided, and without limiting the generality of the statement of duties and powers contained in this Declaration, the Articles, Bylaws or Association Rules, the Association shall have the duty to accomplish the following upon the Covered Property or other land in such manner and at such times as the Board shall prescribe:

- (a) maintain, repair, restore, replace and make necessary improvements to the Common Areas;
- (b) maintain, repair, restore, replace and make necessary improvements, to the LMD Areas (or improvements located on the LMD Areas) to the extent such actions are both (1) necessary and (2) outside the scope of the maintenance obligations of the LMD;
- (c) maintain all other areas, facilities, equipment, services or aesthetic components of whatsoever nature as may from time to time be requested by the vote or written consent of a majority of the Voting Power of the Members;
- (d) the costs of any such maintenance and repair pursuant to this Section shall be paid out of the general funds of the Association, except as otherwise herein specified as payable by the particular Owners;
- (e) provide for a method of continual maintenance of the open space and/or recreation lots and an adequate lighting system along all walkways within the Covered Property, to the extent such maintenance obligations are both (1) necessary and (2) outside the scope of the maintenance obligations of the LMD;
- (f) in the event of LMD failure, assume maintenance responsibility for the LMD Areas shown located within the Covered Property.

Section 2. Repair and Maintenance by Owner. Except to the extent that the Association shall be obligated to maintain and repair as may be provided in this Declaration, every Owner shall be responsible for the following maintenance and repair:

- (a) every Owner shall maintain those portions of the exterior of his Lot which are visible from the street on which said Lot fronts, including without limitation, the walls, fences and roof of such Lot in good condition and repair;
- (b) every Owner shall install and thereafter maintain in a clean and attractive condition, yard landscaping in accordance with the provisions of this Article;
- (c) every Owner shall maintain in good and attractive condition all landscaping placed upon such Owner's Lot;

(d) in the event the Board shall determine that any Lot perimeter walls and fences have been damaged from within a Lot, the Owner of the Lot shall be responsible for repairing such damage in a timely manner and in accordance with such rules as the Board or Architectural Committee shall from time to time adopt. In the event such repair is not so accomplished by the Owner, the Association or its delegates shall have the right at reasonable times to enter the Lot to effect such repair, and the cost thereof shall be charged to the Owner of the Lot, and, if not paid in a timely manner, shall be a Reimbursement Assessment and enforceable in accordance with the provisions of this Declaration applicable thereto.

Section 3. Rights of Association to Maintain and Install.

In the event that an Owner fails to accomplish any maintenance, repair or installation required by this Section or pay his share of expenses incurred in the accomplishment of the same, the Association or its delegates may, but shall not be obligated to, cause such maintenance, repair and installation to be accomplished or such payment to be made to the appropriate parties (said maintenance, repair, installation or lack of payment shall be referred to in this Article as a "deficiency") as hereinafter set forth.

(a) Upon finding by the Board of a deficiency, the Board shall give notice of the deficiency to the violating Owner which shall briefly describe the deficiency and set a date for the cure thereof. If the violating Owner submits a written request to the Board for a hearing within fifteen (15) days after the mailing of such deficiency notice, the Board shall set a date for such hearing before the Board or a committee selected by the Board for such purpose. The Board may delegate its powers under this subsection to a duly appointed committee of the Association.

(b) Such hearing shall be held not less than ten (10) nor more than thirty (30) days from the date of said request for hearing.

(c) Such hearing shall be conducted according to such reasonable rules and procedures as the Board shall adopt which shall provide the Owner with the right to present oral and written evidence and to confront and cross-examine any person offering at such hearing evidence adverse to such Owner. If the Board or any such committee renders a decision against the Owner, it may set another date by which the deficiency is to be corrected by the Owner. A decision of such committee may be appealed to the Board, but a decision of the Board shall be final.

(d) If the deficiency continues to exist after the time limitation set forth in the deficiency notice or, in the event a hearing is held, the date imposed by a final decision of the Board or any such committee, the Board or such committee may cause such maintenance, repair or installation to be accomplished or such payment to be made.

(e) In the event the Board or such committee elects to cause such maintenance, repair or installation to be accomplished, it shall give written notice of such election to the violating Owner and the following shall apply:

- (i) the Owner shall have no more than ten (10) days following the receipt thereby of said written notice of election in which to select a day or days upon which such maintenance, repair or installation work shall be accomplished;
- (ii) the date which said Owner selects shall be not less than ten (10) days nor more than thirty (30) days following the last day of the ten (10) day period specified in such notice of election.
- (iii) if said Owner does not select such day or days within the ten (10) day period specified in such notice of election, the Board or such committee may select a

day or days upon which such work may be accomplished which shall be not less than twenty-five (25) nor more than fifty-five (55) days from the last day of the ten (10) day period specified in such notice of election; and

- (iv) unless the Owner and the Board otherwise agree such maintenance or installation shall take place only during daylight hours on any day, Monday through Friday, excluding holidays.

(f) If the Association pays for all or any portion of correcting such deficiency or if an Owner has not paid his of the maintenance and repair expenses as set forth in Sections 2 and 3 of this Article regardless of whether the Association has reimbursed the appropriate parties, Owners, pursuant to this Section, such amount including all costs and expenses directly or indirectly associated therewith, shall be a Reimbursement Assessment to the violating Owner and his Lot.

Section 4. Standards for Maintenance and Installation.

(a) Maintenance of the exterior of the Lots, including without limitation, walls, fences and roofs shall be accomplished in accordance with the Architectural Standards, and, if required by the Architectural Standards, only after approval of the Architectural Committee.

(b) All portions of the yard of a Lot which are visible from the street on which said Lot fronts shall be landscaped by the Owner thereof in conformance with customary landscaping material(s), primarily living plants, lawn (sod), trees and shrubs. Such landscaping shall be maintained by the Owner in a good, clean and attractive condition and according to any rules promulgated by the Board.

Section 5. Right of Entry. The Association shall have the right to enter upon any Lot in connection with any exterior repair or construction in the exercise of the powers and duties of the Association. Any damage caused by such entry shall be repaired by the entering party to the extent that the damage caused was unnecessary under the circumstances to carry out the Association's rights and obligations.

Section 6. Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore the facilities of public utilities which are located within easements in the Common Areas owned by such public utilities. However, the Association shall take such steps as are necessary or convenient to ensure that such facilities are properly maintained, replaced or restored by such public utilities.

Section 7. Special Maintenance Areas. Certain portions of the Common Areas may be conveyed to and/or maintained by a Landscape Maintenance District or another district which shall assume responsibility for the maintenance and repair of such Common Areas, hereinafter collectively referred to as the "LMD Areas". In the event Common Areas are to be maintained by a Landscape Maintenance District, (a) no improvement, excavation or work which in any way alters any portion of any Common Area shall take place, except (i) in compliance with all laws, regulations and (ii) upon the prior approval of the Landscape Maintenance District, and (b) such LMD Area shall be held, maintained and used to meet the recreational interests of Owners or to enhance their enjoyment of the natural environment of the LMD Area and for no other purpose. If for any reason, any LMD Area ceases to be maintained by the Landscape Maintenance District, the Association shall immediately undertake maintenance and repair of such LMD Area in accordance with this Article.

**ARTICLE XI
DESTRUCTION OF IMPROVEMENTS**

Section 1. Duty of Association. In the event of partial or total destruction of improvements upon the Common Areas, it shall be the duty of the Association to restore and repair same as promptly as practical pursuant to this Article. The proceeds of any casualty insurance maintained pursuant to this Declaration shall be used for such purpose, subject to the prior rights of Mortgagees whose interest may be protected by said policies.

Section 2. Automatic Reconstruction. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be at least eighty-five percent (85%) of the estimated cost of restoration and repair, with each Owner contributing a like sum, a Reconstruction Assessment may be levied by the Association to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose, and the Board shall cause the damaged or destroyed Common Areas to be restored as closely as practical to its condition prior to the destruction or damage.

Section 3. Vote of Members. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be less than eighty-five percent (85%) of the estimated cost of restoration and repair, the improvements shall be replaced or restored unless twenty-five percent (25%) of the Voting Power of the Association objects in writing to such replacement or restoration or votes against the same at a meeting duly called therefor. If the Members do not disapprove such replacement or restoration, the Board shall levy a Reconstruction Assessment, with each Owner contributing a like sum, in order to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose, and the Board shall cause the damaged or destroyed Common Areas to be restored as closely as practical to its former condition prior to the destruction or damage. In the event of a determination, as provided above, not to replace or restore the improvements on the Common Areas, the Common Areas shall be cleared and landscaped for community park use and the costs thereof shall be paid for with the insurance proceeds, and any deficiency may be raised by Reconstruction Assessments in an amount determined by the Board.

Section 4. Excess Insurance Proceeds. In the event any excess insurance proceeds remain, after any reconstruction by the Association pursuant to this Article, the Board shall deposit same in the capital account of the Association.

Section 5. Use of Reconstruction Assessments. All amounts collected as Reconstruction Assessments shall only be used for the purposes set forth in this Article and shall be deposited by the Board in a separate bank account to be held in trust for such purposes. Such funds shall not be commingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by the Members.

**ARTICLE XII
INSURANCE**

Section 1. Types. The Association, to the extent available, shall obtain and continue in effect in its own name the following types of insurance with such deductible provisions as may be appropriate so long as such amounts or type of insurance coverage are not, in the good faith judgment of the Board, prohibitively expensive or no longer necessary or appropriate for the protection of the Covered Property, the Association and the Members:

(a) a comprehensive policy of public liability insurance covering the Common Areas with a limit of not less than One Million Dollars (\$1,000,000) for claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protection against water damage liability, liability for non-owned and hired automobile and liability for property of others, and such other risks as shall customarily be covered with respect to similar planned unit developments in the area of the Covered Property, and shall contain a "severability of interest" endorsement or the equivalent which shall preclude the insurer from denying the claim of an Owner because of negligent acts or omissions of the Association or other Owners;

(b) a policy of fire and casualty insurance (all-risk) with extended coverage for the full replacement value of the Common Areas (including all building service equipment and the like), without deduction for depreciation, with an "agreed amount endorsement" or its equivalent and clauses waiving subrogation against Members and the Association and persons upon the Covered Property with the permission of a Member, such insurance to afford protection against at least loss or damage by fire and other hazards covered by the standard extended coverage endorsement, and by debris removal, cost of demolition, vandalism, malicious mischief, windstorm, water damage and such other risks as shall customarily be covered with respect to similar planned unit developments in the area of the Covered Property; and

(c) fidelity coverage against dishonest acts on the part of Directors, Officers, employees or volunteers who handle or who are responsible to handle the funds of the Association, and such fidelity bonds shall name the Association as obligee, shall be written in an amount equal to twenty-five percent (25%) of the estimated annual operating expenses of the Association, including reserves, and shall contain waivers of any defense based on the exclusion of persons who serve without compensation or from any definition of "employee" or similar expression.

Section 2. Waiver by Members. All insurance obtained by the Association shall be maintained by the Association for the benefit of the Association, the Owners and the Mortgagees as their interests may appear. As to each of said policies which will not be voided or impaired thereby, the Owners hereby waive and release all claims against the Association, the Board, other Owners, and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

Section 3. Other Insurance. The Board may and, if required by any Institutional Mortgagee, shall purchase and maintain in force demolition insurance in adequate amounts to cover demolition in the event of total or partial destruction and a decision not to rebuild, as well as a blanket policy of flood insurance. The Board shall also purchase and maintain workmen's compensation insurance, to the extent that the same shall be required by law, for all employees of the Association. The Board shall also purchase and maintain in effect such insurance on personal property owned by the Association, and such other insurance, as it deems necessary or as is required by an Institutional Mortgagee including, without limitation, earthquake insurance, plate glass insurance and Officers' and Directors' liability insurance.

Section 4. Premiums, Proceeds and Settlement. Insurance premium for any such blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Association shall be a Common Expense to be included in the Regular Assessments levied by the Association. Casualty insurance proceeds shall be used by the Association for the repair or replacement

of the property for which the insurance was carried, or otherwise disposed of as provided in the Article hereof entitled "Destruction of Improvements". The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) Directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Members.

Section 5. Annual Insurance Review. The Board shall annually determine whether the amounts and types of insurance it has obtained provide adequate coverage for the Covered Property in light of increased construction costs, inflation, practice in the area in which the Covered Property is located, or any factor which tends to indicate that either additional insurance policies or increased coverage under existing policies are necessary or desirable to protect the interests of the Owners and of the Association. If the Board determines that increased coverage or additional coverage is appropriate, it shall obtain the same.

Section 6. Abandonment of Replacement Cost Insurance. Unless at least seventy-five percent (75%) of the Institutional Mortgagees based on one (1) vote for each First Mortgage held have given their prior written approval, the Association shall not be entitled to fail to maintain the extended coverage fire and casualty insurance required by this Article on less than a one hundred percent (100%) current replacement cost basis.

Section 7. Notice of Expiration Requirements. If available, each of the policies of insurance maintained by the Association shall contain a provision that said policy shall not be canceled, terminated, materially modified or allowed to expire by its terms, without ten (10) days prior written notice to the Board and to each Owner and Mortgagee, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice and every other person in interest who requests such notice of the insurer. In addition, fidelity bonds shall provide that they may not be canceled or substantially modified without ten (10) days prior written notice to the Association and to each FNMA servicer who has filed a written request with the carrier for such notice.

ARTICLE XIII EMINENT DOMAIN

Section 1. Definition of Taking. The term "taking" as used in this Article shall mean condemnation by eminent domain or sale under threat of condemnation of all or any portion of the Common Area.

Section 2. Representation by Board in Condemnation Proceedings. In the event of a threatened taking of all or any portion of the Common Areas, the Members hereby appoint the Board and such persons as the Board may delegate to represent all of the Members in connection with the taking. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action.

Section 3. Inverse Condemnation. The Board is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

Section 4. Award for Common Areas. Any awards received on account of the taking of Common Areas shall be paid to the Association. The Board may in its sole discretion retain any award in the general funds of the Association or distribute pro rata all or a portion thereof to the Members.

ARTICLE XIV GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Owner, or the County, shall have the right to enforce by proceedings at law or in equity, all restrictions, conditions, covenants and reservations, now or hereafter imposed by the provisions of this Declaration or any amendment thereto, including the right to prevent the violation of any such restrictions, conditions, covenants, or reservations and the right to recover damages or other dues for such violation. The Association or any Owner or the County shall also have the right to enforce by proceedings at law or in equity the provisions of the Articles or Bylaws and any amendments thereto. With respect to architectural control and Association Rules, the Association shall have the exclusive right to the enforcement thereof unless the Association refuses or is unable to effectuate such enforcement, in which case any Owner who otherwise has standing shall have the right to undertake such enforcement. With respect to Assessment liens, the Association and the County shall have the exclusive right to the enforcement thereof.

Section 2. No Waiver. Failure by the Association or by any Member to enforce any covenant, condition, or restriction herein contained, or the Articles, Bylaws or Association Rules, in any certain instance or on any particular occasion shall not be deemed a waiver of such right on any such future breach of the same or any other covenant, condition or restriction.

Section 3. Cumulative Remedies. All rights, options and remedies of the Association, the Owners or Mortgagees under this Declaration, are cumulative, and not one of them shall be exclusive of any other, and the Association, the Owners and the Mortgagees shall have the right to pursue any one or any of such rights, options and remedies or any other remedy or relief which may be provided by law, whether or not stated in this Declaration.

Section 4. Severability. Invalidation of any one or a portion of these covenants, conditions or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 5. Covenants to Run with the Land. Term. The covenants, conditions and restrictions of this Declaration shall run with and bind the Covered Property and shall inure to the benefit of and be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors and assigns, for a term of sixty (60) years from the date this Declaration is recorded, after which time said covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by a majority of the then Owners and seventy-five percent (75%) of the Institutional Mortgagees, based on one (1) vote for each First Mortgage held, has been recorded at least one (1) year prior to the end of any such period, agreeing to terminate said covenants, conditions and restrictions in whole or in part.

Section 6. Sale or Title Transfer. Any Owner, prior to the sale or transfer of his interest, must provide the prospective purchaser with a copy of (1) this Declaration, (2) the Bylaws, (3) the Articles, (4) the most recent financial statements and (5) a statement from an authorized representative of the Association listing all unpaid assessments and charges against the interest being sold.

The Association shall provide any Owner with a copy of the items listed in the preceding paragraph within 10 days of receiving a written request. The Association's fee for this service shall not exceed the cost of providing these items.

The Association shall not collect any fee in connection with any transfer of title except the Association's actual costs to change records.

Section 7. Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for a residential community and for the maintenance of the Covered Property. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 8. Singular Includes Plural. Whenever the context of this Declaration requires same, the singular shall include the plural and the masculine shall include the feminine and the neuter.

Section 9. Nuisance. The result of every act or omission, whereby any provision, condition, restriction, covenant, easement, or reservation contained in this Declaration is violated in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance either public or private, shall be applicable against every such result, and may be exercised by the Association or any Member. Such remedy shall be deemed cumulative and not exclusive.

Section 10. Attorneys' Fees. In the event action is instituted to enforce any of the provisions contained in this Declaration, the party prevailing in such action shall be entitled to recover from the other party thereto as part of the judgment, actual attorneys' fees and costs of such suit.

Section 11. Notices. Any notice to be given to an Owner, the Association or a Mortgagee or mortgage servicing contractor under the provisions of this Declaration shall be in writing and may be delivered as follows:

(a) notice to an Owner shall be deemed to have been properly delivered when delivered to the Owner's Lot, whether said Owner personally receives said notice or not, or placed in the first class United States mail, postage prepaid, to the most recent address furnished by such Owner in writing to the Association for the purpose of giving notice, or if no such address shall have been furnished, then to the street address of such Owner's Lot. Any notice so deposited in the mail within the County shall be deemed delivered forty-eight (48) hours after such deposit. In the case of co-Owners, any such notice may be delivered or sent to any one of the co-Owners on behalf of all co-Owners and shall be deemed delivery on all such co-Owners;

(b) notice shall be deemed to have been properly delivered to the Association when placed in the first class United States mail to the address furnished by the Association or the address of its principal place of business;

(c) notice to a Mortgagee or its mortgage servicing contractor shall be deemed to have been properly delivered when placed in the first class United States mail, postage prepaid, to the address furnished to the Association by such Mortgagee or such contractor for the purposes of notice or, if no

such address is furnished, to any office of the Mortgagee in the County, or if no such office is located in the County, to any office of the such Mortgagee; and

(d) the affidavit of an Officer or authorized agent of the Association declaring under penalty of perjury that a notice has been mailed to any Owner or Owners, to any Mortgagee or Mortgagees shown on the records of the Association, shall be deemed conclusive proof of such mailing, whether or not such notices are actually received.

Section 12. Personal Covenant. To the extent the acceptance of a conveyance of a Lot creates a personal covenant between the Owner of such Lot and Association or other Owners, such personal covenant shall terminate and be of no further force or effect from and after the date when a person or entity ceases to be an Owner except to the extent this Declaration may provide otherwise with respect to the payment of money to the Association.

Section 13. Nonliability of Officials. To the fullest extent permitted by law, neither the Board, the Architectural Committee or any other committees of the Association or any member of such Board or committee shall be liable to any Member of the Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees or persons reasonably believed to be the scope of their duties.

Section 14. Leases. Each Owner shall have the right to lease or rent (hereinafter in this Section referred to as a "lease") his Lot, provided the following conditions are satisfied: (a) each such lease shall be in writing and shall be submitted to the Board if requested; (b) each lease shall provide that the tenant shall be bound by and obligated to the provisions of this Declaration, the Articles, the Bylaws and the Association rules and shall further provide that any failure to comply with the provisions of such documents shall be a default under the lease; (c) any Owner who shall lease his Lot shall be responsible for assuring compliance by such Owner's lessee with this Declaration, the Articles, the Bylaws and the Association Rules; (d) the name of each tenant residing upon the Lot pursuant to any such lease shall be provided to the Board if requested; (e) no lease shall be for other than a single-family dwelling; and (f) no Owner shall lease his Lot, or any portion thereof, for transient or hotel purposes.

Section 15. Amendments. Subject to the other provisions of this Declaration, including, without limitation, the rights of Mortgagees pursuant to the Articles hereof entitled "Insurance", or otherwise, this Declaration may be amended as follows:

(a) amendments to this Declaration may be enacted only by the affirmative vote or written assent of sixty-seven percent (67%) of the total Voting Power of the Association;

(b) an amendment or modification that requires the vote and written assent of the Members as hereinabove provided shall be effective when executed by the President and Secretary of the Association who shall certify that the amendment or modification has been approved as hereinabove provided, and when recorded in the Official Records of the County. The notarized signature of the Members shall not be required to effectuate an amendment of this Declaration;

(c) notwithstanding the foregoing, any provisions of this Declaration, or the Articles, Bylaws

or Association Rules which expressly requires the approval of a specified percentage of the Voting Power of the Association for action to be taken under said provision can be amended only with the affirmative vote or written assent of not less than the same percentage of the Voting Power of the Association;

(d) the Association, or any Owner, may petition the County superior court for an order reducing the percentage of the affirmative votes necessary to amend this Declaration. The petition shall describe the effort that has been made to solicit approval of the Association members in the manner provided in this Declaration. The petition shall also describe number of affirmative and negative votes actually received, the percentage of affirmative votes required to effect the amendment in accordance with this Declaration and other matters the petitioner considers relevant to the court's determination. The petition shall also contain as exhibits thereto, copies of all of the following: (1) the governing documents, (2) a complete text of the amendment, (3) copies of solicitation and notice materials utilized in the solicitation of Owner approvals, (4) a short explanation of the reason for the amendment, and (5) any other documentation relevant to the court's determination;

Section 16. Alternate 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 \$5000), the Association shall first comply with the provisions of Civil Code Section 1354, or comparable superseding statute, relating to alternative dispute resolution.

Section 17. Indemnification.

(a) Each Owner shall be liable to the Association for any damage to the Common Areas caused by the negligence or willful misconduct of the Owner or his family, guests, invitees or lessees. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring within any Lot owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. This section is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this article.

(b) To the fullest extent permitted by law, the Association shall indemnify its Directors, Officers, employees, and other agents described in Corporations Code Section 7237, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that section and including an action by or in the right of the Association, by reason of the fact that such person is or was a Director or Officer or a person described by that Section. "Expenses", as used in this section, shall have the same meaning as in Corporations Code Section 7237(a).

(c) On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code Section 7237(e), whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met, and if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of Directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code Section 7237(e) whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met, and if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

(d) To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a Director, Officer, employee, or agent seeking indemnification under paragraphs (b) and (c) of this Section 17 in defending any proceeding covered by those sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

(e) The Association shall have the power to purchase and maintain insurance on behalf of its Directors, Officers, employees, and other agents against other liability asserted against or incurred by any Director, or Officer, employee or agent in such capacity or arising out of the Director's, Officer's, employee's or agents status as such.

(Includes CC&R amendments adopted June 5, 2008)