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DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS  
AND RESERVATION OF EASEMENTS  
FOR  
THE BUNGALOWS  
A PLANNED RESIDENTIAL DEVELOPMENT

✓

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**AND RESERVATION OF EASEMENTS**  
**FOR**  
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**DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS  
AND RESERVATION OF EASEMENTS  
FOR  
THE BUNGALOWS**

THIS DECLARATION is made by THE WALTON I LLC, a California limited liability company ("Declarant").

**P R E A M B L E:**

A. Declarant is the Owner of real property ("Phase 1") in the City of Claremont, County of Los Angeles, State of California, described as follows:

Lots 13 to 27, inclusive, and Lots E, F, G and K of Tract No. 52260, as shown on a Subdivision Map, Recorded on November 25, 1997, in Book 1226, Pages 16 to 21, inclusive, of Maps, in the Office of the Los Angeles County Recorder, together with vehicular and pedestrian access easements over a portion of Lot L of said Tract No. 52260 as described herein.

B. Declarant has deemed it desirable, for the efficient preservation of the values and amenities in the Properties (as hereinafter defined), to create a "planned development," within the meaning of Section 1351(k) of the California Civil Code, pursuant to the Davis-Stirling Common Interest Development Act. The Properties are planned to constitute a "subdivision" as defined in Section 11000 of the California Business and Professions Code. The general plan of development of the Properties will include a corporation formed pursuant to the California Nonprofit Mutual Benefit Corporation Law to which will be assigned the powers of (1) owning, maintaining and administering the Common Area and maintaining the Association Maintenance Areas, (2) administering and enforcing the Restrictions, and (3) collecting and disbursing the assessments and charges hereinafter created. Declarant will or has caused such corporation, the Members of which will be the Owners of Lots in the Properties, to be formed to exercise such powers, as required by Section 1363 of the California Civil Code.

C. Declarant intends to develop and convey all of the Properties pursuant to a general plan and subject to the protective covenants, conditions, restrictions, rights, reservations, easements, equitable servitudes, liens and charges set forth herein, pursuant to the Davis-Stirling Common Interest Development Act. Declarant may execute, acknowledge and Record a Supplemental Declaration of Restrictions ("Supplemental Declaration") affecting solely a Phase of Development, so long as Declarant owns all of the real property to be affected by such Supplemental Declaration. Such Supplemental Declaration shall not conflict with the provisions



of this Declaration, but may impose further conditions, covenants and restrictions for the operation, protection and maintenance of that Phase of Development.

D. Declarant hereby declares that the Properties shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the easements, restrictions, reservations, rights, covenants, conditions and equitable servitudes contained in this Declaration, all of which are for the purpose of enhancing and protecting the value, attractiveness and desirability of the Properties, in furtherance of a general plan for the protection, maintenance, subdivision, improvement and sale of the Properties or any portion thereof. The covenants, conditions, restrictions, rights, reservations, easements and equitable servitudes set forth herein shall (1) run with and burden the Properties and shall be binding upon all Persons having or acquiring any interest in the Properties or any part thereof, their heirs, successors and assigns; (2) inure to the benefit of every portion of the Properties and any interest therein; and (3) inure to the benefit of and be binding upon each Owner and each Owner's successors in interest.

## ARTICLE I

### 1. Definitions.

Unless otherwise expressly provided, the following words and phrases when used herein have the following specified meanings.

#### 1.1. Annexable Territory.

Annexable Territory means the real property described in Exhibit "C" attached hereto and incorporated herein by this reference, all or any portion of which may be made subject to this Declaration pursuant to the provisions of Article XVI hereof.

#### 1.2. ARC.

ARC means the Architectural Review Committee created pursuant to Article VIII hereof.

#### 1.3. Articles.

Articles means the Articles of Incorporation of the Association as amended. A copy of the Articles is attached hereto as Exhibit "A" and incorporated herein by this reference.

#### 1.4. Assessment, Annual.

Annual Assessment means a charge against the Owners and their Lots, representing a portion of the Common Expenses, which is to be levied as provided herein.

#### 1.5. Assessment, Capital Improvement.

Capital Improvement Assessment means a charge which the Board may levy against the Owners and their Lots, representing a portion of the cost to the Association for installation or construction of any capital Improvements on any of the Common Area or Association Maintenance Areas. Such charge shall be levied in the same proportion as Annual Assessments.

1.6. Assessment, Reconstruction.

Reconstruction Assessment means a charge which the Board may levy against the Owners and their Lots, representing a portion of the Association's cost to reconstruct any Improvements on the Common Area and Association Maintenance Areas. Such charge shall be levied in the same proportion as Annual Assessments.

1.7. Assessment, Special.

Special Assessment means a charge against a particular Owner directly attributable to, or reimbursable by, that Owner, equal to the cost incurred by the Association for corrective action performed pursuant to the Restrictions, or a reasonable fine or penalty assessed by the Board, plus interest and other charges on such Special Assessments as provided for herein. Special Assessments shall not include any late payment penalties, interest charges or costs (including attorneys' fees) incurred by the Association in the collection of Annual, Capital Improvement or Reconstruction Assessments.

1.8. Association.

Association means The Bungalows Community Association, a California nonprofit corporation (formed pursuant to the California Nonprofit Mutual Benefit Corporation Law), its successors and assigns. The Association is an "association" as defined in Section 1351(a) of the California Civil Code.

1.9. Association Maintenance Areas.

Association Maintenance Areas means (a) the structural portion, cap and surface facing away from the Lots of certain perimeter walls in the Properties, and (b) the front yard portions (including landscaped areas and driveway aprons) of the Lots extending from the front Lot line to the fences. The Association will have nonexclusive easements for maintenance purposes over Lots to allow access to and over the Association Maintenance Areas. The approximate location of the Association Maintenance Areas and Common Area in Phase 1 are depicted on the drawings which are marked Exhibit "D," attached hereto and incorporated herein by this reference; provided that the precise location of such Association Maintenance Areas shown on Exhibit "D" shall be defined by the Improvements originally constructed or installed by Declarant.

1.10. Association Maintenance Funds.

Association Maintenance Funds means the accounts created for Association receipts and disbursements pursuant to Article VI hereof.

1.11. Beneficiary.

Beneficiary means a Mortgagee under a Mortgage or a Beneficiary under a Deed of Trust and the assignees of such Mortgagee or Beneficiary.

1.12. Board or Board of Directors.

Board or Board of Directors means the Association's Board of Directors.

1.13. Budget.

Budget means a written, itemized estimate of the Association's income and Common Expenses prepared pursuant to the Bylaws.

1.14. Bylaws.

Bylaws means the Bylaws of the Association as adopted by the Board initially in the form of Exhibit "B" attached hereto and incorporated herein by this reference, as amended.

1.15. City.

City means the City of Claremont, in the County of Los Angeles, State of California, and its various departments, divisions, employees and representatives.

1.16. Close of Escrow.

Close of Escrow means the date on which a deed is Recorded conveying a Lot pursuant to a transaction requiring the issuance of a Final Subdivision Public Report by the DRE.

1.17. Common Area.

Common Area means all the real property and Improvements which are owned by the Association. The Common Area at the time of the first Close of Escrow in Phase 1 includes Lots E, F, G and K of Tract No. 52260. The Association and its Members who own Lots in Phase 1 shall have nonexclusive easements for pedestrian and vehicular access, ingress and egress over a portion of Lot L of said Tract No. 52260 as described on Exhibit "F" hereto; however, such easements shall not be deemed to be Common Area or Association Maintenance Areas unless and until so designated by Declarant. Additional Common Area may be annexed to the Properties pursuant to Article XVI hereof.

1.18. Common Expenses.

Common Expenses means those expenses for which the Association is responsible under this Declaration, including the actual and estimated costs of: maintaining, managing, operating, repairing and replacing the Common Area and the Association Maintenance Areas; unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments; any commonly metered utilities and other commonly metered charges for the Properties; managing and administering the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; all utilities, gardening, trash pickup and other services benefiting the Common Area and the Association Maintenance Areas; maintaining clustered mailboxes and address identification signs; fire, casualty and liability insurance, worker's compensation insurance, and other insurance covering the Properties and the directors, officers and agents of the Association; bonding the members of the management body; taxes paid by the Association; amounts paid by the Association for discharge of any lien or encumbrance levied against the Properties, or portions thereof; and all other items incurred by the Association for any reason whatsoever in connection with the Properties, for the common benefit of the Owners.

1.19. County.

County means the County of Los Angeles in the State of California, and its various departments, divisions, employees and representatives.

1.20. Declarant.

Declarant means The Walton I LLC, a California limited liability company, its successors and any Person to which it shall have assigned any rights hereunder by express written assignment. As used in this Section, "successor" means a Person who acquires Declarant or substantially all of its assets, or who merges with Declarant, by sale, merger, reverse merger, consolidation, sale of stock or assets, operation of law or otherwise.

1.21. Declaration.

Declaration means this instrument as amended.

1.22. Deed of Trust.

Deed of Trust means a Mortgage as defined herein.

1.23. DRE.

DRE means the California Department of Real Estate and its successors.

1.24. Family.

Family means (a) one or more natural persons related to each other by blood, marriage or adoption, or (b) a group of natural persons not all so related, but who maintain a common household in a Residence on a Lot.

1.25. FHA.

FHA means the Federal Housing Administration of the United States Department of Housing and Urban Development and any department or agency of the United States government which succeeds to FHA's function of insuring notes secured by Mortgages on residential real estate.

1.26. FHLMC.

FHLMC means the Federal Home Loan Mortgage Corporation created by Title II of the Emergency Home Finance Act of 1970, and its successors.

1.27. Fiscal Year.

Fiscal Year means the fiscal accounting and reporting period of the Association selected by the Board.

1.28. FNMA.

FNMA means the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and its successors.

1.29. GNMA.

GNMA means the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and its successors.

1.30. Improvement.

Improvement means any structure or appurtenance thereto, including, but not limited to, buildings, walkways, sprinkler pipes, roads, driveways, parking areas, fences, screening walls, block walls, retaining wall, stairs, decks, landscaping, antennae, the paint on all exterior surfaces, hedges, windbreaks, patio covers, railings, plantings, planted trees and shrubs, poles, signs, storage areas, exterior air conditioning and water-softening fixtures or equipment.

1.31. Lot.

Lot means any residential Lot or parcel of land shown upon any Recorded subdivision map or Recorded parcel map of any portion of the Properties, with the exception of the Common Area.

1.32. Manager.

Manager means the Person employed by the Association as an employee, an agent or an independent contractor, to perform functions of the Association as limited by the Restrictions and the terms of the agreement between the Association and said Person.

1.33. Member, Membership.

Member means any Person holding a Membership. Membership means the property, voting and other rights and privileges of Members as provided in the Restrictions, together with the correlative duties and obligations contained therein.

1.34. Mortgage.

Mortgage means any Recorded mortgage or deed of trust or other conveyance of one or more Lots or other portion of the Properties to secure the performance of an obligation, which will be reconveyed upon the completion of such performance.

1.35. Mortgagee, Mortgagor.

Mortgagee means a Person to whom a Mortgage is made and includes the Beneficiary of a Deed of Trust. Mortgagor means a Person who mortgages his or her Lot to another (i.e., the maker of a Mortgage), and includes the Trustor of a Deed of Trust. The term "Trustor" is synonymous with the term "Mortgagor" and the term "Beneficiary" is synonymous with the term "Mortgagee."

1.36. Notice and Hearing.

Notice and Hearing means written notice and a hearing before the Board as provided in the Bylaws.

1.37. Notice of Addition.

Notice of Addition means an instrument Recorded pursuant to Article XVI hereof to annex additional real property to the Properties.

1.38. Owner.

Owner means the Person or Persons, including Declarant, holding fee simple interest of record to any Lot. The term "Owner" includes a seller under an executory contract of sale but excludes Mortgagees.

1.39. Person.

Person means a natural individual or any other entity with the legal right to hold title to real property.

1.40. Phase 1.

Phase 1 means all of the real property described in Paragraph A of the Preamble of this Declaration.

1.41. Phase of Development.

Phase of Development or Phase means each of the following: (a) Phase 1 and (b) all the real property covered by a Notice of Addition, for which a Final Subdivision Public Report has been issued by the DRE, unless otherwise defined in such Notice of Addition.

1.42. Properties.

Properties means (a) Phase 1, and (b) each Phase of Development described in a Notice of Addition. The Properties are a "common interest development" and a "planned development" as defined in Sections 1351(c) and 1351(k), respectively, of the California Civil Code.

1.43. Record, File, Recordation.

Record, File, or Recordation means, with respect to any document, the recordation or filing of such document in the office of the Los Angeles County Recorder.

1.44. Residence.

Residence means a building located on a Lot designed and intended for use and occupancy as a residence by a single Family.

1.45. Restrictions.

Restrictions means this Declaration, the Articles, Bylaws and the Rules and Regulations of the Association.

1.46. Rules and Regulations.

Rules and Regulations means the rules and regulations adopted by the Board pursuant to this Declaration or the Bylaws, as amended.

1.47. VA.

VA means the Department of Veterans Affairs of the United States of America and any department or agency of the United States government which succeeds to VA's function of issuing guarantees of notes secured by mortgages on residential real estate.

ARTICLE II

2. Owner's Property Rights and Project Easements.

2.1. Owners' Easements of Enjoyment.

Every Owner has a right and easement of ingress and egress and of enjoyment in, to and over the Common Area, and such easement is appurtenant to and shall pass with title to every Lot, subject to the following:

- (a) The Association's right to reasonably limit the number of guests and tenants of the Owners using the Common Area;
- (b) The Association's right to establish uniform Rules and Regulations for the use of the Common Area;
- (c) The Association's right in accordance with the Restrictions, with the vote or written assent of two-thirds (2/3rds) of the Association's voting power, to borrow money for the purpose of improving, repairing, or adding to the Common Area or for improving the Association Maintenance Areas, and in aid thereof, subject to the provisions of Article XIII hereof, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, provided that the rights of such Mortgagee shall be subordinated to the rights of the Owners;
- (d) Subject to the provisions of Articles V and XIII hereof, the Association's right to transfer the Common Area for such purposes and subject to such conditions as may be agreed to by the Members;
- (e) The right of Declarant and its sales agents, representatives and prospective purchasers to the nonexclusive use of the Common Area, without cost, for access, ingress, egress, use and enjoyment, in order to show and dispose of the Properties and the Annexable Territory as provided herein, until the last Close of Escrow in the Properties and the Annexable Territory; provided, however, that such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein;
- (f) Declarant's rights and reservations set forth in Article XIV of this Declaration;

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(g) The Association's right to reconstruct, replace or refinish any Improvement or portion thereof on the Common Area and Association Maintenance Areas;

(h) The Association's right to maintain and repair the Common Area and Association Maintenance Areas, including without limitation the right to replace and plant landscaping Improvements upon any portion of the Common Area and Association Maintenance Areas;

(i) The Association's right to reasonably restrict access to portions of the Common Area; and

(j) The easements, rights and interests reserved in Article II and Section 15.8 of this Declaration.

2.2. Easements for Vehicular/Pedestrian Traffic.

In addition to the general easements for use of the Common Area reserved herein, Declarant hereby reserves for the benefit of all Owners, nonexclusive easements appurtenant to all the Lots in the Properties for vehicular and pedestrian traffic over the private streets and walkways within the Common Area, subject to the parking provisions set forth in Section 10.5 hereof.

2.3. Easements for Public Service Use.

In addition to the foregoing easements over the Common Area, Declarant hereby reserves easements over the Properties for public services of the City, including but not limited to, the right of law enforcement and fire protection personnel to enter upon any part of the Properties for the purpose of carrying out their official duties.

2.4. Waiver of Use.

No Owner may exempt himself from personal liability for assessments duly levied by the Association, nor release his Lot from the liens and charges hereof, by waiving the use and enjoyment of the Common Area or any facilities thereon or by abandonment of such Owner's Lot.

2.5. Easements for Water and Utility Purposes.

In addition to the foregoing easements over the Common Area, Declarant hereby reserves easements over the Properties for public and private utility purposes, including but not limited to, the right of any public utility or mutual water district of ingress or egress over the Common Area for purposes of reading and maintaining meters, and using and maintaining fire hydrants located in the Properties.



2.6. Taxes.

Each Owner shall take such action as the Association may reasonably specify to obtain separate real estate tax assessment of each Lot. If any taxes or assessments may, in the Association's opinion, become a lien on the Common Area or any part thereof, the Association may pay them as a Common Expense.

2.7. Easement - Association Maintenance Areas.

Declarant hereby expressly reserves for the benefit of the Association an easement over the Association Maintenance Areas for maintenance thereof and over the Lots for access, ingress and egress necessary to such maintenance. Subject to the procedures described in Article VIII hereof, no Owner may interfere with the Association's exercise of its rights under the easement reserved in this Section. In addition, no Owner may alter or remove the Improvements on the Common Area or the Association Maintenance Areas.

2.8. Easement for Declarant Over Common Area.

Declarant hereby expressly reserves for its benefit, for the benefit of its agents, employees and contractors, and for the benefit of its successors and assigns, a nonexclusive easement appurtenant to the Annexable Territory, in, to, and over the Common Area for access, ingress, egress, use and enjoyment, in order to show the Properties or Annexable Territory to its prospective purchasers, or to develop, market, sell, lease or otherwise dispose of the Properties or the Annexable Territory. Such easement shall continue for so long as Declarant owns any Lot in the Properties.

2.9. Delegation of Use.

Any Owner entitled to the right and easement of use and enjoyment of the Common Area may delegate those rights and easements to such Owner's tenants, contract purchasers or subtenants who reside in such Owner's Residence, subject to reasonable regulation by the Board.

2.10. Right to Grant Easements.

Declarant hereby reserves, together with the right to grant and transfer the same, easements over the Common Area, or any portion thereof, for the exclusive use by an Owner or Owners of contiguous property as a yard, recreational, gardening, and/or landscaping area. Any such easement may be conveyed by the Declarant prior to the last Close of Escrow for sale of a Lot in the Property. Such conveyance must be approved in advance by the Board of Directors of the Association. The purpose of the easement, the portion of the Common Area affected, the Lot to which the easement is appurtenant, and any restrictions on use of the easement area shall be identified in the Recorded grant of easement.

2.11. Sideyard Easements.

(a) Creation of Easements. In addition to the general easements provided for in this Declaration, Declarant hereby reserves exclusive easements of use and enjoyment as private sideyard areas ("Sideyards"), for the benefit of Lots

13, 15, 17, 18, 20, 22, 23, 25 and 27 ("Dominant Lots"), over each of the following numbered burdened Lots ("Adjoining Lots"), in Phase 1: 14, 16, 19, 21, 24 and 26. The Sideyards shall extend along the common side Lot lines separating the Dominant Lots from the Adjoining Lots, across the Adjoining Lots, to the wall or foundation lines of the structures as are or may hereafter be initially constructed by Declarant on the Adjoining Lots, as such lines are extended parallel to the common side Lot line to the front walls or fences as originally constructed by Declarant and to the rear Lot lines of the Adjoining Lots. The Sideyards in Phase 1 are generally and approximately shown and described on the drawing which is attached hereto, marked Exhibit "E" and by this reference is incorporated herein. Declarant further reserves for the Owner of each Dominant Lot and each correspondingly Adjoining Lot, a nonexclusive easement for reasonable ingress and egress to and from the particular Sideyard for the respective purposes enumerated in Section (b) below. Declarant further reserves for Owners (including Declarant) of Adjoining Lots easements appurtenant to such Adjoining Lots over the respective Sideyards located on such Adjoining Lots for purposes of accommodating (1) encroachment of overhanging eaves and other items as initially constructed on the Adjoining Lot by Declarant or as constructed with Architectural Committee approval and (2) drainage over the Sideyards in accordance with the established drainage, as defined in Section 10.14 of this Declaration.

(b) Restrictions on Sideyard Use. Each Sideyard shall be used and enjoyed subject to the following terms and conditions and no use of the Sideyard shall be made except as provided below:

(i) Authorized Uses. The Sideyard shall be used only as a general recreation and garden area by the Owner of the Dominant Lot, and each such Owner shall have the right to enter upon the Sideyard for such purpose. Such purpose shall include the right of each Owner to plant vegetation and establish an irrigation system thereon, provided such system shall be first approved by the Architectural Committee. The Sideyard and every part thereof, including the fence or wall enclosing the Sideyard and the drainage system established as part of the original grading and original construction upon the Adjoining Lot, shall be repaired, replaced and maintained continuously in a neat and orderly condition by the Owner of the Dominant Lot.

(ii) Access by Adjoining Lot Owner. The Owner of the Adjoining Lot shall have the right, at reasonable times, upon reasonable notice to the Owner of the Dominant Lot and in a reasonable manner, to enter upon the Sideyard for the purpose of

maintaining, repairing or restoring the structural wall of his Residence, the structure of which it is a part, any gutter and downspout attached to his Residence and any fence or wall owned by him which adjoins or abuts the Sideyard.

(iii) Storage Prohibited. No storage of any kind shall be permitted in the Sideyard, nor shall any object or device of any kind be affixed to the structural wall or fence on the Adjoining Lot adjoining and abutting the Sideyard without the prior written consent of the Owner of such wall or fence.

(iv) Fences. Except for the fences and structures established as part of the original construction upon the Adjoining Lot, and except as authorized by Subsection (i) above, no fence, wall or other structure of any kind shall be constructed within, upon or adjacent to the Sideyard, without the prior written approval of the Architectural Committee. The foregoing is in addition to any required building permit or other City approval or requirements, including City setback requirements for patio covers, spas or similar Improvements.

(v) Sideyard Drainage. No planting or other material or authorized structure (including patios) shall be constructed, altered, placed or permitted to remain upon the Sideyard which may change the direction of flow of the established drainage on the Adjoining Lot or which may damage or alter any drainage system serving the Adjoining Lot or may obstruct, interfere or retard the flow of water through such system. The Owners of each Adjoining Lot shall have the right to use the drainage system established within the Sideyard adjoining and abutting their Lots for the purpose of draining their Lots (including atriiums), provided that such right shall not include the right to discharge noxious or offensive matter.

### ARTICLE III

#### 3. The Bungalows Community Association.

##### 3.1. Organization of Association.

The Association is or shall be incorporated under the name of THE BUNGALOWS COMMUNITY ASSOCIATION, as a corporation not for profit organized under the California Nonprofit Mutual Benefit Corporation Law, as required by Section 1363 of the California Civil Code.

3.2. Duties and Powers.

The Association has the duties and powers set forth in the Restrictions and also has the general and implied powers of a nonprofit mutual benefit corporation, generally to do all things that a corporation organized under the laws of the State of California may lawfully do which are necessary or proper in operating for the peace, health, comfort, safety and general welfare of its Members, subject only to the limitations upon the exercise of such powers set forth in the Restrictions.

3.3. Membership.

Every Owner shall automatically be a Member and shall remain a Member until such Owner's Lot ownership ceases, at which time such Owner's Membership shall automatically cease. Ownership of a Lot is the sole qualification for Membership. Memberships are not assignable except to the Person to whom title to the Lot has been transferred, and every Membership is appurtenant to and may not be separated from the fee ownership of such Lot.

3.4. Transfer.

The Membership of any Owner may not be transferred, pledged or alienated in any way, except upon the transfer or encumbrance of such Owner's Lot, and then only to the transferee or Mortgagee of such Lot. A prohibited transfer is void and will not be reflected upon the books and records of the Association. A Class A Member who has sold his Lot to a contract purchaser under an agreement to purchase may delegate his Membership rights to the contract purchaser. The delegation must be in writing and must be delivered to the Board before the contract purchaser may vote. The contract seller shall remain liable for all charges and assessments attributable to the contract seller's Lot which accrue before fee title to the Lot is transferred. If an Owner fails or refuses to transfer his Membership to the purchaser of such Owner's Lot upon transfer of fee title thereto, the Board may record the transfer upon the Association's books. Until satisfactory evidence of such transfer has been presented to the Board, the purchaser will not be entitled to vote at Association meetings. The Association may levy a reasonable transfer fee against a new Owner and such Owner's Lot (which fee shall be paid through escrow or added to the Annual Assessment chargeable to such new Owner) to reimburse the Association for the administrative cost of transferring the Membership to the new Owner on the Association's records. Such fee may not exceed the Association's actual cost involved in changing its records.

ARTICLE IV

4. Voting Rights.

4.1. Classes of Voting Membership.

The Association classes of voting Membership are as follows:

Class A. Class A Members are all Owners except Declarant for so long as there exists a Class B Membership. Class A Members are entitled to one (1) vote for each Lot owned by such Class A Members which is subject to assessment. Declarant shall become a Class A Member

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upon conversion of Declarant's Class B Membership as provided below. When more than one (1) Person owns any Lot, all such Persons are Members. The vote for such Lot shall be exercised in accordance with Section 4.2, but no more than one (1) Class A vote may be cast for any Lot.

Class B. The Class B Member is Declarant. The Class B Member is entitled to three (3) votes for each Lot owned by Declarant which is subject to assessment. The Class B Membership shall be converted to Class A Membership upon the first to occur of the following events:

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

(b) The fourth anniversary of the first Close of Escrow in Phase 1.

4.2. Voting Rights.

(a) All voting rights are subject to the Restrictions. Except as provided in Section 15.11 hereof and Section 4.8 of the Bylaws, as long as there exists a Class B Membership, any provision of the Restrictions which expressly requires a vote or written consent of a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the Association's voting power before action may be undertaken shall require the approval of such specified percentage of the voting power of each class of Membership. Except as provided in Section 15.11 hereof and Section 4.8 of the Bylaws, upon termination of the Class B Membership, any provision of the Restrictions which expressly requires a vote or written consent of Owners representing a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the Association's voting power before action may be undertaken shall then require the vote or written consent of Members representing such specified percentage of both (1) the Association's total voting power and (2) the Association's voting power residing in Members other than Declarant.

(b) Class A Members are entitled to one (1) vote for each Lot in which they hold the interest required for Membership. When more than one (1) Person holds such interest in any Lot ("co-owner"), all such co-owners are Members and may attend any Association meetings, but only one (1) such co-owner shall be entitled to exercise the vote to which the Lot is entitled. Co-owners owning the majority interests in a Lot may designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if the designation has been revoked, the vote for the Lot shall be exercised as the co-owners owning the majority interests in the Lot agree. Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively

presumed that the corresponding voting co-owner is acting with his co-owners' consent. No vote may be cast for any Lot if the co-owners present in person or by proxy owning the majority interests in such Lot cannot agree to said vote or other action. The nonvoting co-owner or co-owners are jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot and are entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in the Restrictions are binding on all Owners and their successors in interest.

## ARTICLE V

### 5. Jurisdiction of Association.

#### 5.1. Commencement of Association Maintenance Obligations.

The Association's obligation to maintain the Common Area and the Association Maintenance Areas in any Phase in which a Lot is located shall commence on the date Annual Assessments commence on Lots in such Phase. Until commencement of Annual Assessments on Lots in a Phase, Declarant shall maintain the Common Area and Association Maintenance Areas in such Phase. The Association's obligation to maintain the Common Area and Association Maintenance Area in a Phase comprised solely of Common Area, Association Maintenance Areas, or both, shall commence upon conveyance of such Common Area, Association Maintenance Area, or both, to the Association.

#### 5.2. Authority of Association.

The Association has:

- (a) The power and duty to accept, maintain, repair and otherwise manage the Common Area and Association Maintenance Areas in accordance with Articles VI and IX hereof.
- (b) The power and duty to maintain any private sewer systems and any private storm drains or drainage facilities within the Common Area in accordance with the provisions of Articles VI and IX hereof.
- (c) The power and duty to obtain, for the benefit of the Properties, all commonly metered water, gas and electric services, and the power but not the duty to provide for refuse collection and cable or master television service.
- (d) The power and duty to grant easements and rights of way or fee interests in portions of the Common Area, to the extent any such grant is reasonably required for utilities and sewer facilities to serve the Common Area and the Lots, or for purposes of conformity with the as-built location of

Improvements installed by Declarant; provided that no such fee interest may be granted except pursuant to a Recorded lot line adjustment approved by the requisite governmental entity if such a lot line adjustment is required by law.

(e) The power but not the duty to grant or quitclaim easements, licenses or rights of way in, on or over the Common Area for purposes consistent with the intended use of the Properties as a planned residential development.

(f) The power and duty to maintain liability and fire insurance with respect to the Common Area, the Association Maintenance Areas, and personal property, if any, owned by the Association as provided herein in furthering the purposes of and protecting the interests of the Association and Members and as directed by the Restrictions.

(g) The power but not the duty to employ or contract with a professional Manager to perform all or any part of the Association's duties and responsibilities, and the power to delegate its powers to committees, officers and employees. The maximum term of any such contract with a Manager ("Management Contract") shall be one (1) year, unless a longer term is approved either by vote or written assent of a majority of the Association's voting power, in which case the Management Contract's maximum term shall be three (3) years. The maximum term of any contract providing for Declarant's services to the Association or the Properties shall also be three (3) years. Each contract for Declarant's services and each Management Contract must provide for its termination by either party thereto without cause and without payment of a termination fee upon no more than ninety (90) days' written notice to the other party.

(h) The power but not the duty, after Notice and Hearing, to enter upon any Lot, without being liable to any Owner except for damage caused by such entry, in order to (i) enforce by peaceful means the provisions hereof, or (ii) maintain or repair any Lot if for any reason the Owner thereof fails to perform such maintenance or repair as required by this Declaration. The cost of such enforcement, maintenance and repair shall be a Special Assessment enforceable as set forth herein. The Owner shall promptly pay all amounts due for such work, and the costs and expenses of collection may be added, at the option of the Board, to the amounts specially assessed against such Owner. If an emergency occurs, such entry upon a Lot by or on behalf of the Board shall be permitted without Notice and Hearing.

(i) The power but not the duty to reasonably limit the number of guests and tenants of the Owners using the Common Area.

(j) The power but not the duty to establish uniform Rules and Regulations for the use of the Common Area.

(k) The power but not the duty to enter into contracts with Owners or other persons to provide services or to maintain and repair Improvements within the Properties and elsewhere which the Association is not otherwise required to provide or maintain pursuant to this Declaration; provided, however, that any such contract shall provide for reimbursement of the Association for the costs of providing such services or maintenance.

## ARTICLE VI

### 6. Covenant for Maintenance Assessments.

#### 6.1. Creation of Assessment Obligation.

Declarant, for each Lot owned by it, hereby covenants to pay, and each Owner, by acceptance of a deed to a Lot, whether or not it shall be so expressed in such deed, is deemed to covenant to pay to the Association (a) Annual Assessments, (b) Capital Improvement Assessments, (c) Special Assessments, and (d) Reconstruction Assessments; such assessments to be established and collected as provided herein. The Association may not levy or collect any Annual Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment that exceeds the amount necessary for the purpose or purposes for which it is levied. Except as provided in this Section 6.1, all such assessments (other than Special Assessments), together with interest, costs and reasonable attorneys' fees for the collection thereof, are a charge and a continuing lien upon the Lot against which such assessment is made. Each such assessment (including Special Assessments), together with interest, costs and reasonable attorneys' fees, is also the personal obligation of the Person who was the Owner of the Lot at the time when the assessment fell due. The personal obligation for delinquent assessments may not pass to any new Owner ("Purchaser") unless expressly assumed by the Purchaser.

#### 6.2. Maintenance Funds of Association.

The Board shall establish no fewer than two (2) separate Association Maintenance Fund accounts into which shall be deposited all monies paid to the Association and from which disbursements shall be made, as provided herein, in the Association's performance of functions under this Declaration. The Association Maintenance Funds may be established as trust accounts at a banking or savings institution and shall include: (a) an Operating Fund for current Common Expenses, (b) an adequate Reserve Fund for the deposit of Reserves attributable to the repair or replacement of Improvements within the Common Area (which would not reasonably be expected to recur on an annual or more frequent basis), and for payment of deductible amounts for insurance policies which the Association obtains as provided in Section 12.4 hereof, and (c) any other Funds which the Board may establish to the extent necessary under the Declaration's provisions. Nothing contained herein precludes the establishment of additional Maintenance



Funds by the Association, so long as the amounts assessed, deposited into, and disbursed from any such Fund are designated for purposes authorized by this Declaration.

6.3. Purpose of Annual Assessments.

The Assessments shall be used exclusively to (a) promote the Owners' health, safety, recreation and welfare, (b) improve and maintain the Common Area and Association Maintenance Areas, and (c) discharge any other Association obligations under the Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Owners for purposes authorized by this Declaration. Disbursements from the Reserve Fund shall be made by the Board only for the purposes specified in this Article VI and in Section 1365.5(c) of the California Civil Code, as amended. If the Association decides to use or transfer reserve funds to pay for litigation, the Association must notify its Members of the decision by mail. Such notice shall provide an explanation of why the litigation is being initiated or defended, why operating funds cannot be used, how and when the reserve funds will be replaced, and a proposed budget for the litigation. The notice must state that the Members have a right to review an accounting for the litigation which will be available at the Association's office. The accounting shall be updated monthly. Disbursements from the Operating Fund shall be made by the Board only for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Association assessments or funds may not be used to abate any nuisance or annoyance emanating from outside the boundaries of the Properties, or in support of Federal, State or local political activities intended to influence governmental action affecting areas outside the boundaries of the Properties (e.g., endorsement or support of political candidates, legislative or administrative actions by any governmental agency). Annual Assessments shall be used to satisfy Common Expenses as provided herein and in the Bylaws.

6.4. Limitations on Annual Assessment Increases.

The Board shall levy Annual Assessments as follows:

(a) Maximum Authorized Annual Assessment for Initial Year of Operations. Until the first day of the Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may levy an Annual Assessment per Lot in an amount which exceeds one hundred twenty percent (120%) of the amount of Annual Assessments disclosed for the Properties in the most current Budget filed with and approved by DRE at the time Annual Assessments commence only if the Board first obtains the approval of Members casting a majority of votes at a meeting or election of the Association in which more than fifty percent (50%) of the Members are represented ("Increase Election"). Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 6.4(c).

(b) Maximum Authorized Annual Assessment for Subsequent Fiscal Years. Starting with the first Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may levy Annual Assessments which exceed the Annual Assessments for the immediately preceding Fiscal Year only as follows:

(i) If the increase in Annual Assessments is less than or equal to twenty percent (20%) of the Annual Assessments for the immediately preceding Fiscal Year, then the Board must either (a) have distributed the Budget for the current Fiscal Year in accordance with Section 1365(a) of the California Civil Code, or (b) obtain the approval of Members casting a majority of votes in an Increase Election;

(ii) If the increase in Annual Assessments is greater than twenty percent (20%) of the Annual Assessments for the immediately preceding Fiscal Year, then the Board must obtain the approval of Members casting a majority of votes in an Increase Election.

Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 6.4(e).

(c) Supplemental Annual Assessments. If the Board determines that the Association's important and essential functions may be properly funded by an Annual Assessment in an amount less than the maximum authorized Annual Assessment described above, it may levy such lesser Annual Assessment. If the Board determines that the estimate of total charges for the current year is or will become inadequate to meet all Common Expenses, it shall immediately determine the approximate amount of the inadequacy. Subject to the limitations described in Sections 6.4(a) and (b) above and (e) below, the Board may levy a supplemental Annual Assessment reflecting a revision of the total charges to be assessed against each Lot.

(d) Automatic Assessment Increases. Notwithstanding any other provisions of this Section 6.4, upon Declarant's annexation of any portion of the Annexable Territory pursuant to Article XVI, the Annual Assessment shall be automatically increased by the additional amount, if any, necessary to maintain the Common Area and Association Maintenance Areas in or abutting such Annexable Territory in accordance with the standards prescribed by the then current DRE Operating Cost Manual, or if the Operating Cost Manual is no longer maintained by DRE, pursuant to standards prescribed by comparable maintenance cost guidelines prepared in accordance with prudent property

management practices. However, such increase shall occur only if (i) the annexation of such Annexable Territory is permitted by DRE, and (ii) the amount of such increase does not result in the levy of an Annual Assessment which is greater than the maximum potential Annual Assessment disclosed in all Final Subdivision Public Reports for the Properties previously issued by the DRE.

(e) Emergency Situations. For purposes of Sections 6.4(a), 6.4(b) and 6.5, an "Emergency Situation" is any one of the following:

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

(ii) An extraordinary expense necessary to repair or maintain the Properties or any portion thereof for which the Association is responsible where a threat to personal safety on the Properties is discovered; and

(iii) An extraordinary expense necessary to repair or maintain the Properties or any portion thereof for which the Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Prior to the imposition or collection of an assessment pursuant to this Subparagraph (iii), the Board shall adopt a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Members with the Notice of Delinquent Assessment.

6.5. Capital Improvements.

The Board may levy, in any Fiscal Year, a Capital Improvement Assessment or Reconstruction Assessment applicable to that Fiscal Year only to defray, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital Improvement or other such addition upon the Common Area or Association Maintenance Areas including fixtures and personal property related thereto. No Capital Improvement Assessments in any Fiscal Year which, if added to the Capital Improvement Assessments already levied during such Fiscal Year, exceed five percent (5%) of the Association's Budgeted gross expenses for such Fiscal Year, may be levied without the vote or written consent of Members casting a majority of votes at an Increase Election. Notwithstanding the foregoing, the Board may levy in any Fiscal Year, a Capital Improvement Assessment applicable to that Fiscal Year which exceeds five percent (5%) of the Association's Budgeted gross expenses for such Fiscal Year if such increase is necessary for addressing an Emergency Situation as defined in Section 6.4(e).

6.6. Uniform Rate of Assessment.

Annual Assessments, Capital Improvement Assessments and Reconstruction Assessments shall be assessed uniformly and equally against all Owners and their Lots based upon the number of Lots owned by each Owner except as may be otherwise provided in a Notice of Addition. The Association may, subject to the provisions of Section 9.4 and Article XI hereof, levy Special Assessments against selected Owners who have caused the Association to incur special expenses due to willful or negligent acts of said Owners, their tenants, families, guests, invitees or agents. All installments of Annual Assessments shall be collected in advance on a regular basis by the Board, at such frequency as the Board shall determine.

6.7. Date of Commencement of Annual Assessments.

Annual Assessments shall commence on all Lots in a Phase on the first day of the first calendar month following the first Close of Escrow in such Phase. The first Annual Assessment shall be adjusted according to the number of months remaining in the Fiscal Year. The Board shall fix the amount of the Annual Assessment against each Lot at least thirty (30) days in advance of each Annual Assessment period. However, unless otherwise established by the Board, the initial Annual Assessments shall be assessed in accordance with the most recent Budget on file with and approved by DRE. Written notice of any change in the amount of any Annual Assessment, Capital Improvement Assessment or Reconstruction Assessment shall be sent via first-class mail to every Owner subject thereto not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. The due dates shall be established by the Board. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an Association officer or agent setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate as to the status of assessments against a Lot is binding upon the Association as of the date of its issuance.

Each installment of Annual Assessments may be paid by the Member to the Association in one check or payment or in separate checks as payments attributable to specified Association Maintenance Funds. If any payment of an Annual Assessment installment (a) is less than the amount assessed and (b) does not specify the Association Maintenance Fund or Funds into which it should be deposited, then the amount received shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

The Board may determine that funds remaining in the Operating Fund at the end of a Fiscal Year be retained and used to reduce the following Fiscal Year's Annual Assessments. Upon dissolution of the Association incident to the abandonment or termination of the Properties as a planned development, any amounts remaining in any of the Maintenance Funds shall be distributed to or for the benefit of the Members in the same proportions as such monies were collected from the Members.

Notwithstanding any other provisions of this Declaration, until the earlier to occur of (a) the Recordation of a notice of completion of a Residence, or (b) occupation or use of the

Residence, each Owner (including Declarant) shall be exempt from paying that portion of any Annual Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of the Residence.

Notwithstanding any other provisions of this Declaration, until the earlier to occur of (a) the Recordation of a notice of completion of an Improvement on the Common Area or Association Maintenance Areas, or (b) the placement into use of such Improvement, each Owner (including Declarant) shall be exempt from paying that portion of any Annual Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of such Improvement.

Notwithstanding any other provisions of this Declaration or the Bylaws regarding the term and termination of contracts with Declarant for providing services to the Association, Declarant may enter into a written maintenance agreement with the Association under which Declarant shall pay all or any portion of the operating Common Expenses and perform all or any portion of the Association's maintenance responsibilities in exchange for a temporary suspension of Annual Assessments. Such maintenance agreement shall extend for a term and shall be on such conditions as are approved by the DRE, and may require Owners to reimburse Declarant, through the Association, for a portion of the costs expended in satisfaction of Common Expenses.

6.8. Exempt Property.

The following property subject to this Declaration is exempt from the assessments herein:

- (a) All portions of the Properties dedicated to and accepted by a local public authority; and
- (b) The Common Area owned by the Association in fee.

ARTICLE VII

7. Nonpayment of Assessments; Remedies.

7.1. Nonpayment of Assessments; Remedies.

Any installment of an assessment is delinquent if not paid within fifteen (15) days of the due date established by the Board. Any installment of Annual Assessments, Capital Improvement Assessments, Special Assessments, or Reconstruction Assessments not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges as provided herein bears interest at the maximum rate permitted by law commencing thirty (30) days from the date the assessment becomes due until paid. The Board may also require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 1366(d)(2). The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Lot. The Association need not accept

any tender of a partial payment of an assessment installment and all costs and attorneys' fees attributable thereto, and any acceptance of any such tender does not waive the Association's right to demand and receive full payments thereafter. Before the Association may place a lien upon an Owner's Lot to collect a past due assessment, the Association shall send a written notice to the Owner by certified mail which contains the following information: (i) the fee and penalty procedure of the Association, (ii) an itemized statement of the charges owed by the Owner, including the principal owed, any late charges and the method of calculation, any attorney's fees, (iii) the collection practices used by the Association, and (iv) a statement that the Association may recover the reasonable costs of collecting past due assessments.

7.2. Notice of Delinquent Assessment.

No action may be brought to enforce any assessment lien created herein unless at least thirty (30) days has expired following the date a Notice of Delinquent Assessment is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of the Lot, and a copy thereof has been Recorded by the Association. Such Notice of Delinquent Assessment must recite (a) a good and sufficient legal description of any such Lot, (b) the record Owner or reputed Owner thereof, (c) the amount claimed (which may at the Association's option include interest on the unpaid assessment and late charges as described above plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), (d) the Association's name and address, and (e) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Association to enforce the lien by sale. A monetary penalty imposed by the Association as a disciplinary measure for failure of an Owner to comply with the Restrictions may not become a lien enforceable by nonjudicial foreclosure against such Owner's Lot; provided, however, that monetary penalties imposed for late payments and as a means of reimbursing the Association for costs incurred for the repair of damage to Common Area for which an Owner or an Owner's guests or tenants were responsible may become a lien against such Owner's Lot enforceable by the sale of the Lot in accordance with Section 7.3. Recordation of the Notice of Delinquent Assessment creates a lien on the Lot as provided in Section 1367 of the California Civil Code. Said lien is prior to any declaration of homestead Recorded after the date on which this Declaration is Recorded. The lien continues until paid or otherwise satisfied. The Notice of Delinquent Assessment must be signed by an authorized Association officer or agent, and must be mailed in the manner set forth in Section 2924b of the California Civil Code to the record Owner of the Lot no later than ten (10) calendar days after recordation.

7.3. Foreclosure Sale.

A sale to foreclose an Association lien may be conducted by the Board, its attorneys or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b, 2924c and 2924f of the California Civil Code, or in accordance with any similar statute hereafter enacted applicable to the exercise of powers of sale in Mortgages, or in any other manner permitted by law. The Association, through duly authorized agents, may bid on the Lot at foreclosure sale, and acquire and hold, lease, mortgage and convey the same. Upon completion of the foreclosure sale, the Association or the purchaser at the sale may file suit to

secure occupancy of the defaulting Owner's Lot, and the defaulting Owner shall be required to pay the reasonable rental value of the Lot during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner.

7.4. Curing of Default.

Upon the timely curing of any default for which the Association Recorded a Notice of Delinquent Assessment, the Association's officers shall Record an appropriate Release of Lien upon payment by the defaulting Owner of a reasonable fee, to be determined by the Board, to cover the cost of preparing and Recording such release. A certificate executed and acknowledged by any two (2) members of the Board stating the indebtedness secured by the liens upon any Lot created hereunder shall be conclusive upon the Association and the Owners as to the amount of such indebtedness as of the date of the certificate, in favor of all persons who rely thereon in good faith. Such certificate shall be furnished to any Owner upon request at a reasonable fee, to be determined by the Board.

7.5. Cumulative Remedies.

The assessment liens and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association may have hereunder and by law, including a suit to recover a money judgment for unpaid assessments, as above provided.

7.6. Mortgage Protection.

No lien created under this Article VII, nor any breach of this Declaration, nor the enforcement of any provision hereof defeats or renders invalid the rights of the Beneficiary under any Recorded first Deed of Trust (meaning any deed of trust with first priority over other deeds of trust) upon a Lot made in good faith and for value. After a Beneficiary or other Person obtains title to a Lot by judicial foreclosure or by means set forth in a Deed of Trust, the Lot shall remain subject to the Declaration and the payment of all installments of Assessments accruing after the date the Beneficiary or other Person obtains title.

7.7. Priority of Assessment Lien.

Mortgages Recorded before a Notice of Delinquent Assessment have lien priority over the Notice of Delinquent Assessment. Sale or transfer of any Lot does not affect the assessment lien, except that the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage extinguishes the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer relieves such Lot from lien rights for any assessments thereafter becoming due. No Person who obtains title to a Lot pursuant to a judicial or nonjudicial foreclosure of the first Mortgage is liable for the share of the Common Expenses or assessments chargeable to such Lot which became due prior to the acquisition of title to the Lot by such Person. Such unpaid share of Common Expenses or assessments is a Common Expense collectible from all of the Owners including such Person.

Any assessment lien of the Association encumbering a Lot shall be subordinate to the interests of the Department Veterans Affairs of the State of California under its Cal-Vet loan contracts, with respect to such Lot to the same extent that the assessment lien would be subordinate to the lien or charge of a first Mortgage or first deed of trust encumbering such Lot.

7.8. Receivers.

In addition to the foreclosure and other remedies granted the Association herein, each Owner, by acceptance of a deed to such Owner's Lot, hereby conveys to the Association all of such Owner's right, title and interest in all rents, issues and profits derived from and appurtenant to such Lot, subject to the right, power and authority of the Association to collect and apply such rents, issues and profits to any delinquent Assessments owed by such Owner, reserving to the Owner the right, prior to any default by the Owner in the payment of Assessments, to collect and retain such rents, issues and profits as they may become due and payable. Upon any such default the Association may, upon the expiration of thirty (30) days following delivery to the Owner of the "Notice of Delinquent Assessment" described herein, either in person, by agent or by receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness secured by the lien described herein, (a) enter in or upon and take possession of the Lot or any part thereof, (b) in the Association's name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and (c) apply the same, less allowable expenses of operation, to any delinquencies of the Owner hereunder, and in such order as the Association may determine. The entering upon and taking possession of the Lot, the collection of rents, issues and profits and the application thereof, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice

7.9. Alternative Dispute Resolution.

Disputes between an Owner and the Association regarding the assessments imposed by the Association may be submitted to alternative dispute resolution in accordance with Civil Code Section 1354 if such Owner pays in full (i) the amount of the assessment in dispute, (ii) any late charges, (iii) any interest, and (iv) all fees and costs associated with the preparation and filing of a Notice of Delinquent Assessment (including mailing costs and attorneys fees not to exceed four hundred twenty-five dollars (\$425), and states by written notice that such amount is paid under protest, and the written notice is mailed by certified mail not more than thirty (30) days from the Recording of a Notice of Delinquent Assessment. Upon receipt of such written notice, the Association shall inform the Owner in writing that the dispute may be resolved through alternative dispute resolution as set forth in Civil Code Section 1354.

The right of any Owner to utilize alternative dispute resolution under this Section may not be exercised more than two times in any single calendar year, and not more than three times within any five calendar years. Nothing within this section shall preclude any Owner and the Association, upon mutual agreement, from entering into alternative dispute resolution in excess of the limits set forth herein. An Owner may request and be awarded through alternative dispute resolution reasonable interest to be paid by the Association in the total amount paid under



items (i) through (iv) above, if it is determined that the assessment levied by the Association was not correctly levied.

## ARTICLE VIII

### 8. Architectural Control.

#### 8.1. Members of Committee.

The Architectural Review Committee, sometimes referred to herein as the "ARC," shall be comprised of three (3) members. The initial members of the ARC shall be representatives of Declarant until one (1) year after the original issuance of the Final Subdivision Public Report ("Public Report") for Phase 1 ("First Anniversary"). After the First Anniversary the Board may appoint and remove one (1) member of the ARC, and Declarant may appoint and remove a majority of the members of the ARC and fill any vacancy of such majority, until the earlier to occur of (a) Close of Escrow for the sale of ninety percent (90%) of all the Lots in the Properties and the Annexable Territory, or (b) the fifth anniversary of the original issuance of the Public Report for Phase 1, after which the Board may appoint and remove all of the members of the ARC. ARC members appointed by the Board must be Members, but ARC members appointed by Declarant need not be Members. The ARC has the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article in order to ensure that the proposed plans conform harmoniously to the exterior design and existing materials of the buildings in the Properties. Board members may also serve as ARC members.

#### 8.2. Review of Plans and Specifications.

The ARC shall consider and act upon all plans and specifications submitted for its approval under this Declaration and perform such other duties as the Board assigns to it, including inspection of construction in progress to assure conformance with plans approved by the ARC. No construction, installation or alteration of an Improvement, including landscaping, in the Properties may be commenced or maintained until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location thereof have been submitted to and approved in writing by the ARC; provided, however, that any Improvement may be repainted without ARC approval so long as the Improvement is repainted the identical color which it was last painted. Without limiting the generality of the foregoing, the provisions of this Article VIII apply to the construction, installation and alteration of solar energy systems, as defined in Section 801.5 of the California Civil Code, subject to the provisions of California Civil Code Section 714, the City Building Code, applicable zoning regulations, and associated City ordinances. The Owner submitting the plans and specifications ("Applicant") shall obtain a written, dated receipt therefor from an authorized agent of the ARC. Until changed by the Board, the address for submission of such plans and specifications is the Association's principal office. The ARC shall approve plans and specifications submitted for its approval only if it determines that (a) the installation, construction or alterations contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Properties as a whole, (b) the appearance of any structure affected thereby will be in harmony with the

surrounding structures, (c) the installation, construction or alteration thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Area and Association Maintenance Areas or the enjoyment thereof by the Members, and (d) the maintenance thereof will not become a burden on the Association. Declarant and any Person to whom Declarant may assign all or a portion of the exemption hereunder are not required to obtain ARC approval of any Improvements constructed on the Properties by Declarant or such Person.

The ARC may condition its approval of proposals or plans and specifications for any Improvement upon any of the following: (1) the Applicant's furnishing the Association with security acceptable to the Association against any mechanic's lien or other encumbrance which may be Recorded against the Properties as a result of such work, (2) such changes therein as it deems appropriate, (3) the Applicant's agreement to grant appropriate easements to the Association for the maintenance of the Improvements, (4) the Applicant's agreement to install (at its sole cost) water, gas, electrical or other utility meters to measure any increased consumption, (5) the Applicant's agreement to reimburse the Association for the cost of such maintenance, or (6) the Applicant's agreement to complete the proposed work within a stated period of time, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The ARC may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee to accompany each application for approval, or stating additional factors which it will consider in reviewing submissions. The ARC may provide that the amount of such fee be uniform, or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or installations contemplated. The ARC may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, landscape plans, floor plans, site plans, drainage plans, elevation drawings and descriptions or samples of exterior material and colors. Until receipt by the ARC of any required plans and specifications, the ARC may postpone review of any plans submitted for approval. The ARC shall transmit its decision and the reasons therefor to the applicant at the address set forth in the application for approval within forty-five (45) days after the ARC receives all required materials. Any application submitted pursuant to this Section 8.2 shall be deemed approved unless the ARC transmits written disapproval or a request for additional information or materials to the Applicant within forty-five (45) days after the date the ARC receives all required materials. Owners are advised that the City controls the exterior colors of the Residences, among other things, so Owners are advised to consult with the City before painting their Residences. The Applicant shall meet any review, permit and design standard requirements of the City prior to making any construction, installation or alterations permitted hereunder.

### 8.3. Meetings of the ARC.

The ARC shall meet as necessary to perform its duties. The ARC may, by resolution unanimously adopted in writing, designate an ARC representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the ARC except the granting of variances pursuant to Section 8.8. In the absence of such designation, the vote or written consent of a majority of the ARC constitutes an act of the ARC.

8.4. No Waiver of Future Approvals.

The ARC's approval of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the ARC's approval does not waive any right to withhold approval of any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval.

8.5. Compensation of Members.

The ARC's members shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in performing their duties.

8.6. Inspection of Work.

The ARC or its duly authorized representative may inspect any work for which approval of plans is required under this Article VIII ("Work"). The right to inspect includes the right to require any Owner to take such action as may be necessary to remedy any noncompliance with the ARC-approved plans for the Work or with the requirements of this Declaration ("Noncompliance").

(a) Time Limit. The ARC's right to inspect the Work and notify the responsible Owner of any Noncompliance shall terminate sixty (60) days after the Work has been completed and the ARC has received written notice from the Owner that the Work has been completed. If the ARC fails to send a notice of Noncompliance to an Owner before this time limit expires, the Work shall be deemed to comply with the approved plans.

(b) Remedy. If an Owner fails to remedy any Noncompliance within sixty (60) days from the date of notification from the ARC, the ARC shall notify the Board in writing of such failure. Upon Notice and Hearing, the Board shall determine whether there is a Noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a Noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within that period, the Board may Record a Notice of Noncompliance and commence a lawsuit for damages or injunctive relief, as appropriate, to remedy the Noncompliance.

8.7. Scope of Review.

The ARC shall review and approve, conditionally approve or disapprove all plans submitted to it for any proposed construction, installation or alteration solely on the basis of aesthetic considerations, consistency with this Declaration, and the overall benefit or detriment which would result to the immediate vicinity and the Properties generally. The ARC shall consider the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The ARC's approval or disapproval shall be based solely on the considerations set forth in this Article VIII. The ARC is not

responsible for reviewing, nor may its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes. The ARC may consider the impact of views from other Residences or Lots and reasonable privacy right claims as factors in reviewing, approving or disapproving any proposed landscaping, construction or other Improvement. However, Declarant does not warrant any protected views within the Properties and no Residence or Lot is guaranteed the existence or unobstructed continuation of any particular view.

8.8. Variance.

The ARC may authorize variances from compliance with any of the architectural provisions of this Declaration, including without limitation, restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by a majority of the ARC, and become effective upon Recordation. After Declarant has lost the right to appoint a majority of the ARC's members, the Board must approve any variance recommended by the ARC before any such variance becomes effective. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance does not waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor does it affect the Owner's obligation to comply with all applicable governmental ordinances affecting the use of his Lot and Residence.

8.9. Appeals.

For so long as Declarant has the right to appoint and remove a majority of the ARC's members, the ARC's decisions are final, and there is no appeal to the Board. When Declarant is no longer entitled to appoint and remove a majority of the ARC's members, the Board may adopt policies and procedures for the appeal of ARC decisions to the Board. The Board has no obligation to adopt or implement any appeal procedures, and in the absence of Board adoption of appeal procedures, all ARC decisions are final.

ARTICLE IX

9. Maintenance and Repair Obligations.

9.1. Maintenance Obligations of Owners.

Each Owner shall, at the Owner's sole expense, subject to the provisions of this Declaration requiring ARC approval, maintain, repair, replace and restore all Improvements located on the Owner's Lot and the Lot itself, except for those portions of the Lot which constitute Association Maintenance Areas, in a neat, sanitary and attractive condition. Such maintenance responsibilities include, but are not limited to, the maintenance of the entire Residence on the Lot, as well as the surface of any fence or wall constructed on the Lot facing the Lot along the

Lot Line abutting any Common Area or public property. In addition, each Owner whose Lot may utilize a private drainage system installed by Declarant is responsible for its maintenance and repair. Each Owner whose Lot utilizes a sewer system lateral is responsible for the maintenance and repair of that portion of the lateral which exclusively serves such Owner's Lot. If any Owner permits an Improvement which such Owner is responsible for maintaining, to fall into disrepair or to become unsafe, unsightly or unattractive, or to otherwise violate this Declaration, the Board may seek any remedies at law or in equity which it may have. In addition, the Board may, after Notice and Hearing, enter upon such Owner's Lot to make such repairs or to perform such maintenance and charge the cost thereof to the Owner. Said cost shall be a Special Assessment enforceable as set forth herein.

9.2. Maintenance Obligations of Association.

After the completion of the construction or installation of the Improvements on the Common Area and Association Maintenance Areas by Declarant, no improvement, excavation or work which in any way alters the Common Area or the Association Maintenance Areas may be made or done by any person other than the Association or its authorized agents. Unless otherwise expressly provided in this Declaration, upon commencement of Annual Assessments on the Lots in a Phase, the Association shall maintain, paint, repair and replace all completed Improvements within the Common Area and Association Maintenance Areas, including but not limited to, all common landscaping and irrigation (including the perimeter landscaping adjacent to Baseline Road and Mills Avenue), slope plantings, private irrigation systems, sewers, storm drains, roads, auto courts, speed bumps, traffic control signs and traffic control devices, driveways, perimeter sound walls, parking areas and recreational facilities, in a safe, sanitary and attractive condition and in good order and repair, and shall likewise provide for the commonly metered utilities serving the Common Area and Association Maintenance Areas. The Board shall determine, in its sole discretion, the level and frequency of maintenance of the Common Area and Association Maintenance Areas. The Association may add or remove any landscaping Improvements to or from the Common Area and Association Maintenance Areas and shall ensure that the landscaping thereon is maintained free of weeds and disease. The Association is not responsible for the maintenance of any portions of the Common Area which have been dedicated to and accepted for maintenance by a state, local or municipal governmental agency or entity. All of the foregoing Association obligations shall be discharged when and in such manner as the Board shall determine in its judgment to be appropriate. The Association shall indemnify, defend and hold harmless the Owner of any Lot against whom liability for personal injury or for damage or destruction of property is sought to be imposed as a result of improper or negligent Association acts or omissions in connection with maintenance of Association Maintenance Areas located on such Owner's Lot.

9.3. Party Walls.

Each wall or fence which is placed on the dividing line between the Lots (the "Party Wall") is a party wall, and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions apply thereto.

(a) Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a Party Wall shall be shared equally by the Owners of the Lots connected by such Party Wall. However, each Owner shall be solely responsible for repainting the side of any Party Wall facing his Lot.

(b)  Destruction by Fire or Other Casualty. If a Party Wall is destroyed or damaged by fire or other casualty, any Owner whose Lot is affected thereby may restore it, and the Owner of the other Lot which is affected thereby shall contribute equally to the cost of restoration thereof without prejudice, however, to the right of any such Owner to call for a larger contribution from the other under any rule of law regarding liability for negligent or willful acts or omissions.

(c) Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article is appurtenant to the land and passes to such Owner's successors in title.

9.4. Damage to Common Area by Owners.

The Board may levy the cost of any maintenance, repairs or replacements by the Association within the Common Area or Association Maintenance Areas arising out of or caused by the willful or negligent act of an Owner, his tenants, or their families, guests or invitees as a Special Assessment against such Owner after Notice and Hearing.

9.5. Inspection.

The Board shall have the Common Area, Association Maintenance Areas and all Improvements thereon inspected at least once every three (3) years in order to (a) determine whether the Common Area and Association Maintenance Areas are being maintained adequately in accordance with the standards of maintenance established in Section 9.2 hereof, (b) identify the condition of the Common Area and Association Maintenance Areas and any Improvements thereon, including the existence of any hazards or defects, and the need for performing additional maintenance, refurbishment, replacement, or repair, and (c) recommend preventive actions which may be taken to reduce potential maintenance costs to be incurred in the future. The Board may employ such experts and consultants as necessary to perform the inspection and make the report required by this Section.

The Board shall prepare a report of the results of the inspection required by this Section. The report shall be furnished to Owners within the time set forth for furnishing Owners with the Budget. The report must include at least the following:

(a) a description of the condition of the Common Area and Association Maintenance Areas, including a list of items inspected, and the status of maintenance, repair and need for replacement of all such items;

- (b) a description of all maintenance, repair and replacement planned for the ensuing Fiscal Year and included in the Budget;
- (c) if any maintenance, repair or replacement is to be deferred, the reason for such deferral;
- (d) a summary of all reports of inspections performed by any expert or consultant employed by the Board to perform inspections;
- (e) a report of the status of compliance with the maintenance, replacement and repair needs set forth in the inspection report for preceding years; and
- (f) such other matters as the Board deems appropriate.

## ARTICLE X

### 10. Use Restrictions.

The Properties shall be held, used and enjoyed subject to the following restrictions and the exemptions of Declarant set forth in this Declaration.

#### 10.1. Single Family Residence.

Each Lot shall be used as a residence for a single Family and for no other purpose. An Owner may rent his Lot to a single Family provided that the Lot is rented pursuant to a lease or rental agreement which is (a) in writing and (b) subject to all of the provisions of this Declaration.

#### 10.2. Business or Commercial Activity.

No part of the Properties may ever be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including without limitation any activity for which the provider is compensated or receives any consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license; except Declarant may use any portion of the Properties for a model home site and display and sales offices in accordance with Article XIV hereof. This Section 10.2 does not preclude any of the above-described activities without external evidence thereof, provided that: (a) such activities are conducted in conformance with all applicable governmental ordinances; (b) the patrons or clientele of such activities do not visit the Lot or park automobiles or other vehicles within the Properties; (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 Association's liability or casualty insurance obligation or premium; and (e) such activities are consistent with the residential character of the Properties and conform with the provisions of this Declaration.

10.3. Nuisances.

No noxious or offensive activities may be carried on upon the Properties or on any public street abutting or visible from the Properties. No horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Residence and its contents, may be placed or used on any Lot. Noisy, unsightly, unusually painted or smoky vehicles, large power equipment and large power tools (excluding lawn mowers and other equipment utilized in connection with ordinary landscape maintenance), off-road motor vehicles or items which may unreasonably interfere with television or radio reception to any Lot, and objects which create or emit loud noises or noxious odors may not be located, used or placed in the Properties or on any public street abutting the Properties, or exposed to the view of other Owners without the Board's prior written approval. The Board is entitled to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner may (a) permit or cause anything to be done or kept on the Properties or on any public street abutting the Properties which may (i) increase the rate of insurance in the Properties, (ii) result in the cancellation of such insurance, or (iii) obstruct or interfere with the rights of other Owners, or (b) commit or permit any nuisance thereon or violate any law. Each Owner shall comply with all requirements of the local or state health authorities and with all other applicable governmental ordinances regarding occupancy and use of a Residence. Each Owner is accountable to the Association and other Owners for the conduct and behavior of persons residing in or visiting his Lot. Any damage to the Common Area, personal property of the Association, Association Maintenance Areas or property of another Owner caused by such persons shall be repaired at the sole expense of the Owner of the Lot where such persons are residing or visiting.

10.4. Signs.

Subject to the provisions of California Civil Code Sections 712 and 713, no sign, poster, display, billboard or other advertising device may be displayed on any portion of the Properties or on any public street abutting or visible from the Properties without the ARC's prior written consent, except (a) one (1) sign for each Lot, not larger than eighteen (18) inches by thirty (30) inches, advertising the Lot for sale or rent, (b) traffic and other signs installed by Declarant as part of the original construction of the Properties, or (c) signs, regardless of size, used by Declarant, its successors or assigns, to advertise the Properties during the construction and sales period or installed by Declarant to denote visitor parking on the Common Area. All signs or billboards and the conditions promulgated for the regulation thereof must conform to the requirements of all applicable governmental ordinances.

10.5. Parking and Vehicular Restrictions.

(a) Authorized Vehicles. The following vehicles are Authorized Vehicles: standard passenger vehicles, including without limitation automobiles, passenger vans designed to accommodate ten (10) or fewer people, motorcycles and pick-up trucks having a manufacturer's rating or payload capacity of one (1) ton or less. Authorized Vehicles may be parked in any portion of the Properties intended for parking of motorized vehicles.



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(b) Prohibited Vehicles. The following vehicles are Prohibited Vehicles: (i) recreational vehicles (e.g., motorhomes, travel trailers, camper vans, boats, etc.), (ii) commercial-type vehicles (e.g., stakebed trucks, tank trucks, dump trucks, step vans, concrete trucks, etc.), (iii) buses or vans designed to accommodate more than ten (10) people, (iv) vehicles having more than two (2) axles, (v) trailers, inoperable vehicles or parts of vehicles, (vi) aircraft, other similar vehicles or any vehicle or vehicular equipment deemed a nuisance by the Board. Prohibited Vehicles may not be parked, stored or kept on any public or private street within, adjacent to or visible from the Properties or any other Common Area parking area except for brief periods for loading, unloading, making deliveries or emergency repairs. If a vehicle qualifies as both an Authorized Vehicle and a Prohibited Vehicle, then the vehicle is presumed to be a Prohibited Vehicle, unless the vehicle is expressly classified as an Authorized Vehicle in writing by the Board. Prohibited Vehicles may only be parked within an Owner's fully enclosed garage with the door closed so long as their presence on the Properties does not otherwise violate the provisions of this Declaration.

(c) General Restrictions. Subject to the restriction on Prohibited Vehicles, all vehicles owned or operated by or within the control of an Owner or a resident of an Owner's Lot and kept within the Properties must be parked in the assigned garage of that Owner to the extent of the space available; provided that each Owner shall ensure that any such garage accommodates at least two (2) Authorized Vehicles having four (4) or more wheels. No repair, maintenance or restoration of any vehicle may be conducted on the Properties except within an enclosed garage when the garage door is closed, provided such activity is not undertaken as a business, and provided that such activity may be prohibited entirely by the Board if the Board determines that it constitutes a nuisance.

(d) Parking Regulations. There shall be no parking of vehicles of any kind at any time anywhere on the courtyards, consisting in Phase 1 of Lots F, G and H of the Properties. The Board may establish additional regulations regarding any parking areas not assigned to individual Lots, including without limitation designating "parking," "guest parking," and "no parking" areas thereon; and may enforce all parking and vehicle use regulations applicable to the Properties, including removing violating vehicles from the Properties pursuant to California Vehicle Code Section 22658.2 or other applicable ordinances or statutes. If the Board fails to enforce any of the parking or vehicle use regulations, the City may enforce such regulations in accordance with applicable laws and ordinances.

10.6. Animal Restrictions.

No animals may be raised, bred or kept on the Properties, except that dogs, cats, fish, birds and other usual household pets may be kept on Lots, provided that they are not kept, bred or

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maintained for commercial purposes, in unreasonable quantities, or in violation of the Restrictions. As used in this Declaration, "unreasonable quantities" ordinarily means more than two (2) pets per household; provided, however, that the Board may determine that a reasonable number in any instance may be more or less. The Board may limit the size of pets and may prohibit maintenance of any animal which, in the Board's opinion, constitutes a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Properties must be either kept within an enclosure or on a leash held by a person capable of controlling the animal. Any Owner shall be liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Properties by such Owner or by such Owner's family, tenants or guests. Each Owner shall clean up after such Owner's animals which have used any portion of the Properties or public street abutting or visible from the Properties. Any Owner who maintains any animal, insect or reptile within the Properties, whether in compliance with or in violation of the Restrictions, shall indemnify, defend and hold harmless the Association, its officers, directors, contractors, agents and employees from any claim brought by any person against the Association, its officers, directors, agents and employees for personal injuries or property damage caused by such animal, insect or reptile.

10.7. Trash.

No trash may be kept or permitted upon the Properties or on any public street abutting or visible from the Properties, except in sanitary containers located in appropriate areas screened from view, and no odor may be permitted to arise therefrom so as to render the Properties or any portion thereof unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers may be exposed to the view of neighboring Lots only when set out for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash collection hours). No exterior fires are permitted, except barbecue fires contained within receptacles therefor and fire pits in enclosed areas and designed in such a manner that they do not create a fire hazard. No clothing, household fabrics or other unsightly articles may be hung, dried or aired on or over any Lot. No plants or seeds infected with noxious insects or plant diseases may be brought upon, grown or maintained upon the Properties.

10.8. Temporary Buildings.

No outbuilding, tent, shack, shed or other temporary building or Improvement may be placed upon any portion of the Properties either temporarily or permanently, without the prior written consent of the ARC. No garage, carport, trailer, camper, motor home, recreation vehicle or other vehicle may be used as a residence in the Properties, either temporarily or permanently.

10.9. Common Area Facilities.

The Common Area and Association Maintenance Areas may not be altered without the Board's prior written consent.

10.10. Outside Installations.

No projections of any type may be placed or permitted to remain above the roof of any building within the Properties, except one or more chimneys and vent stacks originally installed, if at all, by Declarant. No basketball backboard or other fixed sports apparatus may be constructed or maintained in the Properties without the ARC's prior approval. No fence or wall may be erected, altered or maintained on any Lot except with the ARC's prior approval. No patio cover, wiring, or air conditioning fixture, water softeners, or other devices may be installed on the exterior of a Residence or be allowed to protrude through the walls or roof of the Residence (with the exception of those items installed during the original construction of the Residence) unless the ARC's prior written approval is obtained. Moreover, there shall be no exterior additions to or expansions of the habitable space of the Residences. Any proposed patio covers and storage sheds must be located in the rear yards of the Lots, and the size of patio covers and storage sheds may not exceed one hundred twenty (120) square feet.

10.11. Antennae.

Owners are prohibited from installing any antenna on the exterior of a Residence for any purpose, except for an "Authorized Antenna," which may be installed so long as the proposed location for such installation is reviewed by the ARC prior to installation in order to ensure that the visibility of the Authorized Antenna is minimized with respect to other Owners. The ARC may require that the location of the Authorized Antenna be moved so long as such review by the ARC does not (1) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (2) unreasonably increase the cost of installation, maintenance or use of an Authorized Antenna, or (3) preclude reception of an acceptable quality signal.

An "Authorized Antenna" means (i) an antenna that is designed to receive direct broadcast satellite service, including direct-to-home satellite service, that is one meter or less in diameter, (ii) an antenna that is designed to receive video programming service, including multichannel multi point distribution service, instructional television fixed service, and local multipoint distribution service, that is one meter or less in diameter or diagonal measurement, or (iii) an antenna that is designed to receive television broadcast signals.

The Board may adopt additional restrictions on installation or use of an Authorized Antenna on an Owner's Residence as a part of the Association's Rules and Regulations so long as such restrictions do not (1) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (2) unreasonably increase the cost of installation maintenance or use of an Authorized Antenna, or (3) preclude reception of an acceptable quality signal. The Board may prohibit the installation of an Authorized Antenna if the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of managers, agents or employees of the Association and other Owners, or for any other safety related reason established by the Board.

The Board also has the power to (i) prohibit an Owner from installing an Authorized Antenna on property which such Owner does not own or is not entitled to exclusively

use under the Restrictions, or (ii) allow an Owner to install an antenna other than an Authorized Antenna subject to applicable architectural standards and review by the ARC.

10.12. Drilling.

No oil drilling, oil, gas or mineral development operations, oil refining, geothermal exploration or development, quarrying or mining operations of any kind may be conducted upon the Properties, nor are oil wells, tanks, tunnels or mineral excavations or shafts permitted upon the surface of any Lot or within five hundred feet (500') below the surface of the Properties. No derrick or other structure designed for use in boring for water, oil, geothermal heat or natural gas may be erected, maintained or permitted upon any Lot.

10.13. Further Subdivision.

Except as otherwise provided herein, no Owner may further partition or subdivide his Lot, including without limitation any division of such Owner's Lot into time-share estates or time-share uses. This provision does not limit the right of an Owner to (a) rent or lease his entire Lot by means of a written lease or rental agreement subject to this Declaration; (b) sell such Owner's Lot; or (c) transfer or sell any Lot to more than one Person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property. Any failure by the lessee of such Lot to comply with the Restrictions constitutes a default under the lease or rental agreement.

10.14. Drainage.

No one may interfere with or alter the established drainage pattern over any Lot unless an adequate alternative provision is made for proper drainage with the ARC's prior written approval. For the purpose hereof, "established" drainage means the drainage which exists at the time that such Lot is conveyed to a purchaser from Declarant, and includes drainage from the Lots onto the Common Area and from the Common Area onto the Lots.

Each Owner, by accepting a grant deed to his Lot, acknowledges and understands that in connection with the development of the Properties, Declarant may have installed one or more "sub-drains" beneath the surface of such Owner's Lot. The sub-drains and all appurtenant improvements constructed or installed by Declarant ("Drainage Improvements"), if any, provide for subterranean drainage of water from and to various portions of the Properties. To ensure adequate drainage within the Properties, it is essential that the Drainage Improvements, if any, not be modified, removed or blocked without having first made alternative drainage arrangements. Therefore, no Owner may alter, modify, remove or replace any Drainage Improvements located within such Owner's Lot without receiving prior written approval from the ARC in accordance with Article VIII hereof. In connection with obtaining such approval, the Owner must submit a plan to the ARC for alternative drainage acceptable to the ARC. Notwithstanding ARC approval, any modification, removal or replacement of Drainage Improvements must comply with applicable governmental requirements.

10.15. Water Supply Systems.

No individual water supply, sewage disposal or water softener system is permitted on any Lot unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any applicable water district, the City, the ARC, and all other applicable governmental authorities.

10.16. Inside Installations.

No window in any Residence may be partially or completely covered, inside or outside, with aluminum foil, newspaper, paint, reflective tint or any other material the ARC deems inappropriate for such use; provided, however, that an Owner may use plain clean white sheets to cover windows for a period not to exceed six (6) months after the Close of Escrow pending the installation of drapes, curtains, shutters or other appropriate interior window coverings. Moreover, there shall be no interior additions to or expansions of the habitable space of the Residences.

10.17. View Obstructions.

Each Owner acknowledges that any construction or installation by Declarant may impair the view of such Owner and hereby consents to such impairment. No other Improvement or obstruction may be constructed, planted or maintained upon any Lot in such location or of such height as to unreasonably obstruct the view from any other Lot in the vicinity thereof. If there is a dispute between Owners concerning the obstruction of a view from a Lot, the dispute shall be submitted to the ARC, whose decision in such matters shall be binding. Any item or vegetation maintained upon any Lot which is exposed to the view of any Owner must be removed or otherwise altered to the ARC's satisfaction, if it determines that the maintenance of such item or vegetation in its then existing state is contrary to the purposes or provisions of this Declaration. If an Owner fails to perform necessary pruning, trimming, or thinning, the Association may, after Notice and Hearing, enter upon such Lot to perform such work. The ARC shall ensure that the vegetation on the Common Area and Association Maintenance Areas is cut at such intervals so that the view of any Owner is not unreasonably obstructed. However, each Owner acknowledges that any construction, landscaping or other installation of Improvements by Declarant or other Owners may impair the view from any Lot, and the Owners hereby consent to such view impairment.

10.18. Solar Energy Systems.

Each Owner may install a solar energy system on his Lot which serves his Residence so long as (a) the design and location of the solar energy system meet the requirements of all applicable governmental ordinances and (b) said design and location receive the prior written approval of the ARC.

10.19. Rights of Disabled.

Subject to the provisions of Article VIII hereof, each Owner may modify his Residence and the route over the Lot leading to the front door of his Residence, at his sole expense, in order to facilitate access to his Residence by persons who are blind, visually impaired, deaf or physically

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disabled, or to alter conditions which could be hazardous to such persons, in accordance with California Civil Code Section 1360 or any other applicable law or ordinance.

ARTICLE XI

11. Damage and Condemnation.

Damage to or destruction of all or any portion of the Common Area, Association Maintenance Areas, and condemnation of all or any portion of the Common Area shall be handled in the following manner:

(a) If the Common Area or Association Maintenance Areas are damaged or destroyed, the Association shall cause the Common Area and Association Maintenance Areas to be repaired and reconstructed substantially in accordance with the original plans and specifications, and any restoration or repair of the Common Area and such Association Maintenance Areas shall be performed substantially in accordance with the original plans and specifications. If the cost of effecting total restoration of the Common Area and Association Maintenance Areas exceeds the amount of insurance proceeds, then the Association shall levy a Reconstruction Assessment against the Lots and their respective Owners equal to the difference between the total restoration cost and the insurance proceeds.

(b) Each Owner is liable to the Association for any damage to the Common Area or the Association Maintenance Areas not fully reimbursed to the Association by insurance proceeds (including without limitation any deductible amounts under any insurance policies against which the Association files a claim for such damage) which may be sustained due to the negligence or willful misconduct of said Owner or the persons deriving their right and easement of use and enjoyment of the Common Area from said Owner, or of such Owner's family and guests. The Association may, after Notice and Hearing, (i) determine whether any claim shall be made upon the insurance maintained by the Association and (ii) levy against such Owner a Special Assessment equal to any deductible paid and the increase, if any, in the insurance premium directly attributable to the damage caused by such Owner or the persons for whom such Owner may be liable as described herein. If a Lot is jointly owned, the liability of its Owners is joint and several, except to the extent that the Association has previously contracted in writing with such joint Owners to the contrary. After Notice and Hearing, the cost of correcting such damage, to the extent not reimbursed to the Association by insurance, shall be a Special Assessment against such Owner.

(c) If all or any portion of the Common Area is taken by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the Association and deposited in the Operating

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Fund. No Owner may participate as a party, or otherwise, in any proceedings relating to such condemnation.

## ARTICLE XII

### 12. Insurance.

#### 12.1. Casualty Insurance.

The Board shall obtain and maintain fire and casualty insurance with extended coverage for loss or damage to all insurable Improvements installed by Declarant or by the Association on the Common Area and the Association Maintenance Areas for the full replacement cost thereof without deduction for depreciation or coinsurance, and may obtain insurance against such other hazards and casualties as the Association may deem desirable. The Association may also insure any other real or personal property it owns against loss or damage by fire and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The policies insuring the Common Area and the Association Maintenance Areas must be written in the name of, and the proceeds thereof must be payable to the Association. Unless the applicable insurance policy provides for a different procedure for the filing of claims, all claims made under such policy must be sent to the insurance carrier or agent, as applicable, by certified mail and be clearly identified as a claim. The Association shall keep a record of all claims made. Subject to Article XI(b) and XIII(d) hereof, the Association shall use insurance proceeds to repair or replace the property for which the insurance was carried. Premiums for all insurance carried by the Association are a Common Expense.

#### 12.2. Insurance Obligations of Owners.

Each Owner is responsible for insuring his personal property and all other property and Improvements within his Residence for which the Association has not purchased insurance in accordance with Section 12.1 hereof. Each Owner is also responsible for carrying public liability insurance in the amount such Owner deems desirable to cover such Owner's individual liability for damage to person or property occurring inside such Owner's Residence or elsewhere upon such Owner's Lot. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Association, and duplicate copies of such other policies shall be deposited with the Board upon the Board's request. If any loss intended to be covered by insurance carried by or on behalf of the Association occurs and the proceeds payable thereunder are reduced due to insurance carried by any Owner, such Owner shall assign the proceeds of such insurance to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

#### 12.3. Waiver of Subrogation.

All policies of physical damage insurance the Association maintains must provide, if reasonably possible, for waiver of: (a) any defense based on coinsurance; (b) any right of setoff, counterclaim, apportionment, proration or contribution due to other insurance not carried by the Association; (c) any invalidity, other adverse effect or defense due to any breach of warranty or

condition caused by the Association, any Owner or any tenant of any Owner, or arising from any act or omission of any named insured or the respective agents, contractors and employees of any insured; (d) any rights of the insurer to repair, rebuild or replace, and, if any Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured; (e) notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Lot; (f) any denial of an Owner's claim because of negligent acts by the Association or other Owners; or (g) prejudice of the insurance by any acts or omissions of Owners that are not under the Association's control. As to each policy of insurance the Association maintains which will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Board, the Owners, the Manager, Declarant, and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by such persons, but only to the extent that insurance proceeds are received in compensation for such loss.

#### 12.4. Liability and Other Insurance.

The Association shall obtain comprehensive public liability insurance, including medical payments and malicious mischief, in such limits as it deems desirable with such minimum limits as are set forth in Section 1365.9 of the California Civil Code, insuring against liability for bodily injury, death and property damage arising from the Association's activities or with respect to property the Association maintains or is required to maintain including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The Association may also obtain Worker's Compensation insurance and other liability insurance as it may deem desirable, insuring each Owner, the Association, Board and Manager, against liability in connection with the Common Area and Association Maintenance Areas, the premiums for which are a Common Expense. The Board shall review all insurance policies at least annually and increase the limits in its discretion. The Board may also obtain such errors and omissions insurance, indemnity bonds, fidelity bonds and other insurance as it deems advisable, insuring the Board, the Association's officers and the Manager against any liability for any act or omission in carrying out their obligations hereunder, or resulting from their membership on the Board or on any committee thereof. However, fidelity bond coverage which names the Association as an obligee must be obtained by or on behalf of the Association for any person or entity handling Association funds, including, but not limited to, Association officers, directors, trustees, employees and agents and Manager employees, whether or not such persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in the Association's or Manager's custody during the term of each bond. The aggregate amount of such bonds may not be less than one-fourth (1/4) of the Annual Assessments on all Lots in the Properties, plus reserve funds. In addition, the Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity bond coverage meeting the requirements for planned unit developments established by FNMA, GNMA and FHLMC, so long as any of them is a Mortgagee or an Owner of a Lot in the Properties, except to the extent such coverage is not reasonably available or has been waived in writing by FNMA, GNMA and FHLMC, as applicable. The Association's general liability



insurance coverage and director's and officer's errors and omissions insurance coverage must be in the minimum amounts set forth in Section 1365.9 of the California Civil Code, as may be applicable.

12.5. Notice of Expiration Requirements.

If available, each insurance policy the Association maintains must contain a provision that said policy may not be cancelled, terminated, materially modified or allowed to expire by its terms, without ten (10) days' prior written notice to the Board and Declarant and to each Owner and Beneficiary, 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.

ARTICLE XIII

13. Rights of Mortgagees.

Notwithstanding any other provision of this Declaration, no amendment or violation of the Declaration defeats or renders invalid the rights of the Beneficiary under any Deed of Trust upon one (1) or more Lots made in good faith and for value, provided that after the foreclosure of any such Deed of Trust such Lot(s) will remain subject to this Declaration. For purposes of this Declaration, "first Mortgage" means a Mortgage with first priority over other Mortgages or Deeds of Trust on a Lot, and "first Mortgagee" means the Beneficiary of a first Mortgage. For purposes of any provisions of the Restrictions which require the vote or approval of a specified percentage of first Mortgagees, such vote or approval is determined based upon one (1) vote for each Lot encumbered by each such first Mortgage. In order to induce FHLMC, GNMA and FNMA to participate in the financing of the sale of Lots, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of the Restrictions, these added provisions control):

(a) Each Beneficiary, insurer and guarantor of a first Mortgage encumbering one or more Lots, upon filing a written request for notification with the Board, is entitled to written notification from the Association of:

(1) any condemnation or casualty loss which affects either a material portion of the Properties or the Lot(s) securing the respective first Mortgage; and

(2) any delinquency of sixty (60) days or more in the performance of any obligation under the Restrictions, including without limitation the payment of assessments or charges owed by the Owner(s) of the Lot(s) securing the respective first Mortgage, which notice each Owner hereby consents to and authorizes; and

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(3) a lapse, cancellation, or material modification of any policy of insurance or fidelity bond maintained by the Association; and

(4) any proposed action of the Association which requires consent by a specified percentage of first Mortgagees.

(b) Each Owner, including each first Mortgagee of a Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage, or by foreclosure of such Mortgage, or by deed or assignment in lieu of foreclosure, shall be exempt from any "right of first refusal" created or purported to be created by the Restrictions.

(c) Each first Mortgagee of a first Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage or by foreclosure of such Mortgage, shall take title to such Lot free and clear of any claims for unpaid assessments or charges against such Lot which accrued prior to the time such Mortgagee acquires title to such Lot in accordance with Section 7.7.

(d) Unless at least sixty-seven percent (67%) of the first Mortgagees or sixty-seven percent (67%) of the Owners (other than Declarant) have given their prior written approval, the Association may not:

(1) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area and the Improvements thereon which are owned by the Association; provided that the following acts shall not be limited by the terms of this clause: the granting of easements for public utilities or for other purposes consistent with the intended use of such property by the Association as provided in this Declaration; or the granting to an Owner or Owners of exclusive easements over portions of the Common Area or of fee interests in portions of the Common Area pursuant to a Recorded lot line adjustment approved by the requisite governmental entity, so long as each such grant to an Owner is reasonably required for purposes of conformity with the as-built location of authorized Improvements;

(2) change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot Owner, or the method of allocating distributions of hazard insurance proceeds or condemnation awards;

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(3) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of the Residences and other Improvements on the Lots, the exterior maintenance of the Residences, the maintenance of the Common Area or Association Maintenance Areas, party walls, the maintenance of the common fences and driveways, or the upkeep of lawns and plantings on the Properties;

(4) fail to maintain Fire and Extended Coverage insurance on insurable Common Area and Association Maintenance Areas on a current replacement cost basis in an amount as near as possible to one hundred percent (100%) of the insurance value (based on current replacement cost); or

(5) use hazard insurance proceeds for losses to any Common Area or Association Maintenance Area property for other than the repair, replacement or reconstruction of such property.

(e) All Beneficiaries, insurers and guarantors of first Mortgages, upon written request to the Association, shall have the right to:

(1) examine current copies of the Association's books, records and financial statements and the Restrictions during normal business hours; and

(2) require the Association to submit an annual audited financial statement for the preceding Fiscal Year if one is available, or have one prepared at the expense of the requesting entity if such statement is not otherwise prepared by the Association; provided that, upon annexation of additional Lots to the Properties such that fifty (50) or more Lots are subject to this Declaration, the Association may be required to submit such a statement without expense to the requesting entity within one hundred twenty (120) days of the end of the Fiscal Year; and

(3) receive written notice of all meetings of Owners; and

(4) designate in writing a representative who shall be authorized to attend all meetings of Owners.

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(f) All Beneficiaries, insurers and guarantors of first Mortgages, who have filed a written request for such notice with the Board shall be given thirty (30) days' written notice prior to (1) any abandonment or termination of the Association, (2) the effective date of any proposed, material amendment to this Declaration or the Articles of Incorporation or Bylaws of the Association, and (3) the effective date of any termination of any agreement for professional management of the Properties following a decision of the Owners to assume self-management of the Properties. Such first Mortgagees shall be given immediate notice (1) following any damage to the Common Area or Association Maintenance Areas whenever the cost of reconstruction exceeds Ten Thousand Dollars (\$10,000.00), and (2) when the Board learns of any threatened condemnation proceeding or proposed acquisition of any portion of the Properties.

(g) First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Area property and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for Common Area or Association Maintenance Areas property, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

(h) The Reserve Fund described in Article VI of this Declaration must be funded by regular scheduled monthly, quarterly, semiannual or annual payments rather than by large special assessments.

(i) The Board shall secure and cause to be maintained in force at all times a fidelity bond for any Person handling funds of the Association, including, but not limited to, employees of the professional Manager.

(j) When professional management has been previously required by a Beneficiary, insurer or guarantor of a first Mortgage, any decision to establish self-management by the Association shall require the approval of sixty-seven percent (67%) of the voting power of the Association and the Beneficiaries of fifty-one percent (51%) of the first Mortgages of Lots in the Properties.

(k) All intended Improvements in any Phase of Development other than Phase 1 shall be substantially consistent with the Improvements in Phase 1 in structure type and quality of construction. The requirements of this Section 13(k) are for the benefit of and may be enforced only by FNMA.

(l) The Board may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of VA, FHA, FHLMC, FNMA, GNMA or any similar entity, so as to allow for the purchase,

insurance or guaranty, as the case may be, by such entities of first Mortgages encumbering Lots with Residences thereon. Each Owner hereby agrees that it will benefit the Association and its Members, as a class of potential Mortgage borrowers and potential sellers of their Lots, if such agencies approve the Properties as a qualifying subdivision under their respective policies, rules and regulations. Each Owner hereby authorizes his Mortgagees to furnish information to the Board concerning the status of any Mortgage encumbering a Lot.

#### ARTICLE XIV

##### 14. Declarant Exemption.

Declarant or its successors or assigns intends, but is not obligated, to construct Residences and develop all of the Lots in the Properties. The completion of that work and sale, resale, rental and other disposal of Lots is essential to the establishment and welfare of the Properties as a quality residential community. As used in this Article and its subparagraphs, the words "its successors or assigns" specifically do not include purchasers of Lots pursuant to transactions requiring the issuance of a Final Subdivision Public Report. In order that such work may be completed and the Properties be established as a fully occupied residential community as rapidly as possible, no Owner nor the Association may do anything to interfere with, and nothing in this Declaration may be understood or construed to:

(a) Prevent Declarant, its successors or assigns, or its or their contractors or subcontractors, from doing on any Lot owned by them whatever they determine to be necessary or advisable in connection with the completion of such work, including without limitation altering of construction plans and designs as Declarant deems advisable in the course of development; or

(b) Prevent Declarant, its successors or assigns, or its or their representatives, from erecting and maintaining on any portion of the Properties owned or controlled by Declarant, or its successors or assigns or its or their contractors or subcontractors, such structures as may be reasonably necessary to conduct the business of completing such work and establishing the Properties as a residential community and disposing of the same by sale, resale, lease or otherwise; or

(c) Prevent Declarant, its successors or assigns, or its or their contractors or subcontractors, from conducting on any Lot, or any portion thereof, owned or controlled by Declarant, or its successors or assigns, the business of developing, altering, subdividing, grading and constructing Residences and other Improvements on the Properties as a residential community and of disposing of Residences thereon by sale, lease or otherwise; or

(d) Prevent Declarant, its successors or assigns or its or their contractors or subcontractors, from maintaining such sign or signs on any portion of the Properties owned or controlled by any of them as may be necessary in connection with the sale, lease or marketing of Lots and Residences in the Properties; or

(e) Prevent Declarant, at any time prior to acquisition of title to a Lot by a purchaser from Declarant, to establish on that Lot additional licenses, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Properties; or

(f) Prevent Declarant from unilaterally modifying its development plan for the Properties and the Annexable Territory, including without limitation designating and redesignating Phases and constructing Residences of larger or smaller sizes, values or of different types.

Declarant need not seek or obtain ARC approval of any Improvement Declarant constructs or places on the Properties. Declarant, in the exercise of its rights under this Article, may not unreasonably interfere with any other Owner's use of the Common Area. The Association shall provide Declarant with all notices and other documents to which a Beneficiary is entitled pursuant to this Declaration, provided that Declarant shall be provided such notices and other documents without making written request therefor. Commencing on the date on which Declarant no longer has an elected representative on the Board, and continuing until the later to occur of the date on which Declarant (i) no longer owns a Lot in the Properties or (ii) cannot unilaterally annex property to the Properties, the Association shall provide Declarant with written notice of all meetings of the Board as if Declarant were an Owner and Declarant shall be entitled to have a representative present at all such Board meetings ("Declarant's Representative"). The Declarant's Representative shall be present in an advisory capacity only and shall not be a Board member or have any right to vote on matters coming before the Board.

## ARTICLE XV

### 15. General Provisions.

All disputes arising under this Declaration, other than those described in Section 15.14 or regulated by Civil Code Section 1375, shall be resolved as follows:

#### 15.1. Enforcement of Restrictions.

(a) Violations Identified by the Association. If the Board determines that there is a violation of the Restrictions, or the ARC determines that an Improvement which is the maintenance responsibility of an Owner needs installation, maintenance, repair, restoration or painting, then the Board shall give

written notice to the responsible Owner identifying (i) the condition or violation complained of, and (ii) the length of time the Owner has to remedy the violation including, if applicable, the length of time the Owner has to submit plans to the ARC and the length of time the Owner has to complete the work proposed in the plans submitted to the ARC.

If an Owner does not perform such corrective action as is required by the Board and the ARC within the allotted time, the Board, after Notice and Hearing, may remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner as a Special Assessment.

If the violation involves nonpayment of any type of Assessment, then the Board may collect such delinquent Assessment pursuant to the procedures set forth in Article VII.

(b) Violations Identified by an Owner. If an Owner alleges that another Owner, his family, guests or tenants, is violating the Restrictions (other than nonpayment of any type of Assessment), the complaining Owner must first submit the matter to the Board for Notice and Hearing before the complaining Owner may resort to alternative dispute resolution, as required by Section 1354 of the California Civil Code, or litigation for relief.

(c) Legal Proceedings. Failure to comply with any of the terms of the Restrictions by an Owner, his family, guests, employees, invitees or tenants, is grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof; provided, however, that the procedures established in Section 1354 of the California Civil Code and in Sections 15.1(a), (b) and (c) above must first be followed, if they are applicable.

(d) Additional Remedies. The Board may adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner for the failure of such Owner, or of a resident of or visitor to such Owner's Lot, to comply with the Restrictions. Such fines or penalties may only be assessed after Notice and Hearing. After Notice and Hearing, the Board may direct the officers of the Association to Record a notice of noncompliance against a Lot owned by any Member of the Association who has violated any provision of this Declaration. The notice shall include a legal description of the Lot and shall specify the provision of the Declaration that was violated, the violation committed, and the steps required to remedy the noncompliance. Once the noncompliance is remedied or the noncomplying Owner has taken such other steps as reasonably required by the Board, the Board shall direct the officers of the Association to record a notice that the noncompliance has been remedied.

(e) No Waiver. Failure to enforce any provision hereof does not waive the right to enforce that provision, or any other provision hereof.

(f) Right to Enforce. The Board or any Owner (not at the time in default hereunder) may enforce the Restrictions as described in this Article, subject to Section 1354 of the California Civil Code. Each Owner has a right of action against the Association for the Association's failure to comply with the Restrictions. Each remedy provided for in this Declaration is cumulative and not exclusive or exhaustive.

(g) City's Right to Enforce. The City may enforce the maintenance obligations of the Association in the event the Association fails to carry them out. Such right includes the power, after proper notice, to enforce by lien against both the Common Area of the Association and the Lots of the Owners for the costs of such maintenance and enforcement.

15.2. Severability.

The provisions hereof are independent and severable, and a determination of invalidity or partial invalidity or unenforceability of any one provision or portion hereof by a court of competent jurisdiction does not affect the validity or enforceability of any other provision hereof.

15.3. Term.

This Declaration continues in full force unless a Declaration of Termination satisfying the requirements of an amendment to the Declaration as set forth in Section 15.5 is Recorded.

15.4 Interpretation.

This Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community and for the maintenance of the Common Area and Association Maintenance Areas, and any violation of this Declaration is a nuisance. The Article and Section headings have been inserted for convenience only, and may not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular includes the plural and the plural the singular; and the masculine, feminine and neuter each include the other, unless the context dictates otherwise.

15.5. Termination and Amendment.

(a) Notice of the subject matter of a proposed amendment to, or termination of, this Declaration in reasonably detailed form shall be included in the notice of any meeting or election of the Association at which a proposed amendment or termination is to be considered. The resolution can only be adopted by the vote, in person or by proxy, or written consent of Members representing not less than (i) sixty-seven percent (67%) of the voting power of



each class of Members, and (ii) sixty-seven percent (67%) of the Association's voting power residing in Members other than Declarant; provided that the specified percentage of the Association's voting power necessary to amend a specified Section or provision of this Declaration may not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. In addition, Article XIV hereof may not be amended, nor is any amendment effective which would be counter to Article XIV or any other rights of Declarant, without the prior written consent of Declarant for so long as Declarant is an Owner or entitled to add Annexable Territory to the Properties without the vote or consent of Owners.

(b) In addition to the required notice and consent of Members and Declarant provided above, the Beneficiaries of fifty-one percent (51%) of the first Mortgages on all the Lots in the Properties who have requested the Association to notify them of proposed action requiring the consent of a specified percentage of first Mortgagees must approve any amendment to this Declaration which is of a material nature, as follows:

(1) Any amendment which affects or purports to affect the validity or priority of Mortgages or the rights or protection granted to Beneficiaries, insurers and guarantors of first Mortgages as provided in Articles VII, XI, XII, XIII and XV hereof.

(2) Any amendment which would necessitate a Mortgagee, after it has acquired a Lot through foreclosure, to pay more than its proportionate share of any unpaid assessment or assessments accruing after such foreclosure.

(3) Any amendment which would or could result in a Mortgage being cancelled by forfeiture, or in a Lot not being separately assessed for tax purposes.

(4) Any amendment relating to the insurance provisions as set out in Article XII hereof, or to the application of insurance proceeds as set out in Article XI hereof, or to the disposition of any money received in any taking under condemnation proceedings.

(5) Any amendment which would or could result in subdivision of a Lot in any manner inconsistent with the provisions of this Declaration.

(6) Any amendment which would subject any Owner to a right of first refusal or other such restriction if such Lot is proposed to be sold, transferred or otherwise conveyed.

(7) Any amendment concerning:

(A) Voting rights;

(B) Rights to use the Common Area;

(C) Reserves and responsibility for maintenance, repair and replacement of the Common Area;

(D) Leasing of Lots;

(E) Establishment of self-management by the Association where professional management has been required by any Beneficiary, insurer or guarantor of a first Mortgage;

(F) Annexation or deannexation of property to or from the Properties; or

(G) Assessments, assessment liens, or the subordination of such liens.

(c) Termination of this Declaration shall require approval by the Members as provided in subsection (a) of this Section 15.5. No such termination shall be effective unless it is also approved in advance either by fifty-one percent (51%) of the Beneficiaries of the first Mortgages on all of the Lots in the Properties (if said termination is proposed by reason of the substantial destruction or condemnation of the Properties) or by sixty-seven percent (67%) of such Beneficiaries (if said termination is for reasons other than such substantial destruction or condemnation).

(d) Each Beneficiary of a first Mortgage on a Lot in the Properties which receives proper written notice of a proposed amendment or termination of this Declaration by certified or registered mail with a return receipt requested shall be deemed to have approved the amendment or termination if the Beneficiary fails to submit a response to the notice within thirty (30) days after the Beneficiary receives the notice.

(e) A copy of each amendment shall be certified by at least two (2) Association officers, and the amendment will be effective when a Certificate of Amendment is Recorded. The Certificate, signed and sworn to by at least two (2) officers of the Association that the requisite number of Owners have either voted for or consented in writing to any termination or amendment adopted as provided above, when Recorded, is conclusive evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for at least four (4) years. The certificate reflecting any termination or amendment which requires the written consent of any of the Beneficiaries of first Mortgages must include a certification that the requisite approval of such first Mortgagees has been obtained.

(f) Notwithstanding any other provisions of this Section 15.5, at any time prior to the first Close of Escrow in Phase 1, Declarant may unilaterally amend or terminate this Declaration by Recording a written instrument which effects the amendment or termination and is signed and acknowledged by Declarant.

(g) Notwithstanding any other provisions of this Section 15.5, for so long as Declarant owns any portion of the Properties or the Annexable Territory, Declarant may unilaterally amend this Declaration by Recording a written instrument signed by Declarant in order to conform this Declaration to the requirements of VA, FHA, DRE, FNMA, GNMA or FHLMC.

15.6. No Public Right or Dedication.

Nothing contained in this Declaration constitutes a gift or dedication of all or any part of the Properties to the public, or for any public use.

15.7. Constructive Notice and Acceptance.

Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or other portion of the Properties does hereby consent and agree, and shall be conclusively deemed to have consented and agreed, to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in the Properties or any portion thereof.

15.8. Reservation of Easements.

Declarant hereby reserves for the benefit of each Owner and such Owner's Lot reciprocal, nonexclusive easements over the adjoining Lot or Lots for the control, maintenance and repair of the utilities serving such Owner's Lot. Declarant expressly reserves for the benefit of all of the real property in the Properties, and for the benefit of all of the Lots and of the Owners, reciprocal, nonexclusive easements over all Lots and the Common Area, for maintenance and repair of utility services, for drainage from the Lots of water resulting from the normal use of adjoining Lots, and for maintenance and repair of any Residence. If any Residence encroaches upon the

Common Area and Improvements thereon as a result of construction by Declarant or as a result of reconstruction, repair, shifting, settlement or movement of any portion of the Properties, a valid easement for minor encroachment and for its maintenance shall exist so long as the minor encroachment exists. Declarant and the Owners of each Lot on which there is constructed a Residence along or adjacent to such Lot line shall have an easement appurtenant to such Lot over the Lot line to and over the adjacent Lot for the purposes of accommodating any natural movement or settling of any Residence located on such Lot, any encroachment of any Residence due to minor engineering or construction variances, and any encroachment of eaves, roof overhangs and architectural features comprising parts of the original construction of any Residence located on such Lot.

15.9. Notices.

Except as otherwise provided herein, notice to be given to an Owner must be in writing and may be delivered personally to the Owner. Personal delivery of such notice to one (1) or more co-owners of a Lot or to any general partner of a partnership owning a Lot constitutes delivery to all co-owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process on a corporation constitutes delivery to the corporation. In lieu of the foregoing, such notice may be delivered by regular United States mail, postage prepaid, addressed to the Owner at the most recent address furnished by such Owner to the Association or, if no such address has been furnished, to the street address of such Owner's Lot. Such notice is deemed delivered three (3) business days after the time of such mailing, except for notice of a meeting of Members or of the Board, in which case the notice provisions of the Bylaws control. Any notice to be given to the Association may be delivered personally to any member of the Board, or sent by United States mail, postage prepaid, addressed to the Association at such address as may be fixed from time to time and circulated to all Owners.

15.10. Enforcement of Bonded Obligations.

If (a) the Common Area and Association Maintenance Area Improvements in any Phase are not completed prior to the issuance of a Final Subdivision Public Report for such Phase by DRE, and (b) the Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of Declarant's commitment to complete such Improvements, then the following provisions of this Section will be applicable:

(i) The Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any such Improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that Improvement in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Common Area Improvement, then the Board shall be directed to consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension.

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(ii) A special meeting of Members for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the Board's failure to consider and vote on the question shall be held no fewer than thirty-five (35) nor more than forty-five (45) days after the Board receives a petition for such a meeting signed by Members representing five percent (5%) of the Association's total voting power. A vote of a majority of the Association's voting power residing in Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association, and the Board shall thereafter implement such decision by initiating and pursuing appropriate action in the Association's name.

15.11. Nonliability and Indemnification.

(a) General Limitation. Except as specifically provided in the Restrictions, or as required by law, no right, power, or responsibility conferred on the Board or the ARC by the Restrictions may be construed as a duty, obligation or disability charged upon the Board, the ARC, any member of the Board or of the ARC, or any other Association officer, employee or agent. No such person is liable to any party (other than the Association or a party claiming in the name of the Association) for injuries or damage resulting from such person's acts or omissions within what such person reasonably believed to be the scope of such person's Association duties ("Official Acts"), except to the extent that such injuries or damage result from such person's willful or malicious misconduct. No such person is liable to the Association (or to any party claiming in the name of the Association) for injuries or damage resulting from such person's Official Acts, except to the extent that such injuries or damage result from such person's negligence or willful or malicious misconduct. The Association is not liable for damage to property in the Properties unless caused by the negligence of the Association, the Board, the Association's officers, the Manager or the Manager's staff.

(b) Damages Limitation. A volunteer Board member or volunteer Association officer shall not be personally liable in excess of the coverage of insurance specified below to any person who suffers injury, including without limitation bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of the volunteer officer or Board member if all of the following conditions are satisfied:

(i) The Board member or officer is a tenant of a Lot or an Owner of no more than two (2) Lots;

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

- (iii) The act or omission was performed in good faith;
- (iv) The act or omission was not willful, wanton or grossly negligent; and
- (v) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim was made one (1) or more policies of insurance which include coverage for (A) general liability of the Association and (B) individual liability of officers and Board members for negligent acts or omissions in that capacity; provided, that both types of coverage are in the minimum amount specified in Section 1365.7(a)(4) of the California Civil Code.

A Board member or Association officer who at the time of the act or omission was the Declarant or received direct or indirect compensation as an employee from Declarant or from a financial institution that purchased a Lot at a judicial or nonjudicial foreclosure of a Mortgage is not a volunteer for purposes of this Section 15.11(b). The payment of actual expenses incurred by a Board member or Association officer does not affect the member's or officer's status as a volunteer for purposes of this Section 15.11(b).

(c) Indemnification. The Association shall pay all expenses incurred by, and satisfy any judgment or fine levied against, any person as a result of any action or threatened action against such person to impose liability on such person for his Official Acts, provided that:

- (i) The Board determines that such person acted in good faith and in a manner such person reasonably believed to be in the Association's best interests;
- (ii) In the case of a criminal proceeding, the Board determines that such person had no reasonable cause to believe his conduct was unlawful; and
- (iii) In the case of an action or threatened action by or in the right of the Association, the Board determines that such person acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

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Any determination of the Board required under this Section 15.11(c) must be approved by a majority vote of a quorum consisting of Directors who are not parties to the action or threatened action giving rise to the indemnification. If the Board fails or refuses to make any such determination, such determination may be made by the vote of a majority of a quorum of the Members voting at a meeting called for such purpose, provided that the person to be indemnified may not vote. Payments made hereunder include amounts paid and expenses incurred in settling any such action or threatened action. This Section 15.11(c) is intended to authorize payments and indemnification to the fullest extent permitted by applicable law. The entitlement to indemnification hereunder inures to the benefit of the estate, executor, administrator, heirs, legatees, or devisees of any person entitled to such indemnification.

15.12. Priorities and Inconsistencies.

If there are conflicts or inconsistencies between this Declaration and either the Articles or the Bylaws, then the provisions of this Declaration shall prevail.

15.13. Mergers or Consolidations.

Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by this Declaration governing the Properties, together with the covenants and restrictions established upon any other property, as one (1) plan.

15.14. Dispute Resolution.

Any disputes between the Association, any Owners and the Declarant or any director, officer, partner, employer, subcontractor or agent of the Declarant (collectively "Declarant Parties") arising under this Declaration or relating to the Project, shall be subject to the following provisions:

(a) Construction Defect Disputes. Prior to the commencement of any legal action by the Association or any Owner against the Declarant or Declarant Party based upon a claim for defects in the design or construction of any Residence, Common Property or Improvements thereon, the Association or Owner must first comply with the requirements of Civil Code Section 1375 (notwithstanding the fact that Section 1375 does not apply to Owners by its terms). If the parties are unable to resolve their dispute in accordance with the procedures established under Civil Code Section 1375, the dispute shall be resolved in accordance with subsection (c) below. Section 1354 of the Civil Code

shall not apply in any way to disputes which are encompassed by this Section 15.14(a).

(b) Other Disputes. Any other disputes arising under this Declaration or otherwise between the Association, any Owner and the Declarant or a Declarant Party (except for action taken by the Association against Declarant for delinquent assessments, and any action involving any Common Property completion bonds) shall be resolved in accordance with subsection (c) below. The dispute resolution procedure in subsection (c) shall be deemed to satisfy the alternative dispute requirements of Civil Code Section 1354, as applicable.

(c) Judicial Reference. Any unresolved disputes under subsections (a) and (b) above, shall be submitted to general judicial reference pursuant to California Code of Civil Procedure Sections 638(1) and 641-645 or any successor statutes thereto. The parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceeding. Declarant shall not be required to participate in the judicial reference proceeding unless it is satisfied that all necessary and appropriate parties will participate. The parties shall share equally in the fees and costs of the referee, unless the referee orders otherwise.

The general referee shall have the authority to try all issues, whether of fact or law, and to report a statement of decision to the court. The parties shall use the procedures adopted by Judicial Arbitration and Mediation Services ("JAMS") for judicial reference (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties), provided that the following rules and procedures shall apply in all cases unless the parties agree otherwise:

- (1) The proceedings shall be heard in the County;
- (2) The referee must be a retired judge or a licensed attorney with substantial experience in relevant real estate matters;
- (3) Any dispute regarding the selection of the referee shall be resolved by JAMS or the entity providing the reference services, or, if no entity is involved, by the court with appropriate jurisdiction;
- (4) The referee may require one or more pre-hearing conferences;
- (5) The parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge;



- (6) A stenographic record of the trial shall be made, provided that the record shall remain confidential except as may be necessary for post-hearing motions and any appeals;
- (7) The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable; and
- (8) The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.

The statement of decision of the referee upon all of the issues considered by the referee is binding upon the parties, and upon filing of the statement of decision with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the referee shall be appealable as if rendered by the court. This provision shall in no way be construed to limit any valid cause of action which may be brought by any of the parties. The parties acknowledge and accept that they are waiving their right to a jury trial.

15.15. Additional Provisions.

Notwithstanding the provisions contained in the Restrictions, the Association and the Owners should be aware that there may be provisions of various laws, including without limitation the Davis-Stirling Common Interest Development Act codified at Sections 1350 *et seq.* of the California Civil Code and the federal Fair Housing Act codified at Title 42 United States Code, Sections 3601 *et seq.*, which may supplement or override the Restrictions. Declarant makes no representations or warranties regarding the future enforceability of any portion of the Restrictions.

15.16. No Representations or Warranties.

No representations or warranties of any kind, express or implied, have been given or made by Declarant, or its agents or employees in connection with the Properties, or any portion thereof, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a planned development, except as specifically and expressly set forth in this Declaration and except as may be filed by Declarant from time to time with the DRE.

15.17. Marketing Name.

The Properties shall be marketed by the name "The Bungalows," unless and until changed from time to time unilaterally by Declarant.

ARTICLE XVI

16. Annexation of Additional Property.

Additional real property may be annexed to Phase I and such additional real property may become subject to this Declaration by any of the following methods:

16.1. Additions by Declarant.

Declarant may add the Annexable Territory, or any portion or portions thereof (including any Common Area located therein), to the Properties and bring such added territory within the general plan of this Declaration without the approval of the Association, the Board, or Members, so long as Declarant owns any portion of the Annexable Territory. As each Phase is developed, Declarant may, with respect thereto, Record a supplemental declaration ("Supplemental Declaration") which may supplement this Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant may deem appropriate for that Phase.

16.2. Other Additions.

In addition to the provisions for annexation specified in Section 16.1 above, additional real property may be annexed to the Properties and brought within the general plan of this Declaration upon the approval by vote or written consent of Members entitled to exercise no less than two-thirds (2/3rds) of the Association's voting power.

16.3. Rights of Added Territory Members.

Subject to the provisions of Section 16.4, upon the Recording of a Notice of Addition containing the provisions as set forth in this Section, all provisions contained in this Declaration will apply to the real property described in such Notice of Addition (the "Added Territory") in the same manner as if it were originally covered by this Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Declaration with respect to the Added Territory will be the same as with respect to the property originally covered hereby, and the rights, powers and responsibilities of the Owners, lessees and occupants of Lots within the Added Territory, as well as within the property originally subject to this Declaration, will be the same as if the Added Territory were originally covered by this Declaration. From and after the first day of the first month following the first Close of Escrow in the Added Territory, the Owners of Lots located in the Added Territory shall share in the payment of assessments to the Association to meet Common Expenses of the entire Properties as provided in Section 6.7 hereof. Voting rights attributable to the Lots in the Added Territory do not vest until Annual Assessments have commenced as to such Lots.

16.4. Notice of Addition.

The additions authorized under Sections 16.1 and 16.2 must be made by Recording a Notice of Addition, or other similar instrument (which notice or instrument may contain the Supplemental Declaration, if any, affecting each such Phase), with respect to the Added Territory ("Notice of Addition") which will extend the general plan of this Declaration to such Added Territory. The Notice of Addition for any addition under Section 16.1 must be signed by Declarant. The Notice of Addition for any addition under Section 16.2 must be signed by at least two (2) officers of the Association to certify that the requisite Member approval under Section 16.2 was obtained. The Recordation of said Notice of Addition effectuates the annexation of the Added Territory described therein, and thereupon said Added Territory will constitute a part of the Properties, become subject to this Declaration and encompassed within the general plan of covenants.

conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the Association's functions, powers and jurisdiction; and the Owners of Lots in the Added Territory will automatically become Members. Such Notice of Addition may contain a Supplemental Declaration with such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration as may be necessary to reflect the different character, if any, of the Added Territory, or as Declarant deems appropriate in the development of the Added Territory, and as are not inconsistent with the general plan of this Declaration. In no event, however, may such Notice of Addition or Supplemental Declaration revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Declaration as the same pertain to the real property originally covered by this Declaration. Concurrently with the first Close of Escrow for the sale of a Lot in any Phase annexed to the Properties in accordance herewith, Declarant shall pay to the Association an appropriate amount (as determined by DRE) for reserves for replacement or deferred maintenance of the Common Area in such Phase necessitated by or arising out of the use and occupancy of the Residences in such Phase under a rental program conducted by Declarant if such rental program was in effect for at least one (1) year prior to such first Close of Escrow.

16.5. Deannexation and Amendment.

Declarant may amend a Notice of Addition or delete all or a portion of a Phase from coverage of this Declaration and the Association's jurisdiction so long as Declarant is the owner of all of such Phase and provided that (a) an amending instrument or a Notice of Deletion of Territory, as applicable, is Recorded in the same manner as the applicable Notice of Addition was Recorded, (b) Declarant has not exercised any Association vote with respect to any portion of such Phase, (c) assessments have not yet commenced with respect to any portion of such Phase, (d) Close of Escrow has not occurred for the sale of any Lot in such Phase, and (e) the Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase.

ARTICLE XVII

17. Covenants in Favor of City.

17.1. Maintenance Agreement.

Pursuant to an Agreement dated \_\_\_\_\_, 199\_, the Association has agreed with the City of Claremont to maintain all Common Areas within the Properties in accordance with specified standards of repair, maintenance and cleanliness. If, in the opinion of the City Manager of the City (or his authorized representative), the Association at any time fails to maintain the Common Areas, or improvements located thereon, in accordance with the terms of the above-referenced Agreement, the City shall give written notice to the Association, specifying the exact nature of such deficiency. Such written notice of deficiency from the City shall be addressed to the Association and shall require that the Association take appropriate corrective action within thirty (30) days of receipt of such written notice unless there exists a hazardous condition creating an immediate possibility of serious injury to persons or property, in which

case the time for correction may be reduced to a minimum of five (5) days. The Association shall have the right, within ten (10) days of receipt of such written notice of deficiency, to file an appeal with the City Council of the City for public hearing before the City Council to consider the reasonableness of the City's requirements as set forth in the written notice of deficiency. The decision of the City Council on such appeal shall be binding upon all parties but may be appealed by the Association through an appropriate action in any court having jurisdiction. The written notice of deficiency from the City shall state the anticipated costs that the City would assess against the Association for the corrective work to be accomplished, which costs shall be no more than those charged by competitive private industry for similar work. If the Association, within the time set forth in the notice of deficiency (subject to extension for such time as may be required to appeal the notice of deficiency to the City Council) does not undertake and complete the corrective work required in the notice of deficiency, the City may (but will not be obligated to) undertake and complete such corrective measures as are set forth in the notice and assess the costs thereof against the Association. In such event, the Association hereby grants to the City such rights of access, ingress and egress upon and across the Project as may be necessary to complete such work. The City may elect to enforce payment of such costs through the procedures set forth in the Declaration for the establishment of assessment liens or through an action at law (which action may be brought without foreclosing or waiving any lien securing such amount). In any such action, the prevailing party will be entitled to receive its attorney's fees and costs, in addition to such other relief as may be granted.

17.2. Approval of Amendments by City.

In addition to any other consents or approvals required for an amendment to this Declaration, the approval of the City must be obtained for any amendment to this Declaration which would amend, modify or delete any provision concerning (i) the City's rights hereunder, (ii) the Association's maintenance obligations hereunder, (iii) this Article XVII, or (iv) the design standards of the City.

This Declaration is dated for identification purposes 11/14, 1998.

THE WALTON I LLC,  
a California limited liability company

By: THE WALTON COMPANY, a  
California corporation, Managing Member

By: William M. Raymond  
William M. Raymond  
Its: Chief Executive Officer

"Declarant"

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF LOS ANGELES )

On 1/14, 1998, before me, Liane Mercurio,  
personally appeared William M. Raymond, personally known to me (~~or proved to me on the~~  
~~basis of satisfactory evidence~~) to be the person whose name is subscribed to the within  
instrument and acknowledged to me that he executed the same in his authorized capacity, and  
that by his signature on the instrument the person, or the entity upon behalf of which the person  
acted, executed the instrument.

WITNESS my hand and official seal.



Liane Mercurio  
Notary Public in and for said State

(SEAL)



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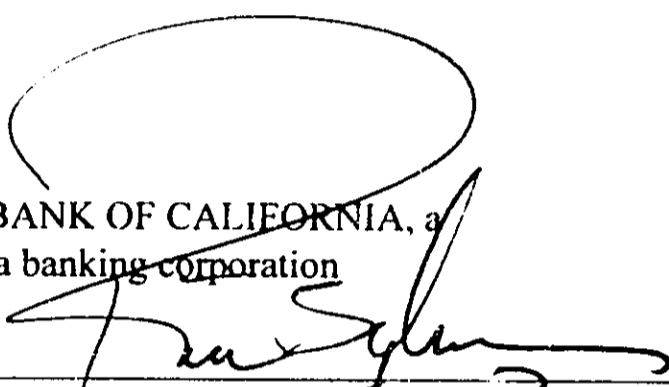
SUBORDINATION

The undersigned, as Beneficiary of the beneficial interest in and under that certain Deed of Trust dated October 7, 1997, and recorded on December 2, 1997, in the Official Records of Los Angeles County, California, as Instrument No. 97-1890210, which Deed of Trust is between THE WALTON I LLC, a California limited liability company, as Trustor, CHICAGO TITLE INSURANCE COMPANY, as Trustee, and TOKAI BANK OF CALIFORNIA, a California banking corporation, as Beneficiary, hereby expressly subordinates such Deed of Trust and its beneficial interests thereunder to the foregoing Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Bungalows ("Declaration"), to any Notice of Addition of Territory recorded pursuant to the provisions of Article XVI of the Declaration ("Notice"), and to all easements to be conveyed to the Association in accordance with the Declaration or any Notice. By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Properties by foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure or any other remedy in or relating to the Deed of Trust, the undersigned will acquire title subject to the provisions of the Declaration and any applicable Notice, which shall remain in full force and effect.

Dated: Jan 21, 1998

TOKAI BANK OF CALIFORNIA, a  
California banking corporation

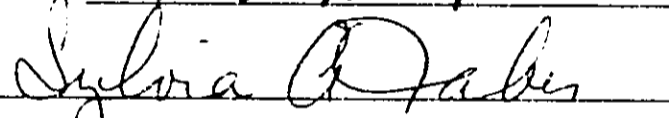
By:



Its:

Senior Vice Pres.

By:



Its:

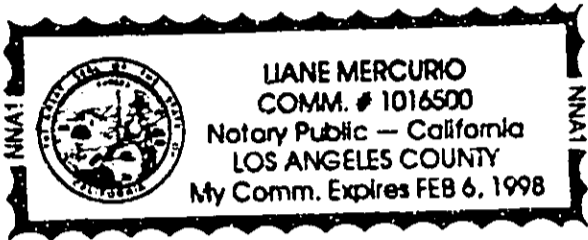
Vice President

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STATE OF CALIFORNIA )  
COUNTY OF Los Angeles ) ss.

On 2/3, 1998, before me, Liane Mercurio  
personally appeared Richard Koon and Sylvia G. Faber  
personally known to me (or proved to me on the basis of satisfactory evidence) to be the  
person(s) whose name(s) (is) (are) subscribed to the within instrument and acknowledged to me  
that (he) (she) (they) executed the same in (his) (her) (their) authorized capacity(ies) and that by  
(his) (her) (their) signature(s) on the instrument the person(s), or the entity upon behalf of which  
the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Liane Mercurio  
Notary Public in and for said State

(SEAL)

EXHIBIT "A"

ARTICLES OF INCORPORATION OF THE ASSOCIATION

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**ARTICLES OF INCORPORATION  
OF  
THE BUNGALOWS COMMUNITY ASSOCIATION**

**ONE:** The name of this corporation ("Corporation" herein) is **THE BUNGALOWS COMMUNITY ASSOCIATION**.

**TWO:** This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under such law.

**THREE:** The Corporation's initial agent for service of process is Everett W. Hughes, Jr., whose business address is 2001 E. Financial Way, Suite 103, Glendora, CA 91741.

**FOUR:** The Corporation shall have and exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Mutual Benefit Corporation Law may now or hereafter have or exercise, provided that the Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of the Corporation, which is to operate a homeowners Corporation within the meaning of Section 23701t of the California Revenue and Taxation Code and Section 528 of the Internal Revenue Code and to manage a common interest development under the Davis-Stirling Common Interest Development Act. The Corporation does not have a corporate office. The common interest development is near the intersection of Mills Avenue and Base Line Road, Claremont, California 91711-0000.

**FIVE:** The classes of Membership and the voting and other rights and privileges of Members shall be as set forth in the Bylaws. So long as there are two classes of Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, and (ii) Members representing a bare majority of the voting power of each class of Members. After conversion of the Class B Membership to Class A Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, (ii) Members representing a bare majority of the total voting power of the Members, and (iii) Members representing a bare majority of the voting power of the Members other than the Subdivider of the Project ("Declarant").

**SIX:** The Corporation has no managing agent.

The undersigned, who is the incorporator of the Corporation, has executed these Articles of Incorporation on \_\_\_\_\_, 199\_.

\_\_\_\_\_  
EVERETT W. HUGHES, JR.

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**EXHIBIT "B"**

**BYLAWS OF THE ASSOCIATION**

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**BYLAWS**  
**OF**  
**THE BUNGALOWS COMMUNITY ASSOCIATION**

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**BYLAWS**  
**OF**  
**THE BUNGALOWS COMMUNITY ASSOCIATION**

**ARTICLE I**

1. General Plan of Ownership.

1.1. Name.

The name of the corporation is The Bungalows Community Association, hereinafter referred to as the "Association." The principal office of the Association shall be located in Los Angeles, County, California.

1.2. Application.

The provisions of these Bylaws are applicable to the phased planned residential development known as The Bungalows, located in the County of Los Angeles, State of California (the "Properties"). All present and future Owners and their tenants, future tenants, employees, and any other person who might use the facilities of the Properties in any manner, are subject to the regulations set forth in these Bylaws and in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Bungalows (the "Declaration" herein) Recorded or to be Recorded in the Official Records of Los Angeles County and applicable to the Properties. The mere acquisition or rental of any Lot in the Properties or the mere act of occupancy of any Lot will signify that these Bylaws are accepted, ratified, and will be complied with.

1.3. Definitions.

Unless otherwise provided herein, the capitalized terms in these Bylaws have the same meanings as are given to such terms in the Declaration.

**ARTICLE II**

2. Voting By Association Membership.

2.1. Voting Rights.

The Association has two (2) classes of voting Membership, as follows:

Class A. Class A Members are those Owners with the exception of Declarant for so long as there exists a Class B Membership. Class A Members are entitled to one (1) vote for each Lot owned and subject to assessment as further provided in the Declaration.

Class B. The Class B Member is Declarant. The Class B Member is entitled to three (3) votes for each Lot owned by Declarant and subject to assessment, provided that the Class B Membership shall cease and be converted to Class A Membership immediately upon the first to occur of the following events:

- (1) The second anniversary of the first Close of Escrow in the most recent Phase; or
- (2) The fourth anniversary of the first Close of Escrow in Phase 1.

All voting rights are subject to the Restrictions. Except as provided in Section 15.10 of the Declaration and Section 4.8 of these Bylaws, any provision of the Restrictions which requires the vote or written consent of a specified percentage of the Association's voting power before action may be undertaken (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) requires the approval of such specified percentage of (a) each class of Membership so long as a Class B Membership exists, and (b) both the Association's total voting power and the Association's voting power residing in Members other than Declarant.

2.2. Majority of Quorum.

Unless otherwise provided in the Restrictions, any action which may be taken by the Association may be taken by a majority of a quorum of the Members.

2.3. Quorum.

Except as otherwise provided in these Bylaws, the presence in person or by proxy of twenty-five percent (25%) of the Association's voting power constitutes a quorum of the Membership. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a meeting is actually attended, in person or by proxy, by Members having less than one-third (1/3rd) of the Association's voting power, then no matter may be voted upon except such matters notice of the general nature of which was given pursuant to Section 3.5 hereof. No action by the Members on any such matter is effective if the votes cast in favor are fewer than the minimum number of votes required by the Restrictions to approve such an action.

2.4. Proxies.

Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary in advance of each meeting. Every proxy is revocable and automatically ceases after completion of the meeting for which the proxy was filed. Any form of proxy or written ballot distributed by any person to the Members must afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it is not mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot must provide that, when the Member specifies a choice, the vote shall be cast in



accordance with that choice. The proxy must also identify the person or persons authorized to exercise the proxy and the length of time it will be valid. No proxy is valid with respect to a vote on any matter described in Section 7613(g) of the California Corporations Code unless the general nature of the proposal was set forth in the proxy.

### ARTICLE III

#### 3. Administration.

##### 3.1. Association Responsibilities.

In accordance with the Declaration, the Association is responsible for administering the Properties, maintaining and repairing the Common Area and the Association Maintenance Areas, approving the Budget, establishing and collecting all assessments authorized under the Declaration, and arranging for overall architectural control of the Properties.

##### 3.2. Place of Meetings of Members.

Meetings of the Members shall be held on the Properties or such other suitable place as proximate thereto as practical and convenient to the Members as designated by the Board.

##### 3.3. Annual Meetings of Members.

The first annual meeting of Members shall be held within six (6) months after the first Close of Escrow for the sale of a Lot in the Properties. Thereafter, the annual meetings shall be held on or about the anniversary date of the first annual meeting. Each first Mortgagee may designate a representative to attend all annual meetings.

##### 3.4. Special Meetings of Members.

The Board shall call a special meeting of the Members (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of the Association, or (c) upon receipt of a petition signed by Members representing at least five percent (5%) of the Association's total voting power. The Secretary shall give notice of any special meeting within twenty (20) days after adoption of such resolution or receipt of such request or petition. The notice must state the date, time and place of such meeting and the general nature of the business to be transacted. The special meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at a special meeting except as stated in the notice. Each first Mortgagee may designate a representative to attend all special meetings.

##### 3.5. Notice.

The Secretary shall send a notice of each annual or special meeting by first-class mail, stating the purpose thereof as well as the day, hour and place where it is to be held, to each Member of record and to each first Mortgagee who has filed a written request for notice with the Secretary, at least ten (10) but not more than thirty (30) days prior to such meeting. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice must specify those matters the Board intends to present for action by the Members, but, except as

otherwise provided by law, any proper matter may be presented at the meeting for action. The notice of any meeting at which Directors are to be elected must include the names of all nominees at the time the notice is given to Members. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after said notice has been deposited in a regular depository of the United States mail. Such notice must be posted in a conspicuous place on the Common Area and is deemed served upon a Member upon posting if no address has been then furnished the Secretary.

Notwithstanding any other provision of these Bylaws, approval by the Members of any of the following proposals, other than by unanimous approval of those Members entitled to vote, is not valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice: (a) removing a Director without cause; (b) filling vacancies on the Board; (c) approving a contract or transaction between the Association and one or more Directors, or between the Association and any entity in which a Director has a material financial interest; (d) amendment of the Articles; or (e) electing to wind up and dissolve the Association.

### 3.6. Record Dates.

The Board may fix a date as a record date for the determination of the Members entitled to notice of any meeting of Members. The record date so fixed must be not less than ten (10) nor more than sixty (60) days prior to the date of the meeting. If the Board does not fix a record date for notice to Members, the record date for notice is the close of business on the business day preceding the day on which notice is given. In addition, the Board may fix a date in the future as a record date for the determination of the Members entitled to vote at any meeting of Members. The record date so fixed must be not less than ten (10) nor more than sixty (60) days prior to the date of the meeting. If the Board does not fix a record date for determining Members entitled to vote, Members on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting.

### 3.7. Adjourned Meetings.

If any meeting of Members cannot be organized because a quorum is not present, a majority of the Members who are present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the original meeting date, at which meeting the quorum requirement is the presence in person or by proxy of Members holding at least twenty-five percent (25%) of the Association's voting power. Such an adjourned meeting may be held without the notice required by Section 3.5 if notice thereof is given by announcement at the meeting at which such adjournment is taken.

### 3.8. Order of Business.

Meetings of Members must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. The order of business at all meetings of the Members is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of election (at annual meetings or special meetings held for such purpose);

(g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

3.9. Action Without Meeting.

Any action which may be taken at a meeting of the Members (except for the election of Directors) may be taken without a meeting by written ballot of the Members. Ballots must be solicited in the same manner as provided in Section 3.5 for the giving of notice of meetings of Members. Such solicitations must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received in order to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Member specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of (i) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (ii) a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, constitutes approval by written ballot.

3.10. Consent of Absentees.

The transactions of any meeting of Members, either annual or special, however called and noticed, are as valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present either in person or by proxy, and (b) either before or after the meeting, each of the Members not present in person or by proxy signs (i) a written waiver of notice, (ii) a consent to the holding of such meeting, or (iii) an approval of the minutes thereof. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting.

3.11. Minutes, Presumption of Notice.

Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the Minutes executed by the Secretary that notice of the meeting was properly given constitutes prima facie evidence that such notice was given.

3.12. Inspector of Elections.

Prior to any Members meeting, the Board may appoint inspectors of election for that meeting. There shall be at least three (3) inspectors of election. The decision, act or certification of a majority shall be effective as the decision, act or certification of all. Any report or certificate of the inspectors of election is prima facie evidence of the matters stated therein. Inspectors of election do not have to be Owners. If the Board does not appoint inspectors of election or if an inspector fails to appear at a meeting, the chairman of the Member's meeting may appoint the inspector of election. If the chairman fails to appoint the inspectors of election, then any Member may request that inspectors of election be appointed. If a Member makes such a request, then the inspectors of election shall be elected by a majority of the Members present in person or by

proxy. In case of an action to be taken by the Members by written ballot, the Board may also appoint inspectors of election to count the ballots.

The inspector of election shall determine the number of Memberships outstanding, the voting power of each, the number of Members present at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the results and do such acts as may be proper to conduct the election or vote with fairness to all Members. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical.

#### ARTICLE IV

#### 4. Board of Directors.

##### 4.1. Number and Qualification.

Until the first annual meeting of the Members, the Association's property, business and affairs shall be governed and managed by a Board of Directors composed of three (3) Persons. Commencing with the first annual meeting of the Members, the property, business and affairs of the Association shall be governed and managed by a Board of Directors composed of five (5) Persons, each of whom, except for those appointed and serving as first Directors, must be either (a) an Owner or (b) an agent of Declarant for so long as Declarant owns a Lot or is entitled to unilaterally add any of the Annexable Territory to the Properties pursuant to the Declaration. The authorized number of Directors may be changed by a duly adopted amendment to the Bylaws. Directors may not receive any salary or compensation for their services as Directors unless such compensation is first approved by the vote or written consent of Members representing at least a majority of the Association's voting power; provided, however, that (i) nothing in these Bylaws precludes any Director from serving the Association in some other capacity and receiving compensation therefor, and (ii) any Director may be reimbursed for actual expenses incurred in performance of Association duties.

##### 4.2. Powers and Duties.

The Board has the powers and duties necessary to administer the Association's affairs and may do all acts and things not by law or by these Bylaws directed to be exercised and done exclusively by the Members. The Board may not enter into any contract with a third person wherein the third person will furnish goods or services for the Common Area, the Association Maintenance Areas or the Association for a term in excess of one (1) year, without the vote or written consent of Members representing at least a majority of the Association's voting power, except for (a) a contract with a public utility company for a term that does not exceed the shortest term for which the public utility company will contract at the regulated rate if the rates charged for the materials or services are regulated by the California Public Utilities Commission; (b) a management contract the terms of which conform to Section 4.4 hereof, (c) prepaid casualty or liability insurance policies of not more than three (3) years' duration provided that the policies

permit short-term cancellation by the Association, (d) agreements for cable television services and equipment or satellite dish television services and equipment with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%), and (e) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%).

4.3. Special Powers and Duties.

Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Declaration, the Board has the following powers and duties:

- (a) The power and duty to select, appoint and remove all Association officers, agents and employees, to prescribe such powers and duties for them as may be consistent with law and with the Restrictions; to fix their compensation and to require from them security for faithful service when the Board deems advisable.
- (b) The power and duty to conduct, manage and control the Association's affairs, and to make and enforce such rules and regulations therefor consistent with law and with the Restrictions as the Board deems necessary or advisable.
- (c) The power but not the duty to change the principal office for the transaction of the Association's business from one location to another within the County in which the Properties are located, as provided in Article I hereof; to designate any place within said County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Section 3.2 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, deems best, provided that such seal must at all times comply with the provisions of law.
- (d) With the approval of Members representing at least two-thirds (2/3rds) of the Association's voting power, the power but not the duty to borrow money and incur indebtedness for the Association's purposes and to pledge Association assessments as collateral for such indebtedness. The Board shall cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.
- (e) The power and duty to fix and levy Annual Assessments, Special Assessments and Reconstruction Assessments, as provided in the Declaration; to fix and levy in any Fiscal Year Capital Improvement Assessments applicable to

that year only for capital improvements; to determine and fix the due date for the payment of such assessments; provided, however, that such assessments must be fixed and levied only to provide for the payment of Common Expenses and taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the general benefit and welfare of its Members, in accordance with the Declaration. Subject to any limitations imposed by the Declaration and these Bylaws, the Board may incur any and all such expenditures for any of the foregoing purposes and provide, or cause to be provided, adequate reserves for replacements as it deems to be necessary or advisable in the Association's interest or its Members' welfare. The funds collected by the Board from the Members for replacement reserves, maintenance recurring less frequently than annually, and capital improvements, is at all times held in trust for the Members. Disbursements from such trust reserve fund may only be made in accordance with the Declaration. The Board shall fix such Annual Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments in accordance with the Declaration. If a Member fails to pay such assessments before delinquency, the Board may enforce the payment of such delinquent assessments as provided in the Declaration.

(f) The power and duty to enforce the Restrictions or any Association agreements.

(g) The power and duty to contract and pay for insurance in accordance with the Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Common Area or Association Maintenance Areas). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on the Association's behalf.

(h) The power and duty to contract and pay for maintenance, gardening, utilities, materials, supplies and services relating to the Common Area and Association Maintenance Areas and to employ personnel necessary to operate the Properties, including legal and accounting services, and to contract and pay for Improvements on the Common Area.

(i) The power but not the duty to delegate its powers according to law and to adopt these Bylaws.

(j) The power but not the duty to grant or quitclaim easements, licenses or rights of way in, on, or over the Common Area for purposes consistent with the intended use of the Properties as a planned residential development.

(k) The power and duty to adopt such Rules and Regulations as the Board deems necessary for managing the Properties, which Rules and Regulations will become effective and binding after (i) they are adopted by a majority of the Board at a meeting called for that purpose, or by the written consent of the Board in accordance with Section 4.13, and (ii) they are either (A) posted in a conspicuous place in the Common Area or (B) sent to the Members via first class U.S. mail. Such Rules and Regulations may concern, without limitation, use of the Common Area; signs; parking restrictions; minimum standards of property maintenance consistent with the Declaration and the procedures of the ARC; and any other matter within the Association's jurisdiction as provided in the Declaration; provided, however, that such Rules and Regulations are enforceable only to the extent they are consistent with the Restrictions.

(l) The power and duty to keep, or cause to be kept, a complete record of all Association acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by at least ten percent (10%) of the Members who are entitled to vote.

(m) The power but not the duty to appoint a Membership Committee composed of at least one (1) Director and at least one (1) Member at large. The Membership Committee would be responsible for contacting all purchasers of Lots as soon as any transfer of title to a Lot is discovered. The Membership Committee would further attempt to establish initial contact with all Members who are delinquent in the payment of any assessments or other charges due the Association.

(n) The power but not the duty to sell property of the Association; provided, however, that the prior vote or written approval of Members representing at least a majority of the Association's voting power must be obtained to sell during any Fiscal Year property of the Association having an aggregate fair market value greater than five percent (5%) of the Association's budgeted gross expenses for that Fiscal Year.

#### 4.4. Management Agent.

The Board may engage a professional Manager for the Association at a compensation established by the Board to perform such duties and services as the Board authorizes, including, but not limited to, the duties listed in Section 4.3. The maximum term of any such contract ("Management Contract") is one (1) year, unless a longer term is approved either by vote or written assent of a majority of the Association's voting power, in which case the maximum term

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of the Management Contract is three (3) years. The maximum term of any contract providing for Declarant's services to the Association or the Properties is also three (3) years. Each such contract for Declarant's services and each Management Contract must provide for its termination by either party thereto without cause and without payment of a termination fee upon no more than ninety (90) days' written notice to the other party.

4.5. Election and Term of Office.

(a) At the first annual meeting of the Members, and thereafter at each annual meeting of the Members coinciding with the expiration of a Director's term of office or at which a vacancy on the Board exists, the Members shall elect new Directors by secret written ballot as provided in these Bylaws. All positions on the Board shall be filled at the first annual meeting. If an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence. The term of office of the three (3) Directors receiving the highest number of votes at the first annual meeting shall be three (3) years and the term of office of the two (2) Directors receiving the next highest number of votes at the first annual meeting shall be two (2) years. At each annual meeting thereafter, new Directors shall be elected to fill vacancies created by the death, resignation, removal, judicial adjudication of mental incompetence or expiration of the terms of past Directors. The term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be two (2) years. The term of office of each Director elected or appointed to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any person serving as a Director may be reelected, and there is no limit on the number of terms which he may serve. Cumulative voting must be used in the election of Directors for any election in which more than two (2) Directors are to be selected, subject only to the following procedural requirements: A Member may cumulate his votes for any candidate for the Board if the candidate's name has been placed in nomination prior to the voting and if such Member, or any other Member, has given notice at the meeting prior to the voting of such Member's intention to cumulate votes. If a Member cumulates his votes, such Member may cast a number of votes equal to the Member's share of the voting power as set forth in the Declaration, multiplied by the number of Directors to be elected.

(b) Notwithstanding the foregoing, whenever (i) notice is given for an election of Directors, (ii) upon such date Declarant is either (A) entitled to exercise a Class B vote, or (B) entitled to exercise a majority of the Association's voting power and (iii) upon such date the Members other than Declarant do not have a sufficient percentage of the Association's voting power to elect a number



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of Directors representing at least twenty percent (20%) (though not less than one (1)) of the entire Board through the foregoing cumulative voting procedure, then such notice must also provide for the following special election procedure. Election of Directors will be first apportioned to the Members other than Declarant until the aggregate number of Directors elected by Members other than Declarant represents at least twenty percent (20%) (though not less than one (1)) of the entire Board. Any person is an eligible candidate for the special election upon receipt by the Secretary of a Declaration of Candidacy, signed by the candidate, at any time prior to the election. Such election will be by secret written ballot. The person or persons receiving the greatest number of votes cast by the Members other than Declarant is elected to the Board in a coequal capacity with all other Directors. The remaining Members on the Board will be elected through the customary cumulative voting procedure outlined above.

4.6. Books, Audit.

The Board shall distribute the following financial information to all Members (and any Beneficiary, insurer and guarantor of a first Mortgage upon request), regardless of the number of Members or the amount of assets of the Association:

(a) A pro forma operating budget for each Fiscal Year consisting of at least the following information must be distributed not less than forty-five (45) nor more than sixty (60) days prior to the beginning of the Fiscal Year:

(i) The estimated revenue and Common Expenses computed on an accrual basis.

(ii) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 1365.5 of the California Civil Code or any other applicable statute, as amended, which must be printed in bold type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component for which the Association is responsible.

(B) As of the end of the Fiscal Year for which the study is prepared:

(1) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components for which the

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Association is responsible ("Estimated Reserves").

(2) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain the major components for which the Association is responsible ("Actual Reserves").

(C) The percentage that the Actual Reserves is of the Estimated Reserves.

(iii) A statement as to whether the Board has determined or anticipated that the levy of one or more Capital Improvement or Reconstruction Assessments will be required to repair, replace, or restore any major component for which the Association is responsible or to provide adequate reserves therefor.

(iv) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair and replacement of, or additions to, major components of the Common Area, the Association Maintenance Areas and facilities for which the Association is responsible.

The Board may distribute a summary of the Budget in lieu of the Budget itself, so long as the Board complies with the provisions of Section 1365(c) of the California Civil Code as it may be amended.

(b) A report consisting of the following must be distributed within one hundred twenty (120) days after the close of the Fiscal Year:

(i) A balance sheet as of the end of the Fiscal Year.

(ii) An operating (income) statement for the Fiscal Year.

(iii) A statement of changes in financial position for the Fiscal Year.

(iv) Any information required to be reported under Section 8322 of the California Corporations Code.

(v) For any Fiscal Year in which the Association's gross income exceeds \$75,000, a copy of a review of the annual report

prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(vi) A statement of the place where the names and addresses of the Members is located.

If the report referred to in Section 4.6(b) is not prepared by an independent accountant, it must be accompanied by the certificate of an authorized Association officer stating that the statement was prepared from the Association's books and records without independent audit or review.

(c) The Association shall distribute to all of its members 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 about each policy: (i) the name of the insurer, (ii) the type of insurance, (iii) the policy limits of the insurance, and (iv) the amount of deductibles, if any.

(i) The Association shall, as soon as reasonably practical, 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, for 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.

(ii) 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.

(iii) The summary distributed above 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

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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."

In addition to financial statements, the Board shall annually distribute within sixty (60) days prior to the beginning of the Fiscal Year a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Annual, Capital Improvement, Reconstruction and Special Assessments, including the recording and foreclosing of liens against Lots.

The Board shall do the following on at least a quarterly basis: (1) cause to be completed and review a current reconciliation of the Association's operating and reserve accounts, (2) review the current Fiscal Year's actual reserve revenues and expenses compared to the Budget for the then current Fiscal Year, (3) review the income and expense statement for the Association's operating and reserve accounts, and (4) review the most current account statements prepared by the financial institutions where the Association maintains its operating and reserve accounts. The signatures of either (i) two (2) Directors, or (ii) one (1) Director and one (1) Association officer (who is not also a Director) are required for withdrawal of money from the Association's reserve accounts. As used in this paragraph, the term "reserve accounts" means monies that the Board has identified from its Budget for use to defray the future repair and replacement of, or additions to, those major components which the Association is obligated to maintain.

The Board shall cause a study of the reserve account requirements and an inspection of the Properties to be conducted in accordance with Section 1365.5(e) of the California Civil Code. As used in this paragraph, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components which the Association is obligated to maintain.

#### 4.7. Vacancies.

Vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Members shall be filled by vote of a majority of the remaining Directors, even though they may constitute less than a quorum. Any vacancy caused by the removal of a Director shall be filled by a vote of the Members. A Director may resign at any time by giving notice to the President, the Secretary or the Board. Any Director who ceases to be an Owner or an agent of Declarant is deemed to have resigned from the Board. A vacancy is deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director, or in case the Members fail to elect the full number of authorized Directors at any meeting at which such

election is to take place. Any vacancy not filled by the Directors may be filled by vote of the Members at the next annual meeting of the Members or at a special meeting of the Members called for such purpose.

4.8. Removal of Directors.

At any regular or special meeting of the Members duly called, any one individual Director or the entire Board may be removed prior to the expiration of their terms of office with or without cause as follows: (i) for so long as fewer than fifty (50) Lots are included within the Properties, by the vote of Members representing a majority of the Association's total voting power (including votes attributable to Declarant), and (ii) once fifty (50) or more Lots are included within the Properties, by the vote of Members representing a majority of a quorum of Members.

Notwithstanding the foregoing, if the entire Board is not removed as a group pursuant to a single vote, no individual Director may be removed if the number of votes cast against his removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. Any Director whose removal has been proposed by the Members must be given an opportunity to be heard at the meeting. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting. Notwithstanding the foregoing, any Director who has been elected to office solely by the votes of Members other than Declarant pursuant to Section 4.5(b) may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the Association's voting power residing in Members other than Declarant.

4.9. Organization Meeting of Board.

The first regular ("organization") meeting of a newly elected Board must be held within ten (10) days of election of the Board, at such place as is fixed and announced by the Directors at the meeting at which such Directors were elected, for the purpose of organization, election of officers and the transaction of other business. No notice is necessary to the newly elected Directors in order legally to constitute such meeting; provided that (a) a majority of the whole Board is present when the time and place are announced at the annual meeting and (b) the meeting is held on the same day and at the same place as the annual meeting of the Members at which the newly constituted Board was elected.

4.10. Regular Meetings of Board.

Regular meetings of the Board must be open to all Members. Regular meetings may be held at such time and place within the Properties as is determined, from time to time, by a resolution adopted by a majority of a quorum of the Directors; provided, however, that such meetings must be held no less frequently than quarterly. Notice of the time and place of regular meetings of the Board shall be given to each Director at least four (4) days prior to the date named for such meeting, personally or by mail, telephone or telegraph or posted at a prominent place or places within the Common Area.

4.11. Special Meetings of Board.

Special meetings may be called by the President or by any two (2) Directors by posting notice at least four (4) days prior to such meeting at a prominent place or places within the Common Area or upon four (4) days' notice by first-class mail or forty-eight (48) hours' notice delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. The notice must state the time, place and purpose of the meeting.

4.12. Other Meetings of the Board. Any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session, shall constitute a meeting of the Board. All Members shall have the right to attend any regular, special or other meeting of the Board, except an executive session. Members who are not Directors may not participate in any deliberation or discussion at such meetings unless authorized by a vote of a majority of a quorum of the Board. However, at each Board meeting, except for executive sessions, the Board must set aside time for Members to speak, subject to reasonable time limitations imposed by the Board. Generally, if a meeting of the Board is not a regular or special meeting, then Members shall be given notice of the time and place of the meeting at least four (4) days prior to the meeting. Notice required by this Section may be given by posting the notice in a prominent place or places within the Common Property, by mail or delivery of the of the notice to each Unit in the Project, or by newsletter or other similar means of communication. If there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impracticable to provide notice to the Members, then an emergency meeting of the Board may be called by the President or any two other members of the Board without providing notice to the Members.

4.13. Waiver of Notice.

Before or at any meeting of the Board, any Director may, in writing, waive personal notice of such meeting and such waiver is equivalent to the giving of notice to such Director. Attendance by a Director at any Board meeting waives personal notice by him of the time and place thereof. If all the Directors are present at any Board meeting, no notice to Directors is required and any business may be transacted at such meeting. The transactions of any Board meeting, however called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present, (b) notice to the Members of such meeting was posted as provided in Sections 4.10 and 4.11, and (c) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. The Secretary shall file all such waivers, consents and approvals with the Association's records or make them a part of the minutes of the meeting.

4.14. Action Without Meeting.

The Board may act without a meeting if all Directors consent in writing to such action. Such written consent or consents must be filed with the minutes of the proceedings of the Board. Such action by written consent has the same effect as a unanimous vote of such Directors. Within three

(3) days after the written consents of all Directors have been obtained, an explanation of any action taken by unanimous written consent without a meeting must be either (a) posted by the Board in a prominent place or places in the Common Area, or (b) communicated to the Members by another means the Board determines to be appropriate.

4.15. Quorum and Adjournment.

Except as otherwise expressly provided herein, at all meetings of the Board, a majority of the Directors constitutes a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present are the acts of the Board. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting to another time. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present. The Board may, with the approval of a majority of the Directors present at a meeting at which a quorum has been established, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation, matters relating to the formation of contracts with third parties, or Member discipline. The nature of any and all business to be considered in executive session must first be announced in open session and must be generally noted in the minutes of the Board. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested by that Member, and the Member may attend the executive session.

4.16. Committees.

The Board may by resolution designate such advisory and other committees as it desires, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee must (a) provide for the appointment of its members and a chairman, (b) state the purposes of the committee, and (c) provide for reports, termination and other administrative matters the Board deems appropriate.

ARTICLE V

5. Officers.

5.1. Designation.

The Association's principal officers are a President, a Vice President, a Secretary, and a Treasurer, all elected by the Board. The Board may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as it determines to be necessary. Officers other than the President need not be Directors. Any Person may hold more than one office.

5.2. Election of Officers.

The Board shall annually elect the Association's officers at the new Board's Organization Meeting. Each officer shall hold his office at the pleasure of the Board, until he resigns or is removed or otherwise disqualified to serve or his successor is elected and qualified to serve.

5.3. Removal of Officers.

Upon an affirmative vote of a majority of the entire Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary. Any such resignation is effective on the date of receipt of such notice or at any later time specified therein. Unless specified in the notice, acceptance of the resignation by the Board is not necessary to make it effective.

5.4. Compensation.

Officers, agents, and employees shall receive such reasonable compensation for their services as is authorized or ratified by the Board; provided, however, that no officer may receive any compensation for services performed in the conduct of the Association's business unless such compensation is approved by the vote or written consent of Members representing at least a majority of the Association's voting power; and provided further that (a) nothing in these Bylaws precludes any officer from serving the Association in some other capacity and receiving compensation therefor, and (b) any officer may be reimbursed for actual expenses incurred in the performance of Association duties. Appointment of any officer, agent, or employee does not of itself create contractual rights of compensation for services performed by such officer, agent, or employee. Notwithstanding the foregoing, no officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation.

5.5. President.

The President is the chief executive officer of the Association and shall (a) preside at all Association and Board meetings, (b) have all of the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power, subject to the provisions of Section 4.15, to appoint committees from among the Members as he decides is appropriate to assist in the conduct of the Association's affairs, and (c) subject to the control of the Board, have general supervision, direction and control of the Association's business. The President is ex officio a member of all standing committees and has such other powers and duties as may be prescribed by the Board or these Bylaws.

5.6. Vice President.

The Vice President shall take the President's place and perform the President's duties whenever the President is absent, disabled, refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as imposed by the Board or these Bylaws.

5.7. Secretary.

The Secretary shall (a) keep the minutes of all meetings of the Board and the minutes of all meetings of the Association at the Association's principal office or at such other place as the Board may order, (b) keep the Association's seal in safe custody, (c) have charge of such books and papers as the Board may direct, (d) in general, perform all of the duties incident to the office of



Secretary, (e) give, or cause to be given, notices of meetings of the Members and of the Board required by these Bylaws or by law to be given, (f) maintain a record book of Members, listing the names, mailing addresses and telephone numbers of the Members as furnished to the Association ("Membership Register"), (g) record the termination or transfer of ownership by any Member in the Membership Register, together with the date of the transfer, in accordance with the Declaration, and (h) perform such other duties as prescribed by the Board or these Bylaws.

5.8. Treasurer.

The Treasurer is the Association's chief financial officer and is responsible for Association funds and securities. The Treasurer shall (a) keep, or cause to be kept, full and accurate accounts, tax records and business transactions of the Association, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Association, (b) be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as the Board designates, (c) disburse the Association's funds as ordered by the Board, in accordance with the Declaration, (d) render to the President and Directors, upon request, an account of all transactions as Treasurer and of the Association's financial condition, and (e) have such other powers and perform such other duties prescribed by the Board or these Bylaws.

ARTICLE VI

6. Obligation of Members.

6.1. Assessments.

(a) All Members shall pay, in accordance with the Declaration, all assessments imposed by the Association, to meet Common Expenses.

(b) All delinquent assessments shall be enforced, collected or foreclosed in the manner provided in the Declaration.

6.2. Maintenance and Repair.

(a) Every Member must perform promptly, at his sole cost, such maintenance and repair work on his Lot as the Declaration requires. All plans for alteration and repair of Improvements on the Lots must receive the ARC's prior written consent. The ARC shall establish reasonable procedures for the granting of such approval, in accordance with the Declaration.

(b) Each Member shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Area or the Association Maintenance Areas which are damaged through the fault of such Member or his family, guests, tenants or invitees. Such expenditures include all court costs and reasonable attorneys' fees incurred in enforcing any provision of the Restrictions.

## ARTICLE VII

### 7. Amendments to Bylaws.

These Bylaws may be amended by the vote or written consent of Members representing at least (a) a majority of the voting power of each class of the Members, and (b) a majority of the Association's voting power residing in Members other than Declarant; provided that the specified percentage of each class of Members necessary to amend a specific Section or provision of these Bylaws may not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. Notwithstanding the foregoing, these Bylaws may be amended by a majority of the entire Board, (i) at any time prior to the Close of Escrow for the sale of the first Lot, or (ii) if the proposed amendment is required to conform the Bylaws to the requirements of VA, FHA, DRE, FNMA, GNMA or FHLMC and is within the Board's power to adopt without Member approval pursuant to the California Corporations Code.

In addition to the foregoing, any amendment to these Bylaws which materially affects matters delineated in Article XIII or Section 15.5 of the Declaration must be approved by the Beneficiaries of that percentage of first Mortgages on the Lots which is specified in the affected provision of Article XIII or Section 15.5 of the Declaration, respectively; provided that, if an amendment to these Bylaws materially affects matters delineated in both Article XIII and Section 15.5 of the Declaration or purports to amend this sentence, the amendment must be approved pursuant to the requirements of both said Article XIII and Section 15.5.

## ARTICLE VIII

### 8. Mortgagees.

#### 8.1. Notice to Association.

Upon the Association's request, a Member who mortgages his Lot shall notify the Association through the Manager, or through the Secretary if there is no Manager, of the name and address of his Mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Lots." Upon request, any such Member shall notify the Association of the release or discharge of any such Mortgage.

#### 8.2. Notice of Unpaid Assessments.

The Board shall, at the request of a Mortgagee, report any unpaid assessments due from the Owner of such Lot, in accordance with the Declaration.

## ARTICLE IX

### 9. Conflicting Provisions.

If any of these Bylaws conflict with any laws of the State of California, such conflicting Bylaws shall be void upon final court determination to such effect, but all other Bylaws shall remain in full

force. In case of any conflict between the Articles and these Bylaws, the Articles shall control; and in case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

## ARTICLE X

### 10. Indemnification of Directors and Officers.

The Board may authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine levied against, any present or former Association Director, officer, employee, or agent as provided in the Declaration.

## ARTICLE XI

### 11. Miscellaneous.

#### 11.1. Checks, Drafts and Documents.

All checks, drafts, orders for payment of money, notes and other evidences of indebtedness issued in the name of or payable to the Association must be signed or endorsed in the manner and by the person or persons the Board designates by resolution, subject to the requirements of Section 4.6 hereof for withdrawing money from the Association's reserve accounts.

#### 11.2. Execution of Documents.

The Board may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent, committee member or employee may bind the Association by any contract or engagement or pledge its credit or render it liable for any purpose or in any amount.

#### 11.3. Availability of Association Documents.

In addition to the rights afforded by the Declaration to Beneficiaries, insurers and guarantors of first Mortgages with regard to inspection of the Association's management documents, the Association shall maintain at its principal office (or at such other place within the Properties as the Board may prescribe) the Restrictions and the Association's books of account; minutes of meetings of Members, the Board and Board committees; and the Membership Register (collectively, the "Association Documents"), each of which shall be made available for inspection and copying by any Member or the Member's duly appointed representative for a purpose reasonably related to the Member's interest as a Member. The Board shall establish reasonable rules regarding (a) notice to be given to the custodian of the Association Documents by the Member desiring to make the inspection, (b) hours and days of the week when such an inspection may be made, and (c) payment of the cost of copying any of the Association Documents requested by a Member; provided that every Director may at any reasonable time inspect all Association Documents and the physical properties owned or controlled by the Association, and make extracts and copies of documents. The minutes, minutes that are proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board (other than an executive session) must be

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available to Members within thirty (30) days of the meeting. The minutes, proposed minutes or summary minutes must be distributed to any Member upon request and upon reimbursement of the Association's cost in making that distribution. Members must be notified in writing at the time that the budget required in Section 4.6(a) hereof is distributed or at the time of any general mailing to the entire Association membership of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained. No later than ten (10) days after the Association receives written request from any Member, the Association shall provide to that Member a copy of any one or more of the following documents requested by the Member for purposes of providing the documents to a prospective purchaser of the Member's Lot: Articles; Bylaws; Declaration; Rules and Regulations; a copy of the most recent documents distributed pursuant to Section 4.6 hereof; a true written statement from an authorized Association representative showing the amount of the Association's current assessments and fees, as well as any assessment upon that Member's Lot which is due and unpaid as of the statement date, as well as any late charges, interest or costs of collection which have been or may be enforced by a lien upon the Member's Lot as of the statement date; and any change in the Association's current assessments and fees which have been approved by the Board but have not become due and payable as of the date disclosure is provided pursuant to this Section. The Association may charge a fee for this service not exceeding the Association's reasonable cost to prepare and reproduce the requested documents.

11.4. Fiscal Year.

The Board shall determine the Association's Fiscal Year. The Fiscal Year is subject to change as the Board determines.

ARTICLE XII

12. Notice and Hearing Procedure.

12.1. Suspension of Privileges.

If an alleged violation of the Restrictions occurs, and after written notice of such alleged violation is delivered personally or mailed to the Member or any agent of the Member ("respondent") alleged to have committed the violation in the manner herein provided, by first-class mail or by certified mail return receipt requested, or both, the Board may, after affording the respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an affirmative vote of a majority of all Directors on the Board, take any one or more of the following actions: (a) levy a Special Assessment as provided in the Declaration; (b) suspend or condition the respondent's right to use any recreational facilities the Association owns, operates or maintains; (c) suspend the respondent's voting privileges as a Member, as provided in the Declaration; (d) enter upon a Lot to make necessary repairs or perform maintenance which, according to the Declaration, is the responsibility of the respondent; or (e) record a notice of noncompliance encumbering the respondent's Lot. Any such suspension may not be for a period of more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The Board's failure to enforce the Restrictions does not waive the right to enforce the

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same thereafter. The remedies set forth above and otherwise provided by these Bylaws are cumulative and not exclusive. However, any individual Member must exhaust all available internal Association remedies prescribed by the Restrictions before that Member may resort to a court of law for relief with respect to any alleged violation of the Restrictions by another Member. The foregoing limitation pertaining to exhausting internal remedies does not apply to the Board or to any Member where the complaint alleges nonpayment of Annual Assessments, Special Assessments, Capital Improvement Assessments or Reconstruction Assessments.

12.2. Written Complaint.

A hearing to determine whether a right or privilege of the respondent under the Declaration or these Bylaws should be suspended or conditioned, or whether a Special Assessment should be levied, shall be initiated by the filing of a written Complaint by any Member or by any officer or member of the Board with the President or other presiding member of the Board. The Complaint shall constitute a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the respondent is charged and a reference to the specific provisions of the Restrictions which the respondent is alleged to have violated. A copy of the Complaint must be delivered to the respondent in accordance with the notice procedures set forth in the Declaration, together with a statement substantially in the following form:

"Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the Complaint, the Board of Directors may proceed upon the Complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled 'Notice of Defense' to the Board of Directors at the following address:

\_\_\_\_\_  
\_\_\_\_\_. You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact \_\_\_\_\_  
\_\_\_\_\_."

The respondent is entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board. The respondent may file a separate statement by way of mitigation even if he does not file a Notice of Defense.

12.3. Notice of Hearing.

The Board shall serve a notice of hearing, as provided herein, on all parties at least ten (10) days prior to the hearing, if such hearing is requested by the respondent. The Board shall conduct the

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hearing no sooner than thirty (30) days after the Complaint is mailed or delivered to the respondent as provided in Section 12.2. The notice to the respondent must be substantially in the following form but may include other information:

"You are hereby notified that a hearing will be held before the Board of Directors of The Bungalows Community Association at

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ on the \_\_\_\_\_  
day of \_\_\_\_\_, 199\_, at the hour of \_\_\_\_\_.

upon the charges made in the Complaint served upon you. You may be present at the hearing, may but need not be represented by counsel, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors of the Association."

12.4. Hearing.

The Board shall conduct the hearing in executive session pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard must be placed in the minutes of the meeting. Such proof is adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer or Director who mailed or delivered such notice. The notice requirement is satisfied if the respondent appears at the meeting. The minutes of the meeting must contain a written statement of the results of the hearing and the sanction, if any, imposed. No action against the respondent arising from the alleged violation may take effect prior to five (5) days after the hearing.

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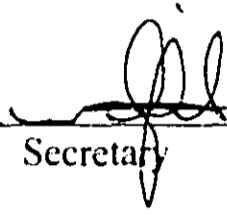
CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of THE BUNGALOWS COMMUNITY ASSOCIATION, a California nonprofit corporation ("Association"); and

2. The foregoing Bylaws, comprising 25 pages including this page, constitute the Bylaws of the Association duly adopted by Consent of Directors in Lieu of First Meeting dated \_\_\_\_\_, 1997.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Association this 14 day Jan, 1998

   
Secretary

(SEAL)

EXHIBIT "C"

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LEGAL DESCRIPTION OF ANNEXABLE TERRITORY

All that certain real property in the City of Claremont, County of Los Angeles, described as follows:

Tract No. 52260, as shown on a Subdivision Map, recorded on November 25, 1997, in Book 1226, Pages 16 to 21, inclusive, of Maps, in the Office of the Los Angeles County Recorder; excepting Phase 1 therefrom.

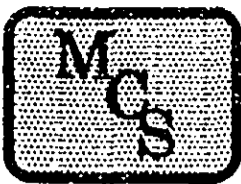


EXHIBIT "D"

DRAWINGS SHOWING LOCATION OF  
ASSOCIATION MAINTENANCE AREAS AND COMMON AREA IN PHASE 1

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11/18/97

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ENGINEERING AND SURVEYING  
**MARSHALL  
CONSULTING  
SERVICES**

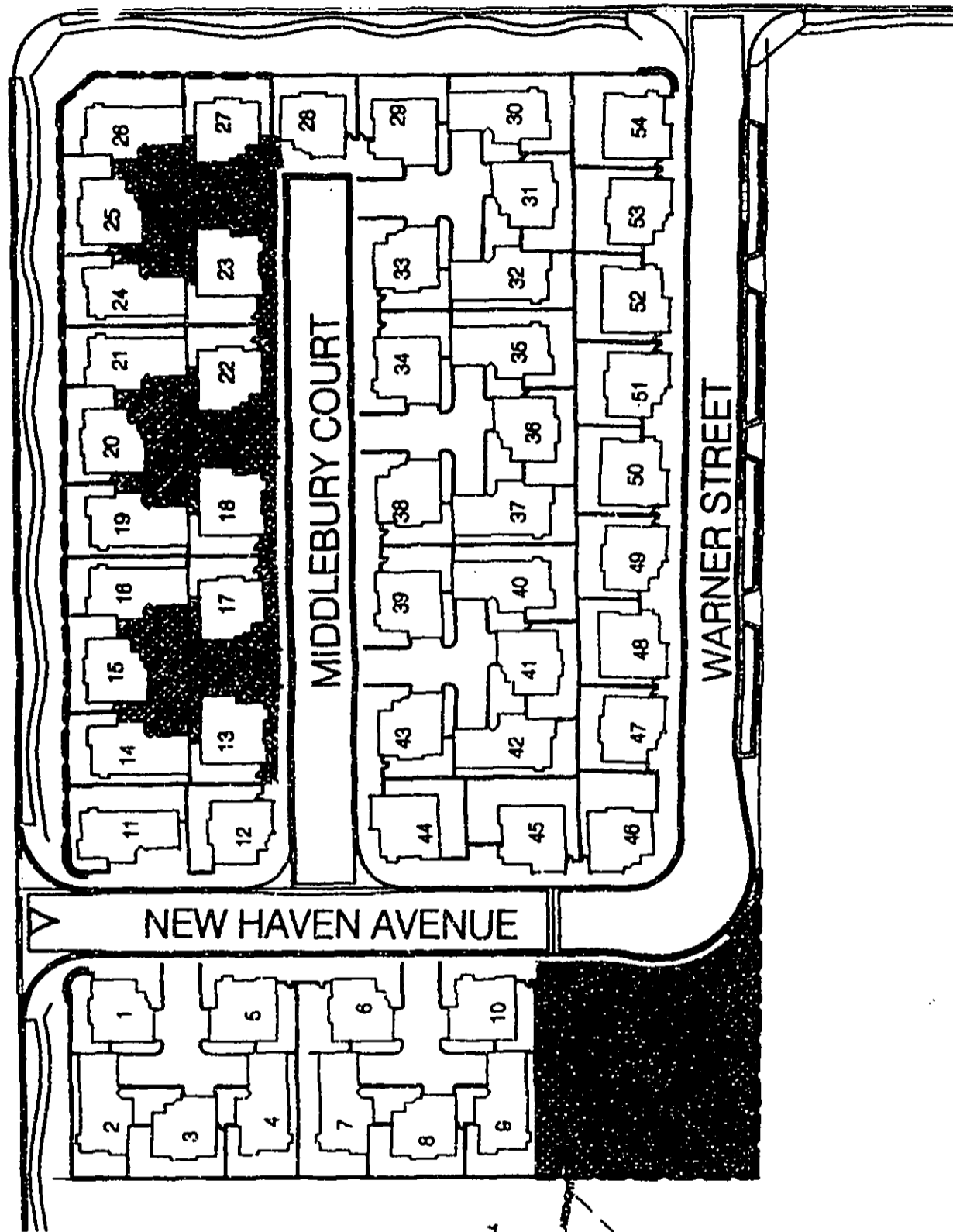
2001 E. Financial Way  
Glendora, CA 91741

PH: (626) 963-8505  
FAX: (626) 914-7016

Project:	CLAREMONT BUNGALOWS
	TRACT NO. 52260
Client:	THE WALTON COMPANY
Engineer:	WILLIAM M. RAYMOND JR.
Date:	11/12/97
	Sheet 1 of 1

MILLS AVENUE

BASELINE ROAD



NEW HAVEN AVENUE

WARNER STREET

EXHIBIT 'D'  
ASSOCIATION MAINTENANCE AREAS & COMMON AREA PHASE '1'

INDICATES MAINTENANCE AREAS & COMMON AREA

INDICATES WALLS IN THIS MAINTENANCE AREA

98 316410

EXHIBIT "E"

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**DRAWINGS SHOWING LOCATIONS OF  
EXCLUSIVE EASEMENT SIDEYARDS IN PHASE 1**

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11/18/97

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ENGINEERING AND SURVEYING  
**MARSHALL  
CONSULTING  
SERVICES**

2001 E. Financial Way  
Glendora, CA 91741

PH: (626) 963-8505  
FAX: (626) 914-7016

Project: CLAREMONT BUNGALOWS

TRACT NO. 52260

Client: THE WALTON COMPANY

Engineer: WILLIAM M. RAYMOND JR.

Date: 11/12/97 Sheet 1 of 2

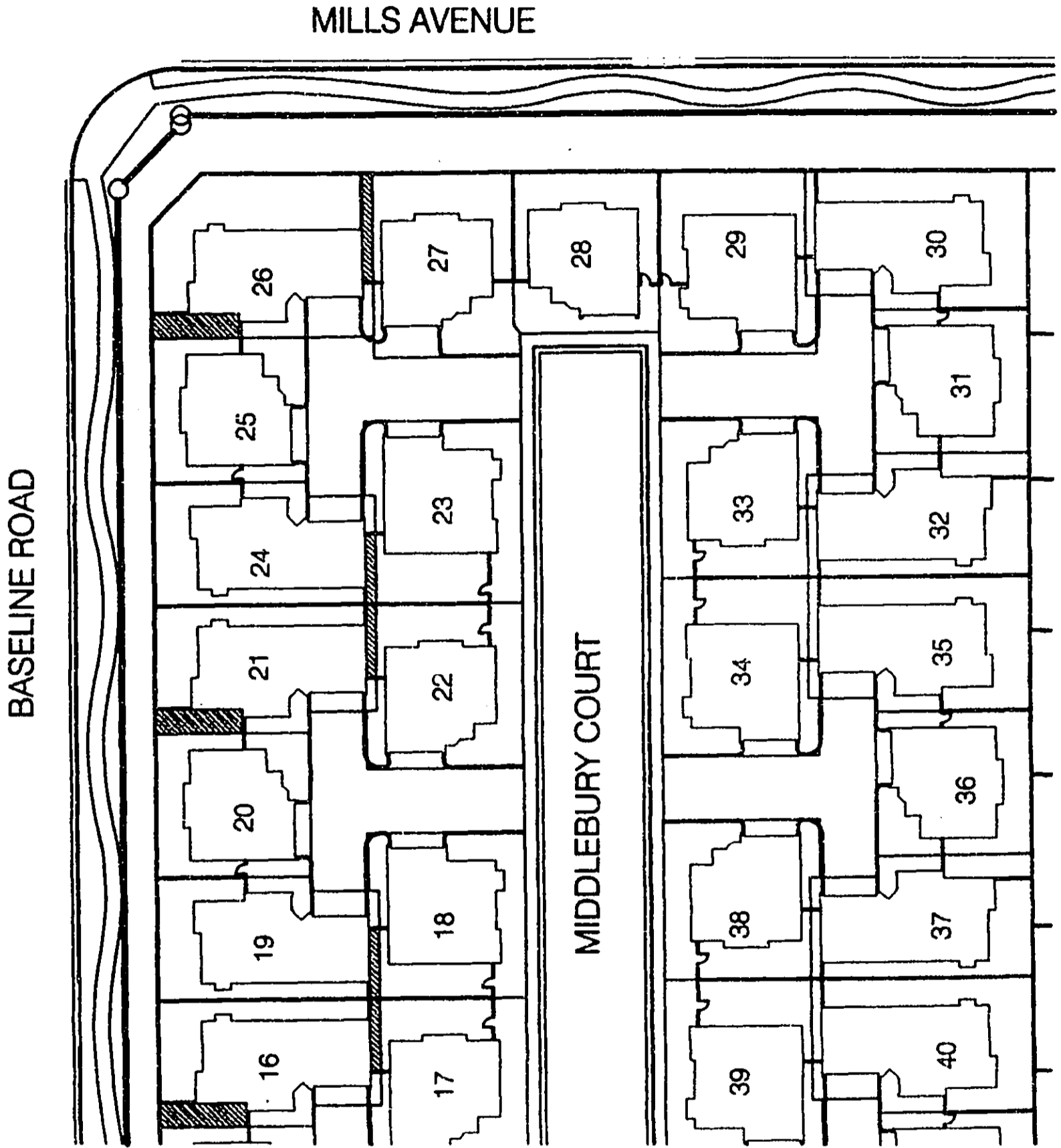


EXHIBIT 'E'  
EXCLUSIVE SIDEYARD EASEMENTS FOR PHASE '1'  
INDICATES AREA IN EXCLUSIVE SIDE YARD EASEMENTS  
ADJOINING LOTS WITH EASEMENTS IN PHASE '1' - 14, 16, 19, 21, 24, 26

98 316410



ENGINEERING AND SURVEYING  
**MARSHALL  
CONSULTING  
SERVICES**

2001 E. Financial Way  
Glendora, CA 91741

PH: (626) 963-8505  
FAX: (626) 914-7018

Project: CLAREMONT BUNGALOWS

TRACT NO. 52260

Client: THE WALTON COMPANY

Engineer: WILLIAM M. RAYMOND JR.

Date: 11/12/97 Sheet 2 of 2

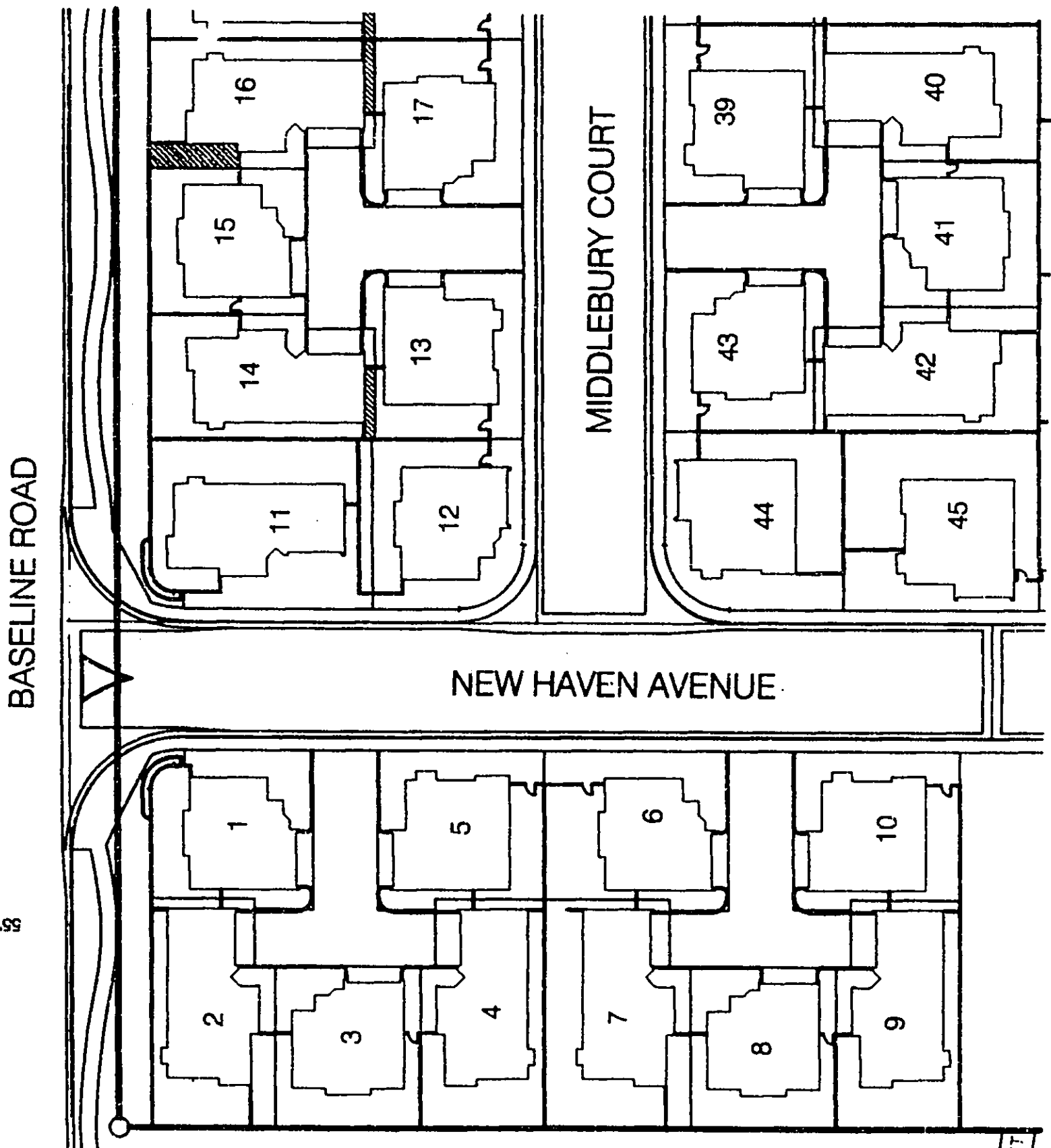



EXHIBIT 'E'  
EXCLUSIVE SIDEYARD EASEMENTS FOR PHASE '1'  
 INDICATES AREA IN EXCLUSIVE SIDE YARD EASEMENTS  
ADJOINING LOTS WITH EASEMENTS IN PHASE '1' - 14, 16, 19, 21, 24, 26

98 316410

EXHIBIT "F"

110

DRAWINGS SHOWING LOCATIONS OF  
ACCESS EASEMENT OVER PORTION OF LOT L OF TRACT NO. 52260

F:\DOCS\FSJ037\26661-000\CCRS\0261995 05  
11/18/97

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ENGINEERING AND SURVEYING

# MARSHALL CONSULTING SERVICES

2001 E. Financial Way  
Glendora, CA 91741

PH: (626) 963-8505  
FAX: (626) 914-7016

Project: CLAREMONT BUNGALOWS

TRACT NO. 52260

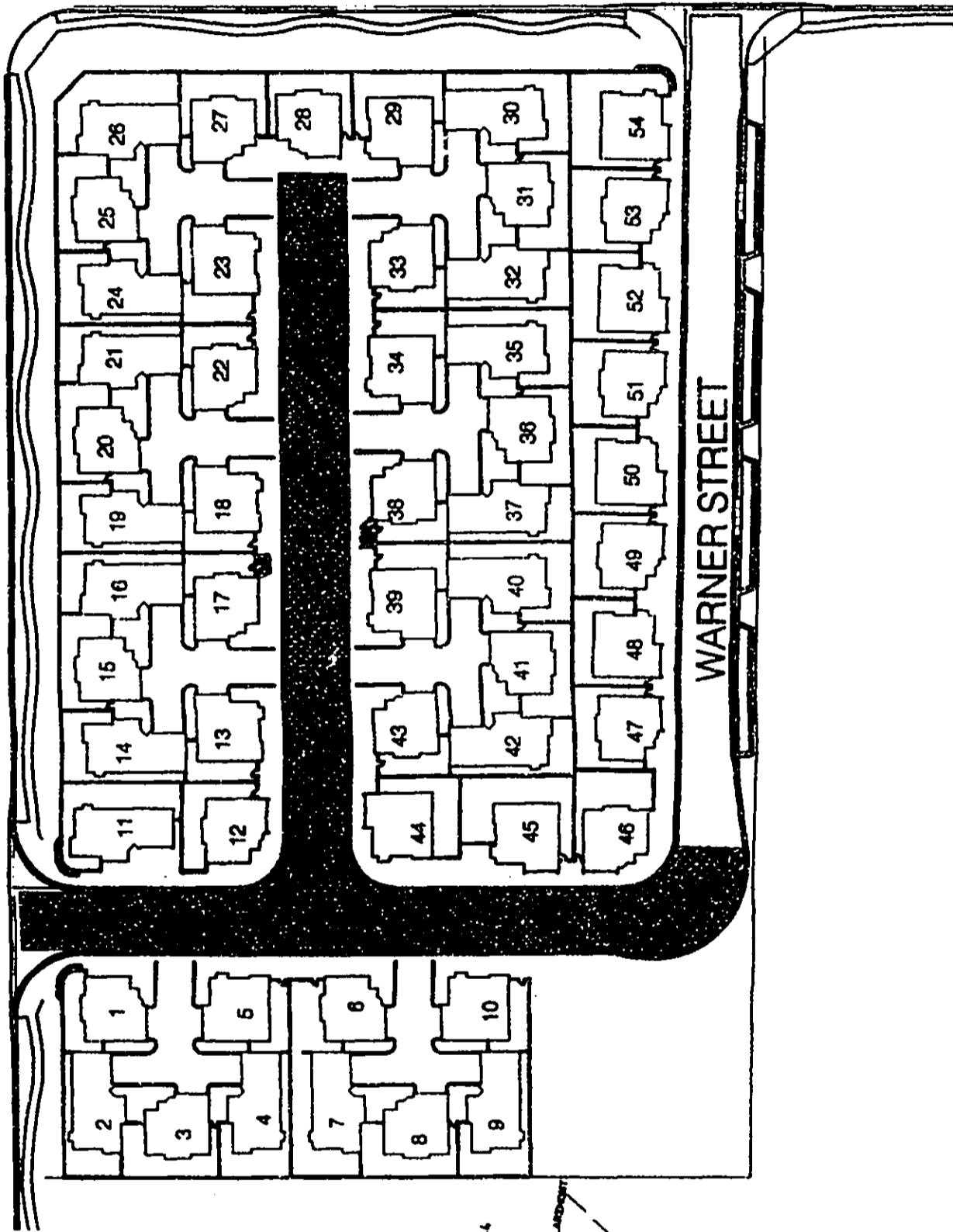
Client: THE WALTON COMPANY

Engineer: WILLIAM M. RAYMOND JR.

Date: 11/12/97 Sheet 1 of 1

## MILLS AVENUE

BASELINE ROAD



WARNER STREET

EXHIBIT 'F'  
ACCESS EASEMENT

 INDICATES ACCESS EASEMENT

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