

Tierra Montanosa Maintenance Corporation

Important Information



FirstService
RESIDENTIAL

PREPARED EXCLUSIVELY FOR:

**77 Tierra Montanosa
Rancho Santa Margarita, CA 92688**

Tierra Montanosa Maintenance Corporation

Disclosure Documents



FirstService
RESIDENTIAL

PREPARED EXCLUSIVELY FOR:

**77 Tierra Montanosa
Rancho Santa Margarita, CA 92688**



FirstService Residential California
15241 Laguna Canyon Road
Irvine, CA 92618
(800) 428-5588



February 18, 2022

Tbd
77 Tierra Montanosa
Rancho Santa Margarita, CA 92688

Dear Tbd:

FirstService Residential California represents your Board of Directors and provides management services to your community. We welcome the opportunity to serve you and look forward to a great relationship. FirstService has been in business since 1968. We specialize in the management of HOA and condominium associations and presently manage several associations in your area.

The nearest branch office location:
FirstService Residential, CA - Orange County
15241 Laguna Canyon Road
Irvine, CA 92618-3146

If you need to contact us after hours, on weekends or in case of an emergency, please call (800) 428-5588. Our regular business office hours are 8:00 am until 5:00 pm, Monday through Friday.

Your community manager will be your primary contact and will be touring your community regularly for the purpose of CC&R compliance and supervising maintenance activities. Your community manager will also be working with your Board of Directors in an effort to enrich lifestyles within the community, enhance property values and to ensure that all administrative and financial matters are in order.

Please make your assessment checks payable to your homeowner's association and include your account number(s) on your check. You will receive your payment coupons or payment statement in the near future. As an alternative we recommend you use ClickPay, a convenient way to pay your Association assessment.

To better serve you, our Call Center Customer Care Staff is standing by to answer any questions you may have regarding your account and your community. Please call our main number (800) 428-5588 for assistance. At FirstService Residential California we have built a team of professionals you can count on and we look forward to the opportunity to serve you.

Sincerely yours,

FirstService Residential California



FirstService Residential California
15241 Laguna Canyon Road
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As provided for in amended Gov. Code §12956.1, associations must place a cover page or stamp on the first page of their CC&Rs stating, in at least 14-point boldface type, the following:

If this document contains any restriction based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Tierra Montanosa Maintenance Corporation

Billing Disclosure Form



FirstService
RESIDENTIAL



FirstService Residential California
 15241 Laguna Canyon Road
 Irvine, CA 92618
 (800) 428-5588



Billing Disclosure Form

CA-B60177

Provided as required by Section 4525*

THIS IS NOT AN INVOICE: This form is being provided as required by California Civil Code §4530 and is not intended to be utilized as a total amount due on any specific resale transaction.

The seller may, in accordance with Section 4530 of the Civil Code, provide to the prospective purchaser, at no cost, current copies of any documents specified by Section 4525 that are in the possession of the seller. A seller may request to purchase some or all of these documents, but shall not be required to purchase ALL of the documents listed on this form.

Account Information:

Association: Tierra Montanosa
 Property Address: 77 Tierra Montanosa
 Rancho Santa Margarita, CA 92688
 Owner of Property: Stephen Connolly
 Owner's Mailing Address: 77 Tierra Montanosa, Rancho Santa Margarita, CA 92688

Provider of §4525 Items:

Print Name: Sandee Schreiber
 Position/Title: Association Disclosure Specialist
 Date Completed: February 18, 2022

**Not Available(N/A),
 Not Applicable(N/App),
 OR Directly Provided by
 Seller and confirmed in
 writing by Seller as a**

Document	Civil Code Section	Fee For Document	current document (DP)
Articles of incorporation or statement that not incorporation	Section 4525(a)(1)	\$48.00	
CC&Rs	Section 4525(a)(1)	\$55.00	
Bylaws	Section 4525(a)(1)	\$48.00	
Operating Rules	Section 4525(a)(1)	\$34.00	
Age restrictions, if any	Section 4525(a)(2)	\$0 (Included in CC&Rs)	
Rental restrictions, if any	Sections 4525(a)(9)	\$0 (Included in CC&Rs)	
Annual budget report or summary, including reserve study	Sections 5300 and 4525(a)(3)	\$48.00	
Assessment and reserve funding disclosure summary	Sections 5300 and 4525(a)(4)	\$0 (Included in Budget)	
Financial statement review	Sections 5305 and 4525(a)(3)	\$48.00	
Assessment enforcement policy	Sections 5310 and 4525(a)(4)	\$0 (Included in Budget)	
Insurance summary	Sections 5300 and 4525(a)(3)	\$0 (Included in Budget)	
Regular assessment	Section 4525(a)(4)	\$0 (Included in Statement)	
Special assessment	Section 4525(a)(4)	\$0 (Included in Statement)	
Emergency assessment	Section 4525(a)(4)	\$0 (Included in Statement)	
Other unpaid obligations of the seller	Sections 5675 and 4525(a)(4)	\$0 (Included in Statement)	
Approved changes to assessments	Sections 5300 and 4525(a)(4),(8)	\$0 (Included in Budget)	
Settlement notice regarding common area defects	Sections 4525(a)(6), (7) and 6100	See disclosure if applicable	
Preliminary list of defects	Section 4525(a)(6), 6000 and 6100	See disclosure if applicable	
Notice(s) of violation	Sections 5855 and 4525(a)(5)	\$0 (Included in Statement)	
Required statement of fees	Section 4525	\$0 (Included in Statement)	
Minutes of regular meetings of the board of directors conducted over the previous 12 months, if requested	Section 4525(a)(10)	\$97.00	
TOTAL FEES for these documents:		\$378.00	DO NOT PAY

*The information provided in this form may not include all fees that may be imposed before the close of the escrow. Additional fees that are not related to the requirements of Section 4525 may be charged separately. Please visit www.fresidential.com/california, click Order Documents & Certifications in the upper left-hand corner, and follow the instructions to download a full list of fees and services.

As provided for in amended [Gov. Code §12956.1](#), associations must place a cover page or stamp on the first page of their CC&Rs stating, in at least 14-point boldface type, the following:

If this document contains any restriction based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.



FirstService Residential California
15241 Laguna Canyon Road
Irvine, CA 92618
(800) 428-5588



Resale Statement of Account

CA-B60177

Tierra Montanosa Maintenance Corporation
This statement has been prepared on February 18, 2022
On behalf of Stephen Connolly ; owner(s) of
77 Tierra Montanosa, Rancho Santa Margarita, CA 92688
Purchaser(s) is/are Tbd

Insurance Information

For all insurance information please contact:

Name: **Prendiville**

Phone Number: **949-487-9696**

Fees due from Seller

Please send one check for the following amounts/sums due payable to: Tierra Montanosa Maintenance Corporation, 15241 Laguna Canyon Road.

Balance due for account number TMO-TIMON-0140-02 through 02/18/2022: \$0.00

The amount above is the balance for the account as of the above date. Late fees, additional assessments and other charges will be added as they occur. *FirstService Residential California* offers (1) free update(s) within 30 days, any subsequent updates are charged \$106 per request. Verbal updates are not provided. The requester is responsible for obtaining an update for the account (7) days prior to closing.

Please note: No credits will be issued by FirstService Residential California. Any adjustment to the maintenance account must be made between the buyer and seller at closing.

Fees due from Buyer

Please send one check for the following amounts/sums due payable to: Tierra Montanosa Maintenance Corporation, 15241 Laguna Canyon Road.

First Monthly ASSESSMENT: \$360.00



FirstService Residential California
 15241 Laguna Canyon Road
 Irvine, CA 92618
 (800) 428-5588



Resale Statement of Account (continued)

CA-B60177

Tierra Montanosa Maintenance Corporation
 This statement has been prepared on February 18, 2022
 On behalf of Stephen Connolly ; owner(s) of
 77 Tierra Montanosa, Rancho Santa Margarita, CA 92688
 Purchaser(s) is/are Tbd

Fees due for Resale Statement of Account

Please send a SEPARATE check for all of the foregoing amounts/sums due to: FirstService Residential California, 15241 Laguna Canyon Road.

The following is a statement including the disclosure fee due for the preparation of this certificate and any subsequent documentation.

Next Day (1-2 days) Statement of Account Transfer Processing Fee	\$430.00
-Next Day Processing	\$132.00
12 Months Board Meeting Minutes	\$97.00
Annual Budget Package	\$48.00
Certificate of Insurance (Association)	\$48.00
Financial Audit / Review	\$48.00

Total Resale Statement of Account Fees Due: \$803.00

Requester Information

Requested By: ASHLEY BOWMAN
 Company: CORNER ESCROW
 Address: 18302 Irvine Blvd Suite 350
 Tustin, CA 92780
 Phone #: 1749223288
 Email: ABOWMAN@CORNERESCROW.COM
 Escrow #: TBD

Assessment Information

The following is a statement as to the amount of Tierra Montanosa Maintenance Corporation's current regular assessments, special assessments, and any other fees or charges currently imposed by the Association and payable by unit owner(s).

ASSESSMENT: **\$360.00 due Monthly on the 1st day of the payment period**
 Late Fee: **Any assessment received 15 days after the due date will be assessed a late fee of \$10.00. At 31 days, an additional 1% of the total assessment amount will be assessed.**

Violation Information

The records of Tierra Montanosa Maintenance Corporation reflect the following alleged violation(s) of the governing documents that remains unresolved at the time of the request:

There are none known at this time.



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Resale Statement of Account (continued)

CA-B60177

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On behalf of Stephen Connolly ; owner(s) of
77 Tierra Montanosa, Rancho Santa Margarita, CA 92688
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This statement by the Association does not relieve the Buyer of the property from the obligation to disclose alterations or improvements to the property which violate the declaration or which may not have been approved, nor does it preclude the Association from taking action against the purchaser of the property for violations existing at the time purchase. There may be other items that have not been noted on this statement as it relates to landscaping or architectural improvements that may or may not be approved by the Association at the time of receipt of this notice. California Civil Code §4525 Section (5) read in part; "The notice shall not be deemed a waiver of the association's right to enforce the governing documents against the owner or the prospective purchaser of the separate interest with respect to any violation."

If you have any questions regarding violations, please contact the Community Manager, Holly Chadd, at 949 448 6195.

Litigation Information

The following is not intended to suggest that there is or is not active or pending litigation within the association.

You are advised that there are often delays in the preparation of litigation disclosures by associations. They arise due to the delay that occurs from the time a lawsuit is filed against an association until the time it is served on the association, and until a written litigation disclosure is prepared by legal counsel representing an association, and thereafter is made available by an association's board of directors. Once a disclosure on a case is prepared, it is to be regarded as a general notice of certain non-confidential and non-privileged matters in connection with the disclosed litigation as of the date that such disclosure was prepared. In addition, such a disclosure is not an exhaustive discussion of the facts of a case nor is it a prediction of the outcome of it, or an analysis of the financial effect it might have on the association. Therefore should you desire more information about any case, or want to know whether cases that may not as yet be the subject of a written disclosure to members and prospective buyers have been filed against the association, all of the pleadings of a case are public records, and unless sealed by an order of the Court, the file may be viewed and copies may be obtained from the office of the Clerk of the Court in the County where the association is located, which is the County where a lawsuit against an association is usually filed.



FirstService Residential California
15241 Laguna Canyon Road
Irvine, CA 92618
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Resale Statement of Account (continued)

CA-B60177

Tierra Montanosa Maintenance Corporation
This statement has been prepared on February 18, 2022
On behalf of Stephen Connolly ; owner(s) of
77 Tierra Montanosa, Rancho Santa Margarita, CA 92688
Purchaser(s) is/are Tbd

Disclosure to Seller and Buyer

1. FirstService Residential California is the Property Management Company for Tierra Montanosa Maintenance Corporation.
2. Homeowner assessments are due in advance on the 1st day of each month. A statement will be sent to the buyer's mailing address, as a courtesy, within 30 days from the notification of close of escrow ("COE") to FirstService Residential California. Should buyer not receive a billing within 30 days of COE, Buyer is to send 1 month's dues payment to the Association along with a copy of this form. The assessment payment due-date is established by the Association (generally the 15th or 30th day of each month), and any payments received after the due date may be subject to a late charge.
3. Association assessments are an assessment ON PROPERTY. California Law provides the Association with the right to lien and foreclose ON YOUR PROPERTY due to nonpayment of assessments.
4. California Civil Code §4525 requires that the Seller of real property within an Association / Common Interest Development provide to a Buyer certain items. The Seller may request the Homeowners Association to provide the Buyer the items and the Association may charge a reasonable fee for this service. These fees, in addition to other fees charged by the Association, are set forth in this Statement of Account.
5. This Statement of Account documents the referenced account as of the date of issuance. Payments and charges are posted to accounts daily. **Escrow, FirstService Residential California offers (1) free update(s) within 30 days, any subsequent updates are charged \$106 per request. Verbal updates are not provided. The requester is responsible for obtaining an update for the account at least (2) days prior to closing.**
6. Upon closing, Escrow is responsible for collecting all amounts shown on this Statement of Account; no refunds will be issued for any Homeowners Association documents requested by Escrow.
7. Should this escrow transaction cancel or not close: a) All amounts shown on this Statement of Account remain payable by the Seller. Entering into an escrow does not suspend the responsibility to pay the Association assessment; b) in the event this escrow transaction cancels, Escrow is responsible for collecting and remitting the cancellation fee of \$75.00. If this fee is not collected, the charge will remain on the Seller's account until paid.
8. Sellers who pay their assessments via ACH can cancel their recurring payment in advance of the closing by going to FSResidential.com/California, selecting "Make a Payment", and logging into their account to terminate their ACH payment setup. The seller's ACH payment will be automatically terminated once the buyer's account is set up in our software system.



FirstService Residential California
 15241 Laguna Canyon Road
 Irvine, CA 92618
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Return Form

CA-B60177

ATTENTION ESCROW:

To assist in refunding any credit balance due to the seller it is imperative that you provide the seller's forwarding address in the closing documents remitted to FirstService Residential. You can utilize the below return form or remit the information in a closing letter from your office.

Failing to provide the seller's forwarding address may result in the seller's credit balance being forwarded to your office for disposition to the seller.

Seller, please provide the following information:

Forwarding Address: _____

Escrow, please provide the following information:

The property will will not be occupied by the owners(s). Property will be occupied as of _____

All billings, correspondence for new owners, after COE should be mailed to Buyer's at:

List all new owners on title for said property: _____

The undersigned hereby acknowledge the receipt of this document which specifies the fees due for the Resale Statement of Account, each understands its responsibilities as set forth herein, and each authorizes the Escrow Agent to pay to the Association and FirstService Residential California, the charges set forth, respectively, as currently shown or as may be amended before the Close of Escrow.

 Seller's Signature Date

 Buyer's Signature Date

 Name (print or type)

 Name (print or type)

 Seller's Signature Date

 Buyer's Signature Date

 Name (print or type)

 Name (print or type)

Please forward this statement signed by all parties, escrow's closing statement(s), fees and sums due to:

FirstService Residential California, LLC
 15241 Laguna Canyon Road Irvine, CA 92618

Tierra Montanosa Maintenance Corporation

Annual Budget Package



FirstService
RESIDENTIAL

Tierra Montanosa Maintenance Corporation

DATE: August 31, 2021
TO: The Membership – Tierra Montanosa Maintenance Corporation
FROM: The Board of Directors
RE: 2021-2022 Budget – Effective October 1, 2021

Each year, the association's volunteer Board of Directors performs a very careful review of the past year's expenses and income to best project the amount to collect from each member in the upcoming fiscal year. When reviewing the budget, the Board considers several factors such as: recurring contract costs, inflation, utility usage and rates, insurance, and appropriate reserve contributions (savings) each month to pay for repair, restoration and/or replacement of common area components as needed.

One of the Associations largest expenses is the Master Insurance Policy. Over the past several months, The Board of Directors and Management have been trying to obtain coverage from every provider possible, to obtain the best price for the Members. However, due to the association's location next to a large fire zone it was extremely difficult to obtain additional bids/ quotes. The ever-difficult insurance conditions has necessitated (Please see the first letter in packet, from Prendiville Insurance) an increase to the association dues.

As a result of this review, the Board has determined that an increase of **15.01%** will be necessary to meet the association's financial needs in the upcoming fiscal year. **Please note that effective 10/01/2021, your new monthly assessment will be \$360.00 per Month.**

This increase to the association dues is a result of the insurance renewal premium. The Board of Directors, Insurance broker and Management are continuing to shop the insurance coverage in hopes of a better rate in the market place.

What Is Included in the Budget Packet?

State law and the association's governing documents require the Board of Directors to distribute the following documents annually to each member:

- **INSURANCE CONDITIONS NOTICE- PLEASE READ**
- A summary of the *pro forma* budget for the upcoming fiscal year
- Assessment and Reserve Funding Disclosure Summary
- Reserve Study Executive Summary
- 5-Year Reserve Projection Model
- 30-Year Reserve Cashflow Analysis
- Delinquency Policy

- Written Notice of Assessments, Foreclosure, and Payment Plans
- Alternative Dispute Resolution (ADR) Procedure
- Internal Dispute Resolution (IDR) Procedure
- Discipline Policy
- Schedule of Penalties for Violation of the Association's Documents
- Architectural Submittal and Appeal Process
- Insurance Summary
- FHA Certification Disclosure
- VA Certification Disclosure
- Billing Disclosure Form
- ADR/IDR Policy

About the Reserve Study

California law requires the association's Board of Directors to "cause to be conducted" a reserve study with an onsite inspection at least once every three years. Although the law does not require the Board to perform a reserve study in years two and three, the law does require an annual disclosure to be distributed to the membership in those years. To ensure that the association's major components are appropriately identified, the Board hires a professional reserve analyst for these services.* The "Executive Summary" in this packet will show whether or not a site inspection was completed this year as determined by the Board.

California law also requires the Board to make these disclosures about the association's reserve funds:

- 1) In the upcoming year, the association will fund reserves using the following sources:

	<i>Type of Funding</i>
<input checked="" type="checkbox"/>	Regular Assessments
<input type="checkbox"/>	Special Assessments
<input type="checkbox"/>	Borrowing
<input type="checkbox"/>	Use of Other Assets
<input type="checkbox"/>	Deferral of Repairs
<input type="checkbox"/>	Alternate Mechanisms

- 2) **The association has a total of \$1,988,399.44 in actual accumulated reserve funds as of July, 31, 2021 Financial Statement. The Board anticipates that the amount will increase to \$2,055,601.44 by the end of the current fiscal year. According to the reserve analyst, the total replacement cost for all major components is \$4,262,342.00. The current reserve fund amount represents 48% of the projected total replacement cost.** Although this number usually seems low, the legislature requires the Board to disclose (in boldface type) how much it would cost the association to rebuild all of its major common area components if they were replaced all at once.
- 3) According to the reserve analyst, at the start of the upcoming fiscal year the association is anticipated to be 98.6% funded to the "ideal funding level". That number represents the amount the association is anticipated to have on hand to repair or replace major components when they are scheduled to be repaired or replaced.
- 4) The Board of Directors has determined to defer or not undertake repairs or replacement of the following major components with a remaining life of 30 years or less (as identified in the reserve study as having zero estimated remaining life):

<i>Item #</i>	<i>Item Description</i>	<i>Reason for Deciding to Defer or Not Undertake Repairs/Replacement</i>
010	Streets -asphalt overlay	Will be completed next year 2022
020	Roof- tile repair	To be completed as needed
030	Red Curb Painting	To be completed in asphalt project
060	Pool filter/ equipment	To be completed as needed
060	Pool Furniture	To be completed as needed
100	Fire alarm panels	To be completed as needed
110	Termite Control	To be completed as needed

Insurance Information

The association carries General Liability insurance in the amount of \$5,000,000.00 which does meet the minimum amount specified in California law to ensure that owners are only individually liable for their proportionate share of special or regular assessments levied to pay any judgments against the association which exceed the limits of the association's insurance.

Additional disclosures about the association's insurance policies can be found within this packet, including the name(s) of the insurer(s), the types of insurance, the policy limits, and the deductible amounts (if any).

Other Disclosures

The Board of Directors does not anticipate that any special assessment will be required during the upcoming fiscal year to repair, replace and/or restore any major components or to provide adequate reserves.

Please contact our senior community manager, Casey Donaldson at (949) 448-6185 or via e-mail at Casey.Donaldson@fsresidential.com should you have any questions or if you would like to have a copy of the complete *pro forma* operating budget provided to you at the association's expense or a copy of the complete reserve study plan. These documents are also available for review at 15241 Laguna Canyon Road, Irvine CA, 92618 by appointment.

ANNUAL POLICY STATEMENT – Tierra Montanosa Maintenance Corporation

The board is required to distribute an annual policy statement that provides the association members with information about its policies.

- 1) The name and address of the person designated to receive official communications to the association is the Manager on behalf of Tierra Montanosa Maintenance Corporation c/o FirstService Residential Management, 15241 Laguna Canyon Road, Irvine CA, 92618.
- 2) Members may submit a request to the address noted above to have notices sent to up to two different specified addresses.
- 3) Civil Code permits the association to provide General Notices to the membership via newsletter, billing statement messages, or posting in a prominent location. If the association chooses to post notices, they will be located at the bulletin board at the pool area.
- 4) If you would like all notices, including general notices, to be sent to you by individual delivery, please notify the association's Manager in writing.
- 5) Copies of minutes for board meetings that are open to the membership are available upon written request throughout the year. Minutes can be released to you 30 days following the meeting date, and any copying and posting charges for those minutes are the requestor's responsibility. If the minutes are not approved by the Board within the 30-day period of the request, draft minutes will be provided to you.



August 18, 2021

Tierra Montanosa Maintenance Corp.
C/O First Service Residential California, LLC

Re: 2021 Insurance Renewal

Dear Members of Tierra Montanosa:

My name is Patrick Prendiville and it has been my pleasure to insure Tierra Montanosa for nearly ten years. Unfortunately, I'm writing to you at a particularly troubling time.

Each year, the insurance industry anticipates a certain volume of claim activity. There are times, however, when the claim activity is so high, that the that insurance companies are forced to be extremely cautious in taking on or remaining on property insurance policies.

As you undoubtedly know, California has been experiencing a record rate of wildfires. Unfortunately, in addition to the personal toll, the insurance industry has been driven to a near crisis state due to the associated claims. Subsequently, the insurance company for Tierra Montanosa was forced to non-renew your account due to the proximity to a brush area. This is happening all over the RSM Foothill Ranch area, as well as many parts of California.

The Tierra Montanosa insurance policy was shopped out to all available insurance companies and the overall market was less than accommodating at this time. After exhausting all possible options, it is clear that the rates have had a significant increase.

While the policy is written for one year, your account will be submitted to the insurance marketplace on a quarterly basis to see if we can improve the rates. If a better alternative comes along, the Board of Directors will be presented with the details.

We are hopeful that this problem is short-lived and we will keep working for a solution. If you would like to discuss this with me, please feel free to reach me at the number below.

Sincerely,

A handwritten signature in dark ink, appearing to read "Patrick Prendiville", written in a cursive style.

Patrick Prendiville

TIERRA MONTANOSA MAINTENANCE CORPORATION
October 1, 2021 - September 30, 2022

Number Of Units : 205

	Per Unit	Per Month (rounded)	Per Year (rounded)
INCOME			
MEMBER ASSESSMENT	360.00	73,799	885,588
TOTAL INCOME	360.00	73,799	885,588
<hr style="border-top: 1px dashed black;"/>			
RESERVE CONTRIBUTION	127.87	26,214	314,568
<hr style="border-top: 1px dashed black;"/>			
OPERATING EXPENSES			
UTILITIES	37.10	7,606	91,272
LAND MAINTENANCE	35.11	7,198	86,376
SWIMMING POOL/SPA	6.63	1,360	16,320
COMMON AREA	13.92	2,853	34,236
ADMINISTRATION	139.36	28,568	342,816
<hr style="border-top: 1px dashed black;"/>			
TOTAL OPERATING EXPENSES	232.12	47,585	571,020
TOTAL RESERVE CONTRIBUTION	127.87	26,214	314,568
<hr style="border-top: 1px dashed black;"/>			
TOTAL OPERATING & RESERVES	360.00	73,799	885,588

The complete pro forma operating budget is available at the business office of the association. Copies will be provided to you upon request at the expense of the association.

Tierra Montanosa Maintenance Corporation
Membership Disclosure Summary
Sorted by Category

Major Reserve Components	Current Cost	Assigned Reserves	Remaining Life Range	Useful Life Range
010 Streets	\$379,970	\$370,155	0-4	4-24
020 Roofs	\$1,587,460	\$302,227	0-24	1-30
030 Painting	\$306,964	\$102,010	0-8	2-10
040 Fencing & Walls	\$439,719	\$139,112	8-25	20-34
050 Lighting	\$152,235	\$116,716	5-8	30-33
060 Pool Area	\$301,812	\$243,337	0-18	4-31
070 Decks	\$550,203	\$394,805	2-3	5-21
080 Doors	\$344,250	\$40,425	3-18	5-20
090 Landscape	\$59,800	\$48,589	0-3	1-12
100 Miscellaneous	\$251,200	\$223,954	0-4	5-28
110 Termite Control & Wood Repair	\$91,000	\$59,500	0-3	1-5
Contingency	n.a.	\$61,225	n.a.	n.a.
Total	\$4,464,614	\$2,102,055	0-25	1-34

Tierra Montanosa Maintenance Corporation

Executive Summary

Directed Cash Flow Calculation Method

Client Information:

Account Number	11596
Version Number	1
Analysis Date	08/06/2021
Fiscal Year	10/1/2021 to 9/30/2022
Number of Units	205
Phasing	15 of 15

Global Parameters:

Inflation Rate	2.50 %
Annual Contribution Increase	2.50 %
Investment Rate	1.25 %
Taxes on Investments	30.00 %
Contingency	3.00 %

Community Profile:

This community consists of 205 condominium units contained in 41 buildings, private roadways, pool area and landscaped areas.

This community was constructed between 1994 and 1998. For budgeting purposes, unless otherwise indicated, we have used October 1996 as the average placed-in-service date for aging most of the original components in this community. We have used October 1994 as the placed-in-service date for original components at the pool area.

ARS site visits: May 7, 2020; June 1999 and June 1998

Adequacy of Reserves as of October 1, 2021:

Anticipated Reserve Balance	\$2,102,055.00
Fully Funded Reserve Balance	\$2,132,198.36
Percent Funded	98.59%

Recommended Funding for the 2021-2022 Fiscal Year:	Annual	Monthly	Per Unit Per Month
Member Contribution	\$388,000	\$32,333.33	\$157.72
Interest Contribution	\$14,015	\$1,167.90	\$5.70
Total Contribution	\$402,015	\$33,501.23	\$163.42

Tierra Montanosa Maintenance Corporation
Projections
Directed Cash Flow Calculation Method

Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenditures	Ending Balance	Fully Funded Ending Balance	Percent Funded
2021-2022	\$2,102,055	\$388,000	\$14,015	\$684,333	\$1,819,737	\$1,823,822	100%
2022-2023	\$1,819,737	\$397,700	\$16,696	\$101,241	\$2,132,892	\$2,132,354	100%
2023-2024	\$2,132,892	\$407,643	\$19,263	\$126,753	\$2,433,045	\$2,430,869	100%
2024-2025	\$2,433,045	\$417,834	\$15,101	\$905,313	\$1,960,667	\$1,925,985	102%
2025-2026	\$1,960,667	\$428,279	\$15,052	\$443,341	\$1,960,657	\$1,906,243	103%
2026-2027	\$1,960,657	\$438,986	\$18,100	\$101,224	\$2,316,520	\$2,257,202	103%
2027-2028	\$2,316,520	\$449,961	\$21,298	\$98,093	\$2,689,686	\$2,630,494	102%
2028-2029	\$2,689,686	\$461,210	\$24,448	\$117,884	\$3,057,460	\$3,002,735	102%
2029-2030	\$3,057,460	\$472,740	\$20,058	\$990,617	\$2,559,642	\$2,477,225	103%
2030-2031	\$2,559,642	\$484,559	\$22,141	\$261,137	\$2,805,204	\$2,722,932	103%
2031-2032	\$2,805,204	\$496,673	\$25,108	\$174,507	\$3,152,478	\$3,077,729	102%
2032-2033	\$3,152,478	\$509,090	\$28,641	\$125,304	\$3,564,904	\$3,505,116	102%
2033-2034	\$3,564,904	\$521,817	\$31,704	\$194,895	\$3,923,530	\$3,881,784	101%
2034-2035	\$3,923,530	\$534,862	\$30,958	\$644,449	\$3,844,900	\$3,805,623	101%
2035-2036	\$3,844,900	\$548,234	\$34,288	\$192,793	\$4,234,629	\$4,217,073	100%
2036-2037	\$4,234,629	\$561,940	\$38,556	\$103,072	\$4,732,053	\$4,746,529	100%
2037-2038	\$4,732,053	\$575,988	\$41,813	\$236,107	\$5,113,748	\$5,162,091	99%
2038-2039	\$5,113,748	\$590,388	\$46,376	\$104,992	\$5,645,520	\$5,740,120	98%
2039-2040	\$5,645,520	\$605,148	\$35,828	\$1,844,249	\$4,442,246	\$4,510,375	98%
2040-2041	\$4,442,246	\$620,276	\$39,675	\$209,938	\$4,892,260	\$4,989,656	98%
2041-2042	\$4,892,260	\$635,783	\$40,166	\$611,176	\$4,957,033	\$5,072,016	98%
2042-2043	\$4,957,033	\$651,678	\$45,128	\$118,411	\$5,535,428	\$5,691,744	97%
2043-2044	\$5,535,428	\$667,970	\$49,771	\$175,802	\$6,077,367	\$6,281,822	97%
2044-2045	\$6,077,367	\$684,669	\$43,111	\$1,483,460	\$5,321,687	\$5,521,927	96%
2045-2046	\$5,321,687	\$701,786	\$16,078	\$3,812,724	\$2,226,826	\$2,300,145	97%
2046-2047	\$2,226,826	\$719,330	\$20,109	\$266,983	\$2,699,283	\$2,757,871	98%
2047-2048	\$2,699,283	\$737,314	\$25,056	\$184,604	\$3,277,048	\$3,331,063	98%
2048-2049	\$3,277,048	\$755,746	\$30,647	\$134,398	\$3,929,044	\$3,989,069	98%
2049-2050	\$3,929,044	\$774,640	\$23,612	\$1,595,833	\$3,131,463	\$3,138,531	100%
2050-2051	\$3,131,463	\$794,006	\$26,494	\$479,064	\$3,472,899	\$3,464,121	100%

NOTE: In some cases, the projected Ending Balance may exceed the Fully Funded Ending Balance in years following high Expenditures. This is a result of the provision for contingency in this analysis, which in these projections is never expended. The contingency is continually adjusted according to need and any excess is redistributed among all components included.

TIERRA MONTANOSA MAINTENANCE CORPORATION

DELINQUENT ASSESSMENT COLLECTION POLICY

Effective: OCTOBER 2021

Prompt payment of assessments by all owners is critical to the financial health of the Association and to the enhancement of the property values of our Association. Your Board of Directors takes very seriously its obligation under the CC&R's and the California Civil Code to enforce the members' obligation to pay assessments. The Board has adopted this Collection Policy in an effort to discharge that obligation in a fair, consistent, and effective manner. Therefore, pursuant to the CC&R's and Civil Code, the following are the Association's assessment collection practices and policies:

- Regular monthly assessments are due and payable on the 1st day of each month. A courtesy billing statement is sent each month to the billing address on record with the Association. However, it is the owner of record's responsibility to pay each assessment in full each month regardless of whether a statement is received.
- All other assessments, including, but not limited to, Special Assessments, Reimbursement Assessments, Reconstruction Assessments, and Capital Improvement Assessments are due and payable on the date specified by the Board in the notice of assessment.
- Regular monthly assessments and all other assessments (as defined in Paragraph 2) are collectively referred to herein as "Assessments".
- Assessments, late charges, interest and collection costs, including any attorneys' fees, are the personal obligation of the owner of the property at the time the Assessment or other sums are levied.
- Unpaid Assessments are delinquent 15 days after they are due.
- A late charge of \$10.00 or 10%, whichever is greater, will be charged for any Assessment that is not received on or before the 15th day of the month, prior to the close of business.
- When Assessments become delinquent, the Association may, but is not required to, send a courtesy reminder notice to the owner of record for all outstanding charges on the owner's account. (Assessments, late fees, interest, costs of collection, including attorneys' fees). A fee of may be charged for this notice.
- Interest on the balance due will accrue at a rate not to exceed 10% per annum; commencing thirty (30) days after the Assessment becomes due.
- At fifteen (15) days past due, the association may invite owner(s) to a hearing for the purpose of revoking membership privileges. Those privileges can include access to common areas or facilities, and/or services paid for by the association.
- When an Assessment becomes more than forty-five (45) days past due, the Association will send an intent to lien/pre-lien letter to each owner, as required by the Civil Code, by certified mail to the owner's address of record. The owner will be charged a fee for the notice (see fee schedule pg. 3), as well as all costs to complete the transmittal of the letters.
- If the owner fails to pay the amounts set forth in the intent to lien/pre-lien letter within 30 days of receipt of that letter, a lien for the amount of any delinquent Assessments, late charges, interest and/or costs of collection, including attorneys' fees, may be recorded against the owner's property. The owner will be charged a fee for the lien, as well as any

TIERRA MONTANOSA MAINTENANCE CORPORATION

processing fees, recording service, and costs (see fee schedule pg. 3). A copy of the lien will be sent to each owner at his/her address of record via certified mail within ten (10) days of recordation thereof. After the expiration of thirty (30) days following recordation of the lien, the lien may be enforced in any manner permitted by law.

- Prior to the recording of a Board authorized lien for delinquent Assessments, an owner that is delinquent has the right to participate in internal dispute resolution (“IDR”) pursuant to the “meet and confer” program in accordance with California Civil Code. Prior to recording a lien, the Board of Directors will approve such action by a majority vote of the Board of Directors.
- Upon receipt of payment in full, that includes any late fees, interest, collection costs and/or attorneys’ fees, a Release of Lien will be recorded. Copies of the Release of Lien will be sent to all owners of record. The owner will be charged a fee for the release, as well as any processing fees, recording service, and costs (see fee schedule pg. 3). All county recording fees are charged as applicable and as counties may charge from time to time.
- If an owner is delinquent for thirty (30) additional days after the Notice of Delinquent Assessment (Lien) has been recorded, the Assessment collection matter will be referred to the Association’s attorney or collection agent, and the lien may be enforced by judicial or non-judicial foreclosure sale, or by money judgment at the Association’s option. An actual foreclosure sale of an owner’s property will not be conducted unless or until either; (a) the delinquent assessment amount totals One Thousand, Eight Hundred Dollars (\$1,800) or more, excluding accelerated assessments and specified late charges and/or fees; or (b) the assessments are delinquent for more than twelve (12) months. [You could lose ownership of your property if a foreclosure action is completed. You will be responsible for significant additional fees and costs, including attorneys’ fees, if a foreclosure action is commenced against your property.] The decision to foreclose on a lien must be made by a majority of the Board of Directors in an Executive Session meeting and the Board of Directors must record their votes in the Minutes of the next open session Meeting of the Board. The Board must maintain the confidentiality of the delinquent owner(s) by identifying the matter in the Minutes by only the parcel number of the owner’s property. Prior to initiating any foreclosure sale on a recorded lien, the Association shall offer delinquent owners the option of participating in IDR or Alternative Dispute Resolution (“ADR”).
- Nothing herein limits or otherwise affects the Association’s right to proceed in any other lawful manner to collect any delinquent sums owed to the Association.
- The Association will charge a processing fee to the owner for a returned check.
- Any owner who is unable to pay Assessments will be entitled to submit a written request for a payment plan to be considered by the Board of Directors. The Board of Directors is not required to approve a payment plan. If a payment plan is approved, the Board of Directors may establish the terms of the payment plan. A payment plan request or approved payment plan will not impede the Board’s ability to vote for and record a lien.
- The mailing address for overnight payment of assessments is:

FirstService Residential California, LLC
15241 Laguna Canyon Rd
Irvine, CA 92618

TIERRA MONTANOSA MAINTENANCE CORPORATION

- Fee Schedule

Service	Fee(s)
Intent to Lien Letter with Title Check	\$250.00
Notice of Delinquent Assessment Lien	\$275.00
Intent to Foreclose Letter	\$75.00
Release of Lien	\$165.00
Foreclosure Package	\$350.00
Title Report	\$65.00
Notary Service	\$15.00
Recording Service	\$50.00
State SB2 Recording Fee	\$75.00
Additional Letter Fee	\$25.00

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If

TIERRA MONTANOSA MAINTENANCE CORPORATION

the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform to the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code).

TIERRA MONTANOSA MAINTENANCE CORPORATION

ASSIGNMENT OF RENTS

In the event that the Association files any action against an Owner for unpaid Assessments on Owner's Unit, and said Unit is or becomes rented or leased at any time during the pendency of the action, the Association shall have the right, upon ex parte notice and application, to request that the Court order Owner to assign all rents due from the renter/lessor of said Unit to the Association until such time as all Assessment delinquencies are cured.

ALTERNATIVE DISPUTE RESOLUTION

5925. As used in this article: (a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other non-judicial procedure that involves a neutral party in the decision making process. The form of alternative dispute resolution chosen pursuant to this article may be binding or nonbinding, with the voluntary consent of the parties.

(b) "Enforcement action" means a civil action or proceeding, other than a cross-complaint, for any of the following purposes:

(1) Enforcement of this title.

(2) Enforcement of the Nonprofit Mutual Benefit Corporation Law (Part 3 commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code).

(3) Enforcement of the governing documents of a common interest development.

5930. (a) An association or an owner or a member of a common interest development may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to this article.

(b) This section applies only to an enforcement action that is solely for declaratory, injunctive, or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of the jurisdictional limits stated in the Code of Civil.

(c) This section does not apply to a small claims action.

(d) Except as otherwise provided by law, this section does not apply to an assessment dispute.

5935. (a) Any party to a dispute may initiate the process required by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution shall include all of the following:

(1) A brief description of the dispute between the parties.

(2) A request for alternative dispute resolution.

(3) A notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the request will be deemed rejected.

(4) If the party on whom the request is served is the owner of a separate interest, a copy of this article.

(b) Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.

(c) A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

5940. (a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties.

(b) Chapter 2 (commencing with Section 1115) of Division 9 of the Evidence Code applies to any form of alternative dispute resolution initiated by a Request for Resolution under this article,

TIERRA MONTANOSA MAINTENANCE CORPORATION

other than arbitration.

(c) The costs of the alternative dispute resolution shall be borne by the parties.

5945. If a Request for Resolution is served before the end of the applicable time limitation for commencing an enforcement action, the time limitation is tolled during the following periods:

(a) The period provided in Section 5935 for response to a Request for Resolution.

(b) If the Request for Resolution is accepted, the period provided by Section 5940 for completion of alternative dispute resolution, including any extension of time stipulated to by the parties pursuant to Section 5940.

5950. (a) At the time of commencement of an enforcement action, the party commencing the action shall file with the initial pleading a certificate stating that one or more of the following conditions is satisfied:

(1) Alternative dispute resolution has been completed in compliance with this article.

(2) One of the other parties to the dispute did not accept the terms offered for alternative dispute resolution.

(3) Preliminary or temporary injunctive relief is necessary.

(b) Failure to file a certificate pursuant to subdivision (a) is grounds for a demurrer or a motion to strike unless the court finds that dismissal of the action for failure to comply with this article would result in substantial prejudice to one of the parties.

5955. (a) After an enforcement action is commenced, on written stipulation of the parties, the matter may be referred to alternative dispute resolution. The referred action is stayed. During the stay, the action is not subject to the rules implementing subdivision (c) of Section 68603 of the Government Code.

(b) The costs of the alternative dispute resolution shall be borne by the parties.

5960. In an enforcement action in which fees and costs may be awarded pursuant to subdivision (c) of the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

5965. (a) An association shall annually provide its members a summary of the provisions of this article that specifically references this article. The summary shall include the following language:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

(b) The summary shall be provided either at the time the pro forma budget is distributed or in the manner prescribed in Section 5016 of the Corporations Code. The summary shall include a description of the association's internal dispute resolution process.

INTERNAL DISPUTE RESOLUTION

5915. Statutory Dispute Resolution Procedure

(a) This section applies in an association that does not otherwise provide a fair, reasonable, and expeditious dispute resolution procedure. The procedure provided in this section is fair, reasonable, and expeditious, within the meaning of this article.

(b) Either party to a dispute within the scope of this article may invoke the following procedure:

(1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.

TIERRA MONTANOSA MAINTENANCE CORPORATION

(2) A member of an association may refuse a request to meet and confer. The association may not refuse a request to meet and confer.

(3) The association's board of directors shall designate a member of the board to meet and confer.

(4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute. The parties may be assisted by an attorney or another person at their own cost when conferring.

(5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the board designee on behalf of the association.

(c) A written agreement reached under this section binds the parties and is judicially enforceable if it is signed by both parties and both of the following conditions are satisfied:

(1) The agreement is not in conflict with law or the governing documents of the common interest development or association.

(2) The agreement is either consistent with the authority granted by the board of directors to its designee or the agreement is ratified by the board of directors.

(d) A member of the association may not be charged a fee to participate in the process.

TIERRA MONTANOSA MAINTENANCE CORPORATION

ENFORCEMENT PROCEDURE

I. Discovery of Violation

- A. Any Violation that is an alleged violation of the documents and the rules of the Corporation will be processed according to the procedures outlined herein.
- B. In the event two or more members of the Corporation or Board of Directors file a Violation Report the Board would act as follows:
 1. Send a letter to the homeowner stating the alleged violation and date needed to cure said violation.
 2. Upon expiration of the cure date, if the violation still exists, a second letter will be sent to the homeowner stating that the failure to abide by Corporation Rules and Regulations has imposed a hardship on the Corporation and the owner will be asked to attend a hearing with the Board of Directors.
 3. The homeowner will be notified as to the decision rendered by the Board as a result of the hearing. If the homeowner is found to be in violation of the Corporation's documents, the Board will either a) seek remedy by use of the legal system, b) apply monetary fines to the homeowner's assessment billing, c) suspend the homeowner's right to use any recreational facilities, d) suspend voting privileges, e) record a notice of noncompliance encumbering the Unit, f) choose to correct (or cause to be corrected) the violation and assess the owner for reimbursement of costs, or g) a combination thereof.
 4. If the decision is to pursue a monetary fine system, the Tierra Montanosa Maintenance Corporation Fine Schedule will apply.

NOTE: A violation is defined as an act in conflict with the CC&R's, Bylaws, Rules and Regulations or Architectural Guidelines of the Corporation.

**TIERRA MONTANOSA MAINTENANCE CORPORATION
FINE SCHEDULE**

1. A letter will be sent to the homeowner stating the alleged violation.
2. A second letter will be sent to the homeowner stating the alleged violation continues and requests the homeowner appear before the Board of Directors.
3. If the result of the hearing is a monetary fine, a fine of \$30 will be applied to owner's account
4. If the violation continues past the hearing and first fine stage, additional hearings may be scheduled and fines may be doubled. Any fines not paid may result in legal action in accordance with California law.
5. At any point, the Board may determine to use the legal system or cause correction of the violation to effect a cure and the owner may be responsible for legal fees and or reimbursement of costs to the Corporation.

NOTE: Should a violation occur which imposes financial obligation of the Corporation, then the party responsible for said violation shall reimburse, by way of a Penalty Assessment, the Corporation for this financial obligation. If, for example, a party damages a fence, tree or any other common property, repair and replacement costs will be charged to that party.

TIERRA MONTANOSA MAINTENANCE CORPORATION

Architectural Submittal Process

A. Submission Procedure and Requirements

- 1) All requests ("Requests") for Architectural Committee approval are to be made on the standard Tierra Montanosa Home Improvement Form (Exhibit A).
- 2) Submission of Requests. All Requests are to be made to the Tierra Montanosa Architectural Committee, c/o FirstService Residential
- 3) Reasonable Fees. The Board of Directors, or the Architectural Committee, may assess a fee not to exceed \$50.00 per submission for review of plans and specifications required pursuant to these Standards.
- 4) Construction Drawings. Plans and specifications for works of Improvement must be prepared in accordance with the applicable building codes, and with sufficient clarity and completeness to enable the Committee to make an informed decision on your request.
- 5) Submission of Application/or Improvements. Please forward three (3) sets of your proposed plans and specifications, together with the standard Home Improvement Form (Exhibit A), and the Facing, Adjacent and Impacted Neighbor Statement (Exhibit B) along with the following information to the Architectural Committee to constitute a complete Application. Please mail this information to the address noted above in item #2. One (1) set will be returned to you after completion of the review.
 - a) Plot plan drawn to scale showing the following:
 - i) All proposed Improvements and relevant elevations, together with the desired location of such Improvements to the Unit.
 - ii) Complete dimensions of the proposed Improvements.
 - b) Description of materials to be used, including the proposed color scheme. Samples should be provided.
 - c) Drainage plans (if applicable) where the established drainage pattern might be altered by the proposed Improvements.
 - d) Floor plans (if applicable) showing overall dimensions and area of Improvements reflecting your preliminary design concept.
 - e) Description of proposed construction scheduled.
 - f) Landscape plan and working drawings (if applicable).
 - g) If proposed Improvements require access over the Common Area or Common Facilities for purposes of transporting labor or materials, written permission shall be required from the Association. Any such requests must be filed with the Board of Directors

**TIERRA MONTANOSA
MAINTENANCE CORPORATION**

prior to the commencement of your Improvements.

- h) Any other information or documentation deemed to be necessary by the Architectural Committee in evaluating your request.

B. Failure to Comply with Required Procedures.

Unless all of the rules of the Architectural Committee have been complied with, such plans and specifications shall be deemed not submitted. Approval of plans and specifications by the Architectural Committee or Board of Directors of SAMLARC shall not be deemed to be approved by the Architectural Committee as such plans and specifications must also be submitted to and approved by the Architectural Committee of the Maintenance Corporation. The architectural standards of SAMLARC and the decisions of the Architectural Committee and/or the Board of Directors of SAMLARC shall prevail only to the extent of conflict

C. Approval of Architectural Committee.

Decisions of the Architectural Committee and the reasons for the decisions shall be transmitted by the Committee to the Applicant at the address set forth in the application for approval, within thirty (30) days after receipt by the Committee of all materials required by the Committee. An application submitted shall be deemed approved, unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the Applicant within thirty (30) days after the date of receipt by the Committee of all required materials. The Applicant shall meet any review or permit requirements of the County prior to making any alterations or Improvements.

D. Appeal.

In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board. The written request must be received by the Board not more than fifteen (15) days following the final decision of the Architectural Committee. The Board shall render its written decision in connection with a written appeal to the Board of a final decision of the Architectural Committee within forty-five (45) days following receipt of the request to appeal. Failure of the Board to render such decision within such period of time shall be deemed a decision in favor of the appellant.

E. Enforcement.

Failure to obtain the necessary approval from the Architectural Committee, or failure to complete the Improvements in conformity with the plans and specifications approved by the Architectural Committee, may constitute a violation of the Declaration of Restrictions and may require modifications or removal of any work or Improvement at your expense.

F. Violations.

All Owners in Tierra Montanosa Maintenance Corporation shall have the right and responsibility to bring to the attention of the Architectural Committee, any violations of the Standards set forth herein.

TIERRA MONTANOSA MAINTENANCE CORPORATION

G. Inspection.

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

H. Control in SAMLARC

No Improvements shall be made until there has been compliance with provisions of the Article entitled "Architectural Control" of the SAMLARC Declaration and the architectural, landscape and construction regulations and restrictions of SAMLARC. In the event of any irreconcilable differences between the decisions by the SAMLARC Board of Directors and the Board pertaining to architectural and landscape control, and the decision of the SAMLARC Board of Directors shall prevail to the extent necessary to eliminate such conflict.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
08/09/2021

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Prendiville Insurance Agency 24661 Del Prado, Suite 3 License #0740433 Dana Point CA 92629	CONTACT NAME: PHONE (A/C, No, Ext): (949) 487-9696 FAX (A/C, No): (949) 487-9626 E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE NAIC #	
INSURED Tierra Montanosa Maintenance Corporation c/o FirstService Residential California, LLC 15241 Laguna Canyon Road Irvine CA 92618	INSURER A: CIBA Program NAIC #	
	INSURER B: Lexington Insurance Company 19437	
	INSURER C: Hartford Insurance Company 29424	
	INSURER D: Accredited Surety & Casualty 26379	
	INSURER E: AmTrust - Wesco Insurance Co. 25011	
INSURER F:		

COVERAGES

CERTIFICATE NUMBER: Cert ID 24011

REVISION NUMBER:


THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	Y		CIBA-000003-01-A55361	08/08/2021	08/08/2022	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 1,000,000 GL Deductible \$ 1,000
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS ONLY <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/>	Y		CIBA-000003-01-A55361	08/08/2021	08/08/2022	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 10,000	Y		023627388	08/08/2021	08/08/2022	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$
E	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N	N/A	WWC3548012	08/08/2021	08/08/2022	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	Fidelity Bond	Y		PENDING	08/08/2021	08/08/2022	Fidelity Bond Deductible \$25,000 \$ 2,500,000
D	D&O Liability	Y		DC2134513	08/08/2021	08/08/2022	D&O Deductible \$2,500 \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 A) Property #CIBA-000001-02-A55361, 08/08/2021 - 08/08/2022: \$64,813,006 Limit, \$25,000 Deductible/\$100,000 Wildfire Deductible
 FirstService Residential California, LLC is Named as Additional Insured as Their Interests May Appear, as Respects: Auto Liability, CGL, D&O Liability, Fidelity Bond, and Umbrella Liability. Walls-In Coverage is Included. 205 Units, 41 Buildings. 100% Replacement Cost Valuation. Wind & Hall Coverage is Included. Boiler & Machinery Coverage is Included.
 Building Ordinance Coverage:
 A(Undamaged)=Included, B(Demolition)=20%, C(Increased Construction Costs)=20%
 *CANCELLATION: 30 DAY NOTICE, EXCEPT 10 DAY NOTICE FOR NON-PAYMENT OF PREMIUM.

CERTIFICATE HOLDER

CANCELLATION

FirstService Residential California, LLC 15241 Laguna Canyon Road Irvine CA 92618	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
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ACORD 25 (2016/03)

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TIERRA MONTANOSA
MAINTENANCE CORPORATION

Federal Housing Administration Certification Disclosure

Certification by the Federal Housing Administration may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest. This common interest development [is / is not] a condominium project. The association of this common interest development [is / is not] certified by the Federal Housing Administration.

This information regarding the association's Federal Housing Administration certification status is as of August 10, 2021.

For current information, please visit the Federal Housing Administration website at: <https://entp.hud.gov/idapp/html/condlook.cfm>

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TIERRA MONTANOSA
MAINTENANCE CORPORATION

Veterans Affairs Certification Disclosure

Certification by the federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest. This common interest development [is /is not] a condominium project. The association of this common interest development [is /is not] certified by the federal Department of Veterans Affairs.

This information regarding the association's Veterans Affairs certification status is as of August 10, 2021.

For current information, please visit the U.S. Department of Veterans Affairs website at:

<https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch>

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FirstService Residential California
 15421 Laguna Canyon Road
 Irvine, CA 92618
 (800) 428-5588

Billing Disclosure Form - *Provided as required by Section 4525**

Effective 1/1/2021

THIS IS NOT AN INVOICE: This form is being provided as required by California Civil Code §4530 and is not intended to be utilized as a total amount due on any specific resale transaction.

The seller may, in accordance with Section 4530 of the Civil Code, provide to the prospective purchaser, at no cost, current copies of any documents specified by Section 4525 that are in the possession of the seller. A seller may request to purchase some or all of these documents, but shall not be required to purchase all of the documents listed on this form.

Account Information:

Association:
 Property Address:

Owner of Property:
 Owner's Mailing Address:

Provider of §4525 Items:

Print Name:
 Position/Title:
 Date Completed:

Not Available (N/A), Not Applicable N/App), OR Directly Provided by Seller and confirmed in writing by Seller as a current document (DP)

		Fee For Document	
Articles of incorporation or statement that not incorporation	Section 4525(a)(1)	\$42.00	
CC&Rs	Section 4525(a)(1)	\$48.00	
Bylaws	Section 4525 (a)(1)	\$42.00	
Operating Rules	Section 4525 (a)(1)	\$30.00	
Age restrictions, if any	Section 4525 (a)(2)	\$0.00	(Included in CC&Rs)
Rental restrictions, if any	Section 4525 (a)(9)	\$0.00	(Included in CC&Rs)
Annual budget report or summary, including reserve study	Sections 5300 and 4525(a)(3)	\$42.00	
Assessment and reserve funding disclosure summary	Sections 5300 and 4525(a)(4)	\$0.00	(Included in Budget)
Financial statement review	Sections 5305 and 4525(a)(3)	\$38.00	
Assessment enforcement policy	Sections 5310 and 4525(a)(4)	\$0.00	(Included in Budget)
Insurance summary	Sections 5300 and 4525(a)(3)	\$0.00	(Included in Budget)
Regular assessment	Section 4525(a)(4)	\$0.00	(Included in Statement)
Special assessment	Section 4525(a)(4)	\$0.00	(Included in Statement)
Emergency assessment	Section 4525(a)(4)	\$0.00	(Included in Statement)
Other unpaid obligations of the seller	Sections 5675 and 4525(a)(4)	\$0.00	(Included in Statement)
Approved changes to assessments	Sections 5300 & 4525(a)(4), (8)	\$0.00	(Included in Budget)
Settlement notice regarding common area defects	Sections 4525(a)(6), (7) & 6100	See disclosure if applicable	
Preliminary list of defects	Section 4525(a)(6), 6000 and 6100	See disclosure if applicable	
Notice(s) of violation	Sections 5855 and 4525(a)(5)	\$0.00	(Included in Statement)
Required statement of fees	Section 4525	\$0.00	(Included in Statement)



FirstService Residential California
15421 Laguna Canyon Road
Irvine, CA 92618
(800) 428-5588

Billing Disclosure Form - *Provided as required by Section 4525**

Effective 1/1/2021

Minutes of regular meetings of the board of directors conducted over the previous 12 months, if requested	Section 4525(a)(10)	\$85.00
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TOTAL FEES for these documents: \$327.00 DO NOT PAY

*The Information provided in this form may not include all fees that may be imposed before the close of escrow. Additional fees that are not related to the requirements of Section 4525 may be charged separately. The documents listed on this form are the property of the Association, and not FirstService Residential. Please visit www.fsresidential.com/california, click Order Documents & Certifications in the upper left-hand corner, and follow the instructions to download a full list of fees and services.

Dispute Resolution Procedures: Alternative Dispute Resolution and Internal Dispute Resolution

ALTERNATIVE DISPUTE RESOLUTION

5925. As used in this article: (a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other non-judicial procedure that involves a neutral party in the decision-making process. The form of alternative dispute resolution chosen pursuant to this article may be binding or nonbinding, with the voluntary consent of the parties.

(b) "Enforcement action" means a civil action or proceeding, other than a cross-complaint, for any of the following purposes:

(1) Enforcement of this title.

(2) Enforcement of the Nonprofit Mutual Benefit Corporation Law (Part 3 commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code).

(3) Enforcement of the governing documents of a common interest development.

5930. (a) An association or an owner or a member of a common interest development may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to this article.

(b) This section applies only to an enforcement action that is solely for declaratory, injunctive, or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of the jurisdictional limits stated in the Code of Civil.

(c) This section does not apply to a small claims action.

(d) Except as otherwise provided by law, this section does not apply to an assessment dispute.

5935. (a) Any party to a dispute may initiate the process required by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution shall include all of the following:

(1) A brief description of the dispute between the parties.

(2) A request for alternative dispute resolution.

(3) A notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the request will be deemed rejected.

(4) If the party on whom the request is served is the owner of a separate interest, a copy of this article.

(b) Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.

(c) A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

5940. (a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties.

(b) Chapter 2 (commencing with Section 1115) of Division 9 of the Evidence Code applies to any form of alternative dispute resolution initiated by a Request for Resolution under this article, other than arbitration.

(c) The costs of the alternative dispute resolution shall be borne by the parties.

5945. If a Request for Resolution is served before the end of the applicable time limitation for commencing an enforcement action, the time limitation is tolled during the following periods:

(a) The period provided in Section 5935 for response to a Request for Resolution.

(b) If the Request for Resolution is accepted, the period provided by Section 5940 for completion of alternative dispute resolution, including any extension of time stipulated to by the parties pursuant to Section 5940.

5950. (a) At the time of commencement of an enforcement action, the party commencing the action shall file with the initial pleading a certificate stating that one or more of the following conditions is satisfied:

(1) Alternative dispute resolution has been completed in compliance with this article.

(2) One of the other parties to the dispute did not accept the terms offered for alternative dispute resolution.

(3) Preliminary or temporary injunctive relief is necessary.

(b) Failure to file a certificate pursuant to subdivision (a) is grounds for a demurrer or a motion to strike unless the

court finds that dismissal of the action for failure to comply with this article would result in substantial prejudice to one of the parties.

5955. (a) After an enforcement action is commenced, on written stipulation of the parties, the matter may be referred to alternative dispute resolution. The referred action is stayed. During the stay, the action is not subject to the rules implementing subdivision (c) of Section 68603 of the Government Code.

(b) The costs of the alternative dispute resolution shall be borne by the parties.

5960. In an enforcement action in which fees and costs may be awarded pursuant to subdivision (c) of the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

5965. (a) An association shall annually provide its members a summary of the provisions of this article that specifically references this article. The summary shall include the following language:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

(b) The summary shall be provided either at the time the pro forma budget is distributed or in the manner prescribed in Section 5016 of the Corporations Code. The summary shall include a description of the association's internal dispute resolution process.

INTERNAL DISPUTE RESOLUTION

5915. Statutory Dispute Resolution Procedure

(a) This section applies in an association that does not otherwise provide a fair, reasonable, and expeditious dispute resolution procedure. The procedure provided in this section is fair, reasonable, and expeditious, within the meaning of this article.

(b) Either party to a dispute within the scope of this article may invoke the following procedure:

(1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.

(2) A member of an association may refuse a request to meet and confer. The association may not refuse a request to meet and confer.

(3) The association's board of directors shall designate a member of the board to meet and confer.

(4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute. The parties may be assisted by an attorney or another person at their own cost when conferring.

(5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the board designee on behalf of the association.

(c) A written agreement reached under this section binds the parties and is judicially enforceable if it is signed by both parties and both of the following conditions are satisfied:

(1) The agreement is not in conflict with law or the governing documents of the common interest development or association.

(2) The agreement is either consistent with the authority granted by the board of directors to its designee or the agreement is ratified by the board of directors.

(d) A member of the association may not be charged a fee to participate in the process.

Tierra Montanosa Maintenance Corporation

Board Minutes

A graphic element consisting of a dark grey chevron pointing right, with a lighter grey chevron pointing left, overlapping it to form a central vertical bar.

FirstService
RESIDENTIAL



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

December 21, 2021 7:15 PM

Held Via Teleconference

Call in #253 215 8782, ID #872 0107 9776

Passcode # 367825

MINUTES

Directors Present

JEFF BRADLEY - Treasurer
NANCY SILBERBERG - President
CORY GONSOWSKI - Vice President
ALLEN MIRANDA - Member at Large

Directors Absent

None

Additional Attendees

Casey Donaldson, CMCA, CCAM, Senior Community Manager, FirstService Residential
Nikole McIntosh, Community Manager, FirstService Residential
Kara Beers, CMCA, AMS, PCAM, Regional Director, FirstService Residential

I. CALL TO ORDER

The open session meeting was called to order at 7:44pm.

Motion: NANCY SILBERBERG

Second: JEFF BRADLEY

▶ **Resolved**
The motion passed unanimously

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

IV. REPORTS

The following reports were reviewed and filed:

A. WORK ORDER REPORT

B. MANAGEMENT REPORT

C. JANUARY 2022 NEWSLETTER

V. HOMEOWNER FORUM

VI. CONSENT CALENDAR

A. APPROVAL OF MINUTES - NOVEMBER 2021

Resolved

That the Board of Directors approve the November 11, 2021 Open session minutes as presented.

B. FINANCIAL STATEMENT - OCTOBER 2021

Resolved

This item has been tabled pending financials being produced.

C. FINANCIAL STATEMENT - NOVEMBER 2021

Resolved

This item has been tabled pending financials being produced.

D. LIEN APPROVAL

Resolved

That the Board of Directors approve the lien to be placed on the following:

#0126-01 \$692.04

Motion: NANCY SILBERBERG

Second: CORY GONSOWSKI

- ▶ **Resolved**
The motion passed unanimously

E. 2021 DRAFT AUDIT

Resolved

That the Board of Directors approve draft audit as presented.

Motion: NANCY SILBERBERG

Second: ALLEN MIRANDA

- ▶ **Resolved**
The motion passed unanimously

F. 136 TIERRA MONTANOSA SKYLIGHT REPLACEMENT

Motion: NANCY SILBERBERG

Second: CORY GONSOWSKI

- ▶ **Resolved**
The motion passed unanimously

VII. NEW BUSINESS

A. TREE REMOVAL PROPOSAL

Resolved

This item has been tabled pending further review and discussion.

B. ASPHALT MAINTENANCE PROPOSAL

Resolved

That the Board of Directors approve the updated asphalt maintenance proposal from JB Bostick.

Motion: ALLEN MIRANDA

Second: JEFF BRADLEY

▶ **Resolved**
The motion passed unanimously

C. UTILITY DOORS SIGNAGE

Resolved

This item has been tabled pending further review and bids.

D. MONUMENT LANDSCAPE PROPOSAL

Resolved

That the Board of Directors approve the proposal from Park West for the landscape of the monument signage.

Motion: JEFF BRADLEY

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

E. UTILITY BOX PAINTING PROPOSAL

Resolved

This item has been tabled pending further review and bids.

VIII. NEXT BOARD MEETING

The Association's next Board meeting will be held January 18, 2021 at 7:00pm via teleconference.

IX. ADJOURN

The open session meeting was adjourned at 8:34pm.

Nancy Silberberg

APPROVED

1/22/2022

DATE



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

November 11, 2021 7:15 PM
Held Via Teleconference
Call in #253 215 8782, ID #812 3869 1158
Passcode # 883788

MINUTES

Directors Present

JEFF BRADLEY - Treasurer
NANCY SILBERBERG - President
CORY GONSOWSKI - Vice President
ALLEN MIRANDA - Member at Large

Directors Absent

None

Additional Attendees

Casey Donaldson, CMCA, CCAM, Senior Community Manager, FirstService Residential

I. CALL TO ORDER

The open session meeting was called to order at 7:49PM.

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

IV. REPORTS

The following reports were reviewed and filed:

A. WORK ORDER REPORT

B. MANAGEMENT REPORT

V. HOMEOWNER FORUM

VI. CONSENT CALENDAR

A. APPROVAL OF MINUTES - NOVEMBER 2021

Resolved

That the Open Session Minutes dated November 11, 2021 be approved as presented.

Motion: CORY GONSOWSKI

Second: ALLEN MIRANDA

- ▶ **Resolved**
The motion passed unanimously

B. FINANCIAL STATEMENT - OCTOBER 2021

Resolved

That the Board of Directors approve the September 30, 2021 Financial Statement as presented.

Motion: NANCY SILBERBERG

Second: JEFF BRADLEY

- ▶ **Resolved**
The motion passed unanimously

C. RATIFICATION OF MONUMENT CHANGE ORDER

Resolved

This item has been tabled pending further review.

D. LIEN APPROVAL

Resolved

That the Board of Directors approve the lien to be placed on the following:

Account #0050-03 \$696.13

Motion: NANCY SILBERBERG

Second: CORY GONSOWSKI

- ▶ **Resolved**
The motion passed unanimously

VII. NEW BUSINESS

A. UTILITY DOORS SIGNAGE

Resolved

This item has been tabled pending further review and bids.

B. MONUMENT LANDSCAPE PROPOSAL

Resolved

This item has been tabled pending further review and bids.

VIII. NEXT BOARD MEETING

The Association's next Board meeting will be held December 21, 2021 at 7:00pm via teleconference.

IX. ADJOURN

The open session meeting was adjourned at 8:18PM.

Nancy Silberberg

APPROVED

DATE



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

September 21, 2021 7:15 PM

Held Via Teleconference

Call in #253 215 8782, ID #846 7081 1403

Passcode # 526840

MINUTES

Directors Present

JEFF BRADLEY - Treasurer
NANCY SILBERBERG - President
CORY GONSOWSKI - Vice President
ALLEN MIRANDA - Member at Large

Directors Absent

None

Additional Attendees

Casey Donaldson, CMCA,CCAM, Senior Community Manager, FirstService Residential

I. CALL TO ORDER

The open session meeting was called to order at 7:18PM.

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

There was four homeowners in attendance to discuss numerous community issues.

IV. REPORTS

The following reports were reviewed and filed:

A. WORK ORDER REPORT

B. MANAGEMENT REPORT

V. HOMEOWNER FORUM

VI. CONSENT CALENDAR

Resolved

That the Board of Directors approve the consent calendar as presented items A through B.

Motion: CORY GONSOWSKI

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

A. APPROVAL OF MINUTES - AUGUST 2021

B. FINANCIAL STATEMENT - AUGUST 2021

VII. NEW BUSINESS

A. UTILITY DOORS REPAIRS AND SIGNAGE

Resolved

That the Board of Directors approve the proposal as presented by Alpha Regional to make repairs to the utility doors community wide.

Motion: NANCY SILBERBERG

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

B. WINTER TREE TRIMMING/ PINE REMOVALS

Resolved

That the Board of Directors approve both proposals by Park West Landscape to trim the palm trees at the pool area and to remove 3 dead pine trees at the trumpeta entrance.

Motion: NANCY SILBERBERG

Second: JEFF BRADLEY

▶ **Resolved**
The motion passed unanimously

VIII. NEXT BOARD MEETING

The Association's next Board meeting will be held October 19th, 2021 at 7:00pm via teleconference.

IX. ADJOURN

The open session meeting was adjourned at 7:53PM.

DocuSigned by:
Nancy Silberberg

11/1/2021

APPROVED

DATE



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

September 21, 2021 7:15 PM

Held Via Teleconference

Call in #253 215 8782, ID #846 7081 1403

Passcode # 526840

MINUTES

Directors Present

JEFF BRADLEY - Treasurer
NANCY SILBERBERG - President
CORY GONSOWSKI - Vice President
ALLEN MIRANDA - Member at Large

Directors Absent

None

Additional Attendees

Casey Donaldson, CMCA,CCAM, Senior Community Manager, FirstService Residential

I. CALL TO ORDER

The open session meeting was called to order at 7:18PM.

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

There was four homeowners in attendance to discuss numerous community issues.

IV. REPORTS

The following reports were reviewed and filed:

A. WORK ORDER REPORT

B. MANAGEMENT REPORT

V. HOMEOWNER FORUM

VI. CONSENT CALENDAR

Resolved

That the Board of Directors approve the consent calendar as presented items A through B.

Motion: CORY GONSOWSKI

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

A. APPROVAL OF MINUTES - AUGUST 2021

B. FINANCIAL STATEMENT - AUGUST 2021

VII. NEW BUSINESS

A. UTILITY DOORS REPAIRS AND SIGNAGE

Resolved

That the Board of Directors approve the proposal as presented by Alpha Regional to make repairs to the utility doors community wide.

Motion: NANCY SILBERBERG

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

B. WINTER TREE TRIMMING/ PINE REMOVALS

Resolved

That the Board of Directors approve both proposals by Park West Landscape to trim the palm trees at the pool area and to remove 3 dead pine trees at the trumpeta entrance.

Motion: NANCY SILBERBERG

Second: JEFF BRADLEY

▶ **Resolved**
The motion passed unanimously

VIII. NEXT BOARD MEETING

The Association's next Board meeting will be held October 19th, 2021 at 7:00pm via teleconference.

IX. ADJOURN

The open session meeting was adjourned at 7:53PM.

DocuSigned by:
Nancy Silberberg
257A2D95751D492

11/1/2021

APPROVED

DATE



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

August 17, 2021 8:00 PM

Held Via Teleconference

Call in #253 215 8782, ID #827 5398 5390

Passcode #744174

MINUTES

Directors Present

JEFF BRADLEY - Treasurer
NANCY SILBERBERG - President
CORY GONSOWSKI - Vice President
ALLEN MIRANDA - Member at Large

Directors Absent

None

Additional Attendees

Casey Donaldson, CMCA, CCAM, Senior Community Manager, FirstService Residential

I. CALL TO ORDER

The open session meeting was called to order at 7:52PM.

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

IV. REPORTS

The work order report was reviewed and filed.

A. WORK ORDER REPORT

V. HOMEOWNER FORUM

VI. CONSENT CALENDAR

Resolved

That the Board of Directors approve the consent calendar as presented items A through E.

Motion: NANCY SILBERBERG

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

A. APPROVAL OF MINUTES - JULY 2021

B. FINANCIAL STATEMENT - MAY 2021

C. FINANCIAL STATEMENT - JUNE 2021

D. FINANCIAL STATEMENT - JULY 2021

E. LIEN APPROVAL

Resolved

That the Board of Directors approve the liens as presented by Management.

VII. NEW BUSINESS

A. UTILITY DOORS REPAIRS AND SIGNAGE

Resolved

This item was tabled for further review by the Board.

B. 2021 RESERVE STUDY

Resolved

That the Board of Directors approve the reserve study as presented.

Motion: NANCY SILBERBERG

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

C. 2021-2022 BUDGET

Resolved

That the Board of Directors approve the budget as presented by Management for a increase in dues to account for the insurance line item that was increased by the carriers.

Motion: ALLEN MIRANDA

Second: NANCY SILBERBERG

▶ **Resolved**
The motion passed unanimously

VIII. NEXT BOARD MEETING

IX. ADJOURN

The open session meeting was adjourned at 8:24PM.

DocuSigned by:
Nancy Silberberg
2F7A2D95751D492...

9/22/2021

APPROVED

DATE



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

July 20, 2021 7:30 PM

Held Via Teleconference

Call in #253 215 8782, ID #891 0152 0284

Passcode #876052

MINUTES

Directors Present

NANCY SILBERBERG - President
CORY GONSOWSKI - Vice President
ALLEN MIRANDA - Member at Large

Directors Absent

JEFF BRADLEY - Treasurer

Additional Attendees

Casey Donaldson, CMCA, CCAM, Senior Community Manager, FirstService Residential

I. CALL TO ORDER

The open session meeting was called to order at 7:54PM.

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

IV. REPORTS

The follow reports were reviewed and filed:

A. MANAGEMENT REPORT

B. WORK ORDER REPORT

C. MONUMENT RENDERINGS -PARK WEST

V. HOMEOWNER FORUM

VI. CONSENT CALENDAR

A. APPROVAL OF MINUTES - JUNE 2021

Resolved

That the Open Session Minutes dated June 15th, 2021 be approved as presented.

Motion: CORY GONSOWSKI

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

B. FINANCIAL STATEMENT - MAY 2021

Resolved

This item was tabled.

C. FINANCIAL STATEMENT - JUNE 2021

Resolved

This item was tabled.

VII. NEW BUSINESS

A. 104 TIERRA MONTANOSA WALL REPAIR

Resolved

That the Board of Directors approve the proposal as presented by Alpha Regional to repair the damaged wall at 104 Tierra Montanosa in the amount of \$1,995.00.

Motion: NANCY SILBERBERG

Second: CORY GONSOWSKI

▶ **Resolved**
The motion passed unanimously

B. 97 TIERRA PLANO FRONT DOOR

Resolved

That the Board of Directors approve the proposal as presented by Alpha Regional to repaint the front door at 97 Tierra Plano in the amount of \$875.00.

Motion: NANCY SILBERBERG

Second: CORY GONSOWSKI

▶ **Resolved**
The motion passed unanimously

C. 23 TIERRA SEGURO ROOF REPAIR

Resolved

That the Board of Directors approve the proposal as presented by Roofing Standards to repair the roof at 23 Tierra Seguro in the amount of \$1,950.00.

VIII. NEXT BOARD MEETING

The Association's next Board meeting will be held August 17th, 2021 at 7:00pm via teleconference.

IX. ADJOURN

The open session meeting was adjourned at 8:41PM.

DocuSigned by:
Nancy Silberberg
2F7A2D95751D492...

8/23/2021

APPROVED

DATE



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

June 15, 2021 7:00 PM

Held Via Teleconference

Call in #253 215 8782, ID #857 4572 2053

Passcode #160988

MINUTES

Directors Present

JEFF BRADLEY - Treasurer
NANCY SILBERBERG - President
CORY GONSOWSKI - Vice President
ALLEN MIRANDA - Member at Large

Directors Absent

None

Additional Attendees

Casey Donaldson, Senior Community Manager, CMCA, CCAM, FirstService Residential

I. CALL TO ORDER

The open session meeting was called to order at 7:10PM.

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

IV. REPORTS

The following reports were reviewed and filed:

A. MANAGEMENT REPORT

B. WORK ORDER REPORT

V. HOMEOWNER FORUM

Homeowners from the following addresses were in attendance to discuss tree issues.

134 Tierra Montanosa

132 Tierra Montanosa

4 Tierra Seguro

VI. CONSENT CALENDAR

Resolved

The consent calendar was approved as presented items A through B.

Motion: ALLEN MIRANDA

Second: JEFF BRADLEY

▶ *Resolved*
The motion passed unanimously

A. APPROVAL OF MINUTES - MAY 2021

B. FINANCIAL STATEMENT - APRIL 2021

VII. NEXT BOARD MEETING

VIII. ADJOURN

The open session meeting was adjourned at 7:38PM.

APPROVED

DATE



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

May 18, 2021 7:30 PM

Held Via Teleconference

Call in #253 215 8782, ID #819 5086 6483

Passcode #117243

MINUTES

Directors Present

JEFF BRADLEY - Treasurer
NANCY SILBERBERG - President
ALLEN MIRANDA - Member at Large

Directors Absent

CORY GONSOWSKI - Vice President

Additional Attendees

Casey Donaldson, CMCA, CCAM, Community Manager, FirstService Residential

I. CALL TO ORDER

The meeting was called to order at 7:34PM

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

IV. REPORTS

The following reports were reviewed and filed:

A. MANAGEMENT REPORT

Resolved

That the Board of Directors approve management to approve the paper reserve update with ARS.

Motion: JEFF BRADLEY

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

B. WORK ORDER REPORT

V. HOMEOWNER FORUM

There were two homeowners in attendance for open session meeting.

VI. CONSENT CALENDAR

Resolved

The consent calendar was approved as presented.

Motion: JEFF BRADLEY

Second: ALLEN MIRANDA

- ▶ **Resolved**
The motion passed unanimously

A. APPROVAL OF MINUTES - MARCH 2021

History

The Board has approved the minutes as presented.

Motion: JEFF BRADLEY

Second: ALLEN MIRANDA

- ▶ **Resolved**
The motion passed unanimously

B. FINANCIAL STATEMENT - FEBRUARY 2021

C. FINANCIAL STATEMENT - MARCH 2021

D. SPA FILTER REPLACEMENT

VII. NEW BUSINESS

A. TIERRA MONTANOSA MONUMENT PROJECT

Resolved

That the Board of Directors approve the proposal from Tri-Star construction to repairs the monument walls including the wall end caps and electric conduit.

Motion: NANCY SILBERBERG

Second: JEFF BRADLEY

- ▶ **Resolved**
The motion passed unanimously

B. PARKWEST LANDSCAPE PROPOSALS

Resolved

That the Board of Directors approve the proposal to remove the pear trees at 23 Tierra Seguro and to remove the remaining fuel modification area at 3 Tierra Seguro. In addition it is approved to remove the landscape at the monuments for proposal 85664. \$11,285.00

Motion: JEFF BRADLEY

Second: ALLEN MIRANDA

- ▶ **Resolved**
The motion passed unanimously

C. ASPHALT PROJECT CURB PAINTING

Resolved

That the Board of Directors approve the proposal from JB Bostick to sand blast the curbs and repaint them red.

Motion: NANCY SILBERBERG

Second: ALLEN MIRANDA

▶ **Resolved**
The motion passed unanimously

VIII. NEXT BOARD MEETING

The Association's next Board meeting will be held June 15th, 2021 at 7:00pm via teleconference.

IX. ADJOURN

The meeting was adjourned at 8:20PM.

APPROVED

DATE

NO MEETING HELD FOR APRIL 2021



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

March 16, 2021 7:15 PM
Held Via Teleconference
Call in #253 215 8782, ID #822 5516 9271
Passcode #909221

MINUTES

Directors Present

JEFF BRADLEY - Treasurer
NANCY SILBERBERG - President
CORY GONSOWSKI - Vice President
ALLEN MIRANDA - Member at Large

Directors Absent

None

Additional Attendees

Casey Donaldson, CMCA, CCAM, Community Manager, FirstService Residential

I. CALL TO ORDER

The open session meeting was called to order at 7:34PM

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

IV. REPORTS

The following reports were reviewed and filed:

A. MANAGEMENT REPORT

B. WORK ORDER REPORT

V. HOMEOWNER FORUM

VI. CONSENT CALENDAR

A. APPROVAL OF MINUTES - FEBRUARY 2021

Resolved

That the Board of Director's approved the open session minutes dated February 16th, 2021 as presented.

Motion: ALLEN MIRANDA

Second: CORY GONSOWSKI

- ▶ **Resolved**
The motion passed unanimously

B. FINANCIAL STATEMENT - FEBRUARY 2021

Resolved

The February 2021 financial statement was tabled to next months meeting.

C. LIEN APPROVAL

Resolved

That the Board of Directors approved the liens as presented.

Motion: NANCY SILBERBERG

Second: ALLEN MIRANDA

- ▶ **Resolved**
The motion passed unanimously

VII. NEW BUSINESS

A. TIERRA MONTANOSA MONUMENT PROJECT

Resolved

This item has been tabled to next months meeting.

B. 97 TIERRA PLANO FRONT DOOR PAINTING

Resolved

This item has been tabled to next month's meeting.

VIII. NEXT BOARD MEETING

The Association's next Board meeting will be held April 20th, 2021 at 7:00pm via teleconference.

IX. ADJOURN

The open session meeting was adjourned at 8:08PM

APPROVED

DATE



TIERRA MONTANOSA MAINTENANCE CORPORATION

Tierra Montanosa Open Session Meeting

February 16, 2021 7:15 PM
Held Via Teleconference
Call in #253 215 8782, ID #883 4091 2726
Passcode #922030

MINUTES

Directors Present

JEFF BRADLEY
NANCY SILBERBERG
CORY GONSOWSKI
ALLEN MIRANDA

Directors Absent

None

Additional Attendees

Casey Donaldson, CMCA, CCAM, Community Manager, FirstService Residential

I. CALL TO ORDER

The Open Session meeting for the Tierra Montanosa Maintenance Corporation Board of Directors was called to order at 7:18 p.m.

II. EXECUTIVE SESSION ACKNOWLEDGEMENT/ANNOUNCEMENT

III. COMMITTEE UPDATE & INVITED GUESTS

IV. REPORTS

That the following reports be reviewed and filed.

A. MANAGEMENT REPORT

B. WORK ORDER REPORT

V. HOMEOWNER FORUM

There was 3 homeowners in attendance to discuss sprinkler repair project and listening to the meeting.

VI. CONSENT CALENDAR

Resolved

The Board of Directors resolved to approve items A through B.

Motion: SILBERBERG

Second: GONSOWSKI

▶ *The motion passed unanimously*

A. APPROVAL OF MINUTES - JANUARY 2021

B. FINANCIAL STATEMENT - JANUARY 2021

VII. UNFINISHED BUSINESS

A. 5 YEAR FIRE SPRINKLER REPAIRS

Resolved

The Board of Directors approve the proposal from AD Fire for the fire sprinkler repairs at Tierra Montanosa in the amount of \$15,575.00.

Motion: SILBERBERG

Second: MIRANDA

▶ *The motion passed unanimously*

B. TIERRA MONTANOSA ASPHALT PROJECT

Resolved

That the Board of Directors approve the proposal as presented by JB Bostick.

Motion: GONSOWSKI

Second: MIRANDA


▶ *The motion passed unanimously*

VIII. NEXT BOARD MEETING

The Association's next Board meeting will be held March 16th, 2021 at 7:00pm via teleconference.

IX. ADJOURN

As there were no further items to discuss, the Open Session was adjourned at 7:52p.m.

DocuSigned by:

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4/11/2021

APPROVED

DATE

TIERRA MONTANOSA MAINTENANCE CORPORATION
BOARD OF DIRECTORS MEETING - OPEN SESSION

TUESDAY, JANUARY 19, 2021

HELD VIA TELECONFERENCE

MINUTES

CALL TO ORDER

The Open Session meeting for the Tierra Montanosa Maintenance Corporation Board of Directors was called to order at 7:18 p.m.

DIRECTORS PRESENT

Nancy Silberberg
Jeff Bradley
Allen Miranda
Cory Gonsowski

DIRECTORS ABSENT

FIRSTSERVICE RESIDENTIAL

Casey Donaldson Community Manager

EXECUTIVE SESSION SUMMARY

In accordance with Civil Code Section 4935(a), the Board of Directors met in Executive Session prior to the Open Session meeting in order to consider litigation, matters relating to the formation of contracts with third parties, member discipline, personnel matters, or to meet with a member, upon the member's request, regarding the member's payment of assessments, as specified in Civil Code. A separate set of minutes was prepared.

COMMITTEE UPDATE & INVITED GUESTS

A. Community Projects & Invited Guests

This item serves as place holder for the for the Board of Directors to discuss the painting project.

REPORTS

Motion: Bradley
Second: Miranda

Resolved: That the following reports be reviewed and filed.

- A. Work Order Report
- B. Management Report

The motion carried unanimously.

HOMEOWNER FORUM

There were approximately 4 homeowners in attendance who brought to the Boards attention various concerns and questions regarding the painting project, pending Architectural Guidelines and requesting status on specific homeowner requests.

CONSENT CALENDAR

Motion: Gonsowski
Second: Miranda

Resolved: The Board of Directors resolved to approve items A through C.

A. Approval of Minutes – December 2020

Resolved: That the Board approved the Open Session minutes dated December 15, 2020 as presented.

B. Financial Statement – December 2020

Approved: That the Board approves the Association's income statement for December 31, 2020, comparing actual results to budget, reserve statement, bank statements and reconciliations, check history report and general ledger as presented, subject to an annual audit. The report reflects a year to date net operating (loss) of \$(-476.07) and year-to-date reserve funding of \$108,784.59 compared to the year-to-date reserve funding budget of \$100,803.00. The actual year-to-date operating expenses were \$93,192.04. The budgeted year-to-date operating expenses were \$92,418.00. The reserves are funded through December 31, 2020. The association has \$54,570.26 in operating funds, which represents 2.14 months of budgeted expenses and reserve contributions. The association has \$1,842,155.67 in reserve funds.

C. 2020 Year End Audit

The Board of Directors have approved the audit as presented pending an answer on a specific line item of the audit.

The motion carried unanimously.

End Consent Calendar

UNFINISHED BUSINESS

A. 5 Year sprinkler certification

Motion: Silberberg
Second: Miranda

Resolved: The Board of Directors approve the proposal from AD Fire for the fire sprinkler repairs at Tierra Montanosa in the amount of \$15,575.00.

The motion carried unanimously.

B. Tierra Montanosa Monuments

This item has been tabled due to further quotes on a new scope of work.

C. Tierra Montanosa Asphalt Project

This item has been tabled due to updated proposal from JB Bostick.

NEW BUSINESS

A. Architectural Agenda

There are no new plans presented at this time.

B. Various Tree Removals

Motion: Silberberg
Second: Bradley

Resolved: The Board of Directors approve the proposal dated 10/16/20 in the amount of \$3,640.00 to remove trees at 40 Tierra Seguro and 13 Tierra Montanosa.

The motion carried unanimously.

C. 25 Tierra Plano Wall Repair

Motion: Gonsowski
Second: Miranda

Resolved: The Board of Directors approve the proposal dated 12/10/20 as presented by Alpha Regional in the amount of \$1,450.00.

The motion carried unanimously.

NEXT MEETING

The next Board of Directors meeting is scheduled for February 16, 2021, at 7:30p.m held via teleconference.

ADJOURNMENT

As there were no further items to discuss, the Open Session was adjourned at 8:46 p.m.

APPROVED:  DATE: 02/16/2021

Tierra Montanosa Maintenance Corporation

Financial Audit \ Review



FirstService
RESIDENTIAL

Tierra Montanosa Maintenance Corporation

MEMORANDUM

DATE: 01/29/2021
TO: The Membership
FROM: Board of Directors
RE: 09/30/2020 Fiscal Year End Audit

Enclosed for your review are the 2019-2020 year-end financial statements for Tierra Montanosa Maintenance Corporation.

Civil Code requires that the Association engage a Certified Public Accountant to perform an audit or review of the financial statements for any fiscal year in which the gross income of the Association exceeds \$75,000.

Please note negative fund balances represent pending reserve transfers to operating.

A list of the names and addresses of the current members is located at the Association's managing office.

Should you have any questions regarding the enclosed information, please feel free to contact Casey Donaldson of FirstService Residential at (949) 448-6185 or Casey.Donaldson@fsresidential.com

Sincerely,

Casey Donaldson

Tierra Montanosa Maintenance Corporation
Financial Statements
For the Year Ended September 30, 2020



NEWMAN
Certified Public Accountant, PC

**Tierra Montanosa Maintenance Corporation
Financial Statements
For the Year Ended September 30, 2020**

TABLE OF CONTENTS

Independent Auditor's Report.....	3
Balance Sheet.....	4
Statement of Revenues and Expenses and Changes in Fund Balances.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-10
Supplementary Information.....	11



Independent Auditor's Report

To the Board of Directors of Tierra Montanosa Maintenance Corporation

We have audited the accompanying financial statements of Tierra Montanosa Maintenance Corporation (the "Association") which comprise the balance sheet as of September 30, 2020, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tierra Montanosa Maintenance Corporation as of September 30, 2020, and results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter on Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statement, taken as a whole. We have not applied procedures to determine whether the funds designated for future repairs and replacements as discussed in Note 3 are adequate to meet such future costs, because such determination is outside the scope of our audit. Our opinion is not modified with respect to this matter.

Disclaimer of Opinion of Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Repairs and Replacements on page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Newman Certified Public Accountant, PC.

Newman Certified Public Accountant, PC
Carlsbad, California
January 12, 2021

Tierra Montanosa Maintenance Corporation
Balance Sheet
September 30, 2020

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 32,465	\$ 1,830,690	\$ 1,863,155
Assessments receivable	12,765		12,765
Allowance for doubtful accounts	(6,019)		(6,019)
Prepaid insurance	3,227		3,227
Prepaid income taxes	1,502		1,502
Due from (to) fund	(22,091)	22,091	-
Total assets	\$ 21,849	\$ 1,852,781	\$ 1,874,630
Liabilities			
Accounts payable	\$ 25,882	\$ 66,562	\$ 92,444
Prepaid assessments	11,536	-	11,536
Contract liabilities (Assessments received in advance - replacement fund)		1,786,219	1,786,219
Total liabilities	37,418	1,852,781	1,890,199
Fund balances	(15,569)	-	(15,569)
Total liabilities and fund balances	\$ 21,849	\$ 1,852,781	\$ 1,874,630

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

Tierra Montanosa Maintenance Corporation
Statement of Revenue and Expenses and Changes in Fund Balances
For the Year Ended September 30, 2020

	Operating Fund	Replacement Fund	Total
Revenues			
Owners assessments	\$ 309,624	\$ 302,700	\$ 612,324
Insurance claim income	5,639	6,309	11,948
Bad debt recovery	18,304		18,304
Interest	11	15,337	15,348
Other member income	2,431		2,431
Total revenues	336,009	324,346	660,355
Expenses			
Utilities			
Electricity and gas	28,491		28,491
Water	57,484		57,484
Telephone	755		755
	<u>86,730</u>	<u>-</u>	<u>86,730</u>
Maintenance			
Landscape and irrigation	83,048		83,048
Tree trimming		23,712	23,712
Common area repairs and maintenance	21,398	12,160	33,558
Plumbing	10,875		10,875
Pool and spa	14,455	7,944	22,399
Pest control	7,771		7,771
Janitorial	4,351		4,351
Patrol and security	8,249		8,249
Fences and walls		16,803	16,803
Fire prevention	16,378	16,749	33,127
Street sweeping	2,141		2,141
Roof repair and maintenance	6,955	29,397	36,352
Streets and drives		5,228	5,228
Painting		196,208	196,208
Insurance claim expenses	5,639	16,145	21,784
	<u>181,260</u>	<u>324,346</u>	<u>505,606</u>
Administrative			
Insurance	36,068		36,068
Management	36,382		36,382
Management reimbursables	15,708		15,708
Administrative expense	12,958		12,958
Legal and professional	4,150		4,150
Income tax expense	4,674		4,674
	<u>109,940</u>	<u>-</u>	<u>109,940</u>
Total expenses	377,930	324,346	702,276
Excess (deficit) of revenues over (under) expenses	(41,921)	-	(41,921)
Beginning fund balances	19,052	-	19,052
Transfer to/from contract liabilities	7,300		7,300
Ending fund balances	\$ (15,569)	\$ -	\$ (15,569)

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

Tierra Montanosa Maintenance Corporation
Statement of Cash Flows
For the Year Ended September 30, 2020

	Operating Fund	Replacement Fund	Total
Excess (deficit) of revenues over (under) expenses	\$ (41,921)	\$ -	\$ (41,921)
Adjustments to reconcile excess (deficit) of revenues over (under) expenses to net cash provided (used) by operating activities			
Decrease (Increase) in operating assets:			
Accounts receivable	17,498		17,498
Allowance for doubtful accounts	(18,918)		(18,918)
Prepaid insurance	2,247		2,247
Prepaid income tax	(1,502)		(1,502)
Increase (decrease) in operating liabilities:			
Accounts payable	9,086	30,129	39,215
Prepaid assessments	2,113		2,113
Income taxes payable	(4,424)		(4,424)
Contract liabilities (Assessments received in advance - replacement fund)		150,356	150,356
Total adjustments	6,100	180,485	186,585
Net cash provided (used) by operating activities	(35,821)	180,485	144,664
Cash provided (used) by investing activities			
Net cash provided (used) by investing activities	-	-	-
Cash provided (used) by financing activities			
Transfer to contract liabilities	7,300		7,300
Interfund borrowings	43,136	(43,136)	-
Net cash provided (used) by financing activities	50,436	(43,136)	7,300
Net increase (decrease) in cash and cash equivalents	14,615	137,349	151,964
Beginning cash and cash equivalents	17,850	1,693,341	1,711,191
Ending cash and cash equivalents	<u>32,465</u>	<u>\$ 1,830,690</u>	<u>\$ 1,863,155</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid			\$ 6,000
Interest paid			\$ -

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

Tierra Montanosa Maintenance Corporation
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Organization

Tierra Montanosa Maintenance Corporation (the "Association") was incorporated on October 25, 1993 as a nonprofit mutual benefit corporation under the laws of California, for the purposes of maintaining and preserving common property. The Association consists of 205 residential homes and is located in Rancho Santa Margarita, California.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - The fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - The fund is used to accumulate financial resources designated for future major repairs and replacements.

Members Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on properties of owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. After the Board of Directors has exhausted all efforts to collect delinquent accounts, the Board of Directors may elect to write off uncollectible balances.

The Association recorded an allowance for doubtful accounts of \$6,019 to reflect an estimate of accounts that may not be collectible, which includes accounts receivable greater than 90 days old.

Contract Liabilities (Assessments received in advance - replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance - replacement fund) is recorded when the Association has the right to receive payment in advance of satisfaction of performance obligations related to replacement reserve assessments.

Tierra Montanosa Maintenance Corporation
Notes to Financial Statements
For the Year Ended September 30, 2020

Income Tax

The Association's policy is to record interest expense or penalties related to income tax in operating expenses.

Capital Assets and Depreciation Policy

The Association has not capitalized real and personal common area property contributed by the developer. Replacements and improvements to real property are also not capitalized; rather, they are charged to the respective fund in the period the cost is incurred. Significant personal property assets are capitalized and depreciated over their estimated lives using straight-line depreciation.

Cash and Cash Equivalents

Cash and cash equivalents include the Association's cash, checking accounts, money market funds and investments in certificates of deposit with original maturities of 90 days or less.

Subsequent Events

Subsequent events have been evaluated through January 12, 2021, which is the date the financial statements were available to be issued.

Concentration of Credit Risk

The Association maintains bank accounts with balances that exceed FDIC federal insurance of \$250,000. The financial institution may carry private insurance, which may or may not be sufficient to reimburse for any losses. At September 30, 2020, \$1,127,492 was exposed to risk.

3. Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and are generally not available for expenditures for normal operations.

The Board of Directors conducted a reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on this study.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to its governing documents, to increase regular assessments or to levy special assessments, or it may delay major repairs and replacements until funds are available.

Tierra Montanosa Maintenance Corporation
Notes to Financial Statements
For the Year Ended September 30, 2020

4. FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations (CIRA), Revenue Recognition, and requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods and services.

The Association adopted the requirements of the new guidance as of October 01, 2019, using the modified retrospective method of transition, which requires the cumulative effect of the changes related to the adoption be charged to the beginning balance. The Association applied the new guidance using the practical expedient in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of October 01, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to the fund balance as of October 01, 2019:

Fund balance, as previously reported, October 01, 2019	\$	1,654,915
Adjustment		<u>(1,635,863)</u>
Fund balance, as adjusted, October 01, 2019	\$	<u><u>19,052</u></u>

The effect of the adoption is a decrease in September 30, 2020 replacement fund assessments and a recording of a contract liability (assessments received in advance - replacement fund). The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method requires us to disclose the effect of applying the new guidance on each item included in our September 30, 2020 financial statements. Following are the line items from our balance sheet as of September 30, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	<u>Amounts that would have been reported</u>	<u>Effects of applying new guidance</u>	<u>As reported</u>
Liabilities:			
Contract liabilities (Assessments received in advance - replacement reserve)	\$ -	\$ 1,786,219	<u>\$1,786,219</u>
Fund Balance:			
Ending fund balance	\$ 1,770,650	\$ (1,786,219)	\$ (15,569)

Tierra Montanosa Maintenance Corporation
Notes to Financial Statements
For the Year Ended September 30, 2020

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended September 30, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	<u>Amounts that would have been reported</u>	<u>Effects of applying new guidance</u>	<u>As reported</u>
Revenue:			
Regular assessments	\$ 769,980	\$ (157,656)	\$ 612,324
Excess of revenues over expenses	\$ 115,735	\$ (157,656)	\$ (41,921)
Cash Flows:			
Excess of revenues over expenses	\$ 115,735	\$ (157,656)	\$ (41,921)
Increase in contract liabilities (Assessments received in advance -replacement reserves)	\$ -	\$ 157,656	\$ 157,656

5. Income Taxes

The Association elected to file its federal income tax returns as a homeowners association under Internal Revenue Code Section 528. For its California income tax return, the Association qualifies for tax exempt status as a homeowners' association under California Revenue and Taxation code section 23701(t). For both Federal and California returns, the Association is generally taxed on income not related to membership dues and assessments, such as interest income and non-member income. The Internal Revenue Service and the California Franchise Tax Board can examine the Association's income tax returns generally up to three years and four years, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of the year end, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

6. Operating Fund Deficit and Interfund Balances

At September 30, 2020, the Association's Operating Fund balance was in deficit \$15,569, and the Operating Fund owed the Replacement Fund \$22,091. The balance comprised primarily of unpaid monthly budgeted Replacement Fund contributions from the Operating Fund.

Tierra Montanosa Maintenance Corporation
Supplementary Information on Future Major Repairs and Replacements
September 30, 2020
(Unaudited)

The Association's Board of Directors, in conjunction with a reserve study expert, conducted a reserve study dated May 15, 2020 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair and replacement.

The following information is based on the study and presents significant information about the components of common property.

Study Component	Estimated remaining useful lives	Estimated current replacement costs
Streets	0	\$ 322,809
Roofs	25	1,513,890
Painting	0-9	299,136
Fencing and walls	9-19	428,119
Lighting	6-9	147,500
Pool area	0-19	290,570
Decks	3-4	537,193
Doors	4-19	336,350
Landscape	0-4	75,275
Miscellaneous	0-4	223,000
Termite control and wood repairs	0-4	88,500
		<u>\$ 4,262,342</u>

See the Balance Sheet for replacement fund cash, cash equivalents and investments balances at September 30, 2020.



Please be advised that neither the association, FirstService Residential, nor Welcome Link can alter the insurance certificate or add a mortgagee clause. Please contact the insurance agent listed on the policy or visit EIO Direct (www.eiodirect.com) to request these alterations.

15241 Laguna Canyon Road, Irvine, CA 92618
Phone: (949) 448-6000 Fax: (949) 448-6400
www.fsresidential.com

Tierra Montanosa Maintenance Corporation

Certificate of
Insurance (Association)



FirstService
RESIDENTIAL



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
08/09/2021

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Prendiville Insurance Agency 24661 Del Prado, Suite 3 License #0740433 Dana Point CA 92629	CONTACT NAME: PHONE (A/C, No, Ext): (949) 487-9696 FAX (A/C, No): (949) 487-9626 E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE NAIC #	
INSURED Tierra Montanosa Maintenance Corporation c/o FirstService Residential California, LLC 15241 Laguna Canyon Road Irvine CA 92618	INSURER A: CIBA Program	
	INSURER B: Lexington Insurance Company 19437	
	INSURER C: Hartford Insurance Company 29424	
	INSURER D: Accredited Surety & Casualty 26379	
	INSURER E: AmTrust - Wesco Insurance Co. 25011	
INSURER F:		

COVERAGES

CERTIFICATE NUMBER: Cert ID 24011

REVISION NUMBER:


THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	Y		CIBA-000003-01-A55361	08/08/2021	08/08/2022	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 1,000,000 GL Deductible \$ 1,000
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS ONLY <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/>	Y		CIBA-000003-01-A55361	08/08/2021	08/08/2022	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 10,000	Y		023627388	08/08/2021	08/08/2022	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$
E	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N	N/A	WWC3548012	08/08/2021	08/08/2022	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	Fidelity Bond	Y		PENDING	08/08/2021	08/08/2022	Fidelity Bond Deductible \$25,000 \$ 2,500,000
D	D&O Liability	Y		DC2134513	08/08/2021	08/08/2022	D&O Deductible \$2,500 \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 A) Property #CIBA-000001-02-A55361, 08/08/2021 - 08/08/2022: \$64,813,006 Limit, \$25,000 Deductible/\$100,000 Wildfire Deductible
 FirstService Residential California, LLC is Named as Additional Insured as Their Interests May Appear, as Respects: Auto Liability, CGL, D&O Liability, Fidelity Bond, and Umbrella Liability. Walls-In Coverage is Included. 205 Units, 41 Buildings. 100% Replacement Cost Valuation. Wind & Hall Coverage is Included. Boiler & Machinery Coverage is Included.
 Building Ordinance Coverage:
 A(Undamaged)=Included, B(Demolition)=20%, C(Increased Construction Costs)=20%
 *CANCELLATION: 30 DAY NOTICE, EXCEPT 10 DAY NOTICE FOR NON-PAYMENT OF PREMIUM.

CERTIFICATE HOLDER

CANCELLATION

FirstService Residential California, LLC 15241 Laguna Canyon Road Irvine CA 92618	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
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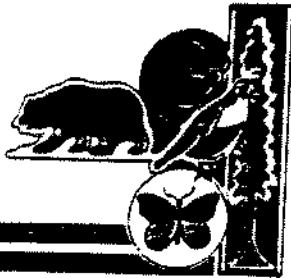
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Tierra Montanosa Maintenance Corporation

Articles of Incorporation



FirstService
RESIDENTIAL



State
of
California

OFFICE OF THE SECRETARY OF STATE

1868494

Tierra Montecosa

CORPORATION DIVISION

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

OCT 26 1993



March Fong Eu

Secretary of State

10004

ENDORSE
FILED

In the office of the Secretary
of the State of California

OCT 25 1996

MARCH FONG EU, Secret

ARTICLES OF INCORPORATION
OF

TIERRA MONTANOSA MAINTENANCE CORPORATION

ARTICLE I

NAME

The name of this corporation is Tierra Montanosa Maintenance Corporation.

ARTICLE II

PURPOSES

(a) 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.

(b) The specific and primary purpose for which this corporation is formed is to provide for the acquisition, construction, management, maintenance, and care of real and personal property held by this corporation, or commonly held by the members of this corporation, or within this corporation privately held by such members, all as described in a declaration of covenants, conditions and restrictions (the "Declaration") which defines this corporation as the "Maintenance Corporation" in the Article thereof entitled "Definitions" and has been or will be recorded in the County of Orange by Tierra, Ltd., a California limited partnership.

ARTICLE III

INITIAL AGENT

The name and address of the initial agent of the corporation for service of process is Tim Unger, c/o Rockfield Development Corporation, 30200 Rancho Viejo Road #A, San Juan Capistrano, CA 92675.

ARTICLE IV

AMENDMENT OF ARTICLES

The amendment, alteration or repeal of any provision contained in these Articles of Incorporation shall require both a resolution of the Board of Directors and the vote or written assent of not less than a majority of the voting power of the corporation, and all rights and powers conferred herein on members, directors and officers are subject to this reserved power. In addition to the foregoing, as long as there is a Class B membership as provided in the Declaration, any amendment of these Articles of Incorporation must also be approved by the vote or written assent of not less than a majority of the voting power of

each of the Class A and Class B memberships. Once the Class B membership has been converted to Class A membership, any amendment of these Articles of Incorporation must also be approved by the vote or written assent of not less than a majority of the voting power of the Maintenance Corporation residing in members other than the Declarant, as such term is defined in the Declaration. In addition to the foregoing, an amendment to this Article of the Articles of Incorporation must have the written approval of Eligible Mortgage Holders who represent at least fifty-one percent (51%) of the Condominiums that are subject to Mortgages held by Eligible Mortgage Holders and Owners who represent at least sixty-seven percent (67%) of the voting power of the Maintenance Corporation as provided in the Section entitled "Limitations by FNMA" of the Article entitled "Mortgagee Protection" of the Declaration.

ARTICLE V

ACTIVITIES AND POWERS

Notwithstanding any of the above statements of purposes and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purposes of this corporation.

DATED: 10/20/93



Signature of Incorporator

Tim Unger

Type name of Incorporator

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.



Signature of Incorporator

Tierra Montanosa Maintenance Corporation

Operating Rules \
Association Policies



FirstService
RESIDENTIAL

RULES AND REGULATIONS

PREPARED FOR

TIERRA MONTANOSA MAINTENANCE CORPORATION

TIERRA MONTANOSA MAINTENANCE CORPORATION

RULES AND REGULATIONS

TABLE OF CONTENTS

Membership Information.....Page 1

Delinquency Policy.....Page 2

Common Property Rules.....Page 3

Tenant Rules and Regulations.....Page 4

Pet Rules.....Page 5

Parking Rules and Regulations.....Page 6 - 11

Sign Rules and Regulations.....Page 12

Pool and Spa Rules.....Page 13

Enforcement Procedure.....Page 14

Rules and Violation Report.....Page 15

Fine Schedule.....Page 16

Procedure for Homeowner Hearing.....Page 17

Disclaimer.....Page 18

**TIERRA MONTANOSA MAINTENANCE CORPORATION
A PLANNED COMMUNITY
MEMBERSHIP INFORMATION**

The Tierra Montanosa Maintenance Corporation offers many advantages to the home buyer. In order to protect and preserve these benefits, however, certain limitations and restrictions are placed on members of the Corporation.

The Tierra Montanosa Maintenance Corporation is a California non-profit corporation consisting of those owners of homes within the ultimate boundaries of Tierra Montanosa.

The purpose of Tierra Montanosa Maintenance Corporation is to ensure that the common area amenities will be maintained in an attractive manner and will be available for the enjoyment of all residents. Your automatic membership in the Corporation provides a membership base to share in the future costs of maintaining the community.

The attached Rules and Regulations and policies have been developed with consideration given to providing each resident with the greatest enjoyment of the facilities without infringing on other residents and their rights to quiet enjoyment of their homes and community.

Although these Rules and Regulations support the CC&R's, they do not cover the entirety of the document. Please be sure to read the CC&R's carefully.

TIERRA MONTANOSA MAINTENANCE CORPORATION

DELINQUENCY POLICY

This page is left blank intentionally.

**TIERRA MONTANOSA MAINTENANCE CORPORATION
COMMON PROPERTY RULES**

1. Homeowners are prohibited from destroying, removing or altering the landscaping in the common property, regardless of the condition of the plantings.
2. All weeds, rubbish, debris, or unsightly material or objects of any kind shall be regularly removed from the Residence and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, trash cans, woodpiles, storage areas, machinery and equipment shall be prohibited upon any Residence unless obscured from view of adjoining streets or portions of the Covered Property from a height of six (6) feet or less.
3. Nothing shall be altered or constructed in or removed from the Common Area without the prior written consent of the Board of Directors.
4. Items posing a fire safety hazard, including tiki torches, decorative wood burning chimneys or fire pits, charcoal barbecues, smokers, or other open flamed items are not permitted for use within ten (10) feet of any permanent structure except where installed by the builder on a cement structure such as at the pool area. UL-approved (Underwriters Laboratories) propane/gas barbecues and patio heaters are permitted when used properly per the manufacture's specifications. Variances requests must be submitted for review through the architectural submittal process and may be granted by the Board of Directors.
5. Skateboards, scooters, in-line skates, miniature motorcycles or similar types of wheeled vehicles are not permitted for use within the common areas of the community including the streets, landscaped areas, and alleyways.
6. All portable sports equipment including, but not limited to, basketball hoops, skateboard/bike ramps, recreational safety cones, hockey goals, etc. are not permitted for use or storage in common areas.
7. The use of chalk is not permitted on the streets, sidewalks, or building exteriors.
8. Riding of bikes is permitted for the purpose of gaining access to the public streets only. Bike riding is not permitted on sidewalks and landscaped areas.
9. Baseball, football, or other types of games involving thrown objects are not allowed.
10. Violators will be held responsible for damages.

**TIERRA MONTANOSA MAINTENANCE CORPORATION
TENANT RULES AND REGULATIONS**

1. The homeowner shall have the responsibility to acquaint their tenants and guests with the Rules and Regulations of the Corporation.
2. For the purpose of these Rules and Regulations a tenant shall be defined as anyone in possession of a member's home in exchange for any sort of consideration, or at the sufferance of the homeowners.
3. Violations will be assessed against the member even though the infraction was committed by a tenant or guest.
4. Any agreement for the leasing or rental of a Condominium shall be in writing and shall provide that the terms of such lease shall be subject in all respects to the provisions of the Maintenance Corporation Management Documents and any applicable agreements between the Maintenance Corporation and any of the Federal Agencies.
5. Any Owner who shall lease his/her Condominium shall be responsible for assuring compliance by such Owner's lessee with the Maintenance Corporation Management Documents.
6. No Condominium shall be leased for any period less than seven (7) days.

**TIERRA MONTANOSA MAINTENANCE CORPORATION
PET RULES**

1. No livestock, reptiles, poultry or other animals of any kind shall be raised, bred or kept upon the Covered Property, except that dogs, cats or other household pets may be kept on the Residence, provided they are not kept, bred or maintained for any commercial purpose, or in numbers deemed unreasonable by the Board.
2. Animals belonging to Owners, occupants or their licensees, tenants or invitees within Properties must be either kept within an enclosure or on a leash being held by a person capable of controlling the animal.
3. Local County and/or municipal animal ordinances will be strictly enforced (i.e., licensing, vaccines, leash laws, etc.).
4. All animals shall be kept on a leash when on any portion of the Covered Property except when confined within a Residence.
5. Excessive dog barking or other animal noise will be deemed a nuisance.
6. The Corporation shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board of Directors, a nuisance to any other Owner.

**TIERRA MONTANOSA MAINTENANCE CORPORATION
PARKING RULES AND REGULATIONS**

1. Vehicle Codes will be strictly enforced.
2. Those portions of the Properties intended for parking of motorized vehicles, shall be used to park only the following motorized land vehicles designed and used primarily for noncommercial passenger transport: automobiles; passenger vans designed to accommodate ten (10) or fewer people; two wheel motorcycles; and pickup trucks having manufacturer's rating or payload capacity of three-quarter (3/4) ton or less ("Authorized Vehicles").
3. Recreational vehicles and commercial vehicles are prohibited within the properties except for temporary parking for loading or unloading of vehicles, or the temporary parking of commercial vehicles providing delivery, maintenance or repair services to the common areas or a residence.
 - 3.1 Recreational Vehicles - Including, without limitation, trailers, boats, campers, trailer coaches, buses, house cars, camp cars, motor homes (if a size larger than seven (7) feet in height and/or greater than one hundred twenty-four (124) inches in wheel base length), or any other similar type of equipment or vehicle. No owner/occupant shall park, store or keep within the property any Recreational Vehicles unless the vehicle is parked in the garage.
 - 3.2 Large Commercial Vehicles - All vehicles exceeding a carrying capacity of three-quarter (3/4) of a ton. No owner/occupant shall park, store or keep within the property any Large Commercial Vehicles.
 - 3.3 Small Commercial Vehicles – All vehicles with a carrying capacity up to and including a maximum of three-quarter (3/4) of a ton and has been modified from stock for commercial use or purpose. No owner/occupant shall park, store or keep within the property any Small Commercial Vehicles unless the vehicle is covered with a vehicle cover or parked in the garage.
 - 3.3.1 Examples of such modification may include one or more of the following:
 - 3.3.1.1 Installations of one or more racks to the vehicle, e.g. pipe, glass, and or tool racks.
 - 3.3.1.2 The addition of doors, drawers, and bins used for storage of parts and tools.
 - 3.3.1.3 Tools and/or equipment mounted or carried (either permanently or temporarily) on a vehicle, e.g. air compressor, welding equipment, or generator.
 - 3.3.1.4 Installation of hydraulic lifts, gates, cranes, hoists, etc. Equipment for the use of handicapped persons is exempt.
 - 3.3.1.5 The installation and use of signs and/or advertising on a vehicle. Bumper stickers of standard size are excluded.
 - 3.3.1.6 The addition of fences, bordered beds, side stakes, or the like to retain supplies, machinery, tools, and goods.
 - 3.3.1.7 The installation of vacuums, motorized brushes or other special-purpose equipment, e.g. street sweepers.
 - 3.3.2 Other factors that prohibit parking of small commercial vehicles include:
 - 3.3.2.1 The regular storage of equipment, goods, products, materials, tools, or the like on the vehicles so as to be visible within the property.
 - 3.3.2.2 The vehicle is clearly used for industrial, commercial trade, professional or business purposes.

4. Each Authorized Vehicle which is owned or operated by or within the control of an Owner or a Resident of an Owner's Unit, if kept within the Properties, shall 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 the number of vehicles for which it was initially constructed by the Developer.
5. No automobile, Commercial Vehicle, Recreational Vehicle, or any other motorized vehicle may be dismantled, rebuilt, repaired, serviced or repainted on the Covered Property unless performed within a completely enclosed structure located on a Residence which completely screens the sight and sound of such activity from streets, Maintenance Corporation Property and neighboring Residences.
6. No garage, trailer, camper, motor home, or recreational vehicle shall be used as a residence in the properties for either temporary or permanent purposes.
7. No garage door shall remain open, except for a temporary purpose, and except as may be provided in the regulations promulgated by SAMLARC.

TIERRA MONTANOSA HOMEOWNERS ASSOCIATION

SELECTED PARKING RULES

Effective May 1, 2001 the parking rules shall include:

- **"Vehicles parked in visitor spaces, without a parking permit displayed, will be protected from towing until 2 a.m. After 2 a.m. any vehicle parked in visitor parking spaces without a permit will be towed." One other concern the Board has addressed is that any vehicle parked in visitor spaces without a permit after 2 a.m. will receive one warning before being towed. The warning will notify the owner that a permit is required.**
- Vehicle Codes will be strictly enforced. Unauthorized vehicles parked within red curb zones, fire zones, handicap parking spaces or visitor parking spaces are subject to immediate towing. All unassigned parking spaces within Tierra Montanosa are designated as Visitor Parking. Visitor Spaces are available on a first-come, first-served basis. All vehicles parked within Visitor Spaces must display a valid Guest Parking Pass in the front window.
- Reserved parking spaces are identified with the wording "RESERVED" a number painted on the parking space. These areas are restricted. Any unauthorized vehicles parked in these areas will be towed immediately.
- It is the responsibility of each member of the Association to make both the Management and the Association's Security Service aware of any special arrangements which have been made to accommodate a member's special parking needs (e.g., extended vacations, family emergencies, etc.).
- Garage Doors must remain closed except for temporary purposes.
- Any vehicles parked by a member in front of another member's garage or which in any way impede the free flow of traffic through the Association Properties are subject to immediate towing. Cars parked by members in front of their own garages which do not impede the free flow of traffic through the Association Properties are subject to towing if they remain in front of the member's garage for longer than a two (2) hour period.

**TIERRA MONTANOSA MAINTENANCE CORPORATION
PARKING RULES AND REGULATIONS**

1. Vehicle Codes will be strictly enforced. Unauthorized vehicles parked within red curb zones, fire zones, handicapped parking spaces or visitor parking spaces without displaying a valid Visitor Parking Pass are subject to immediate towing. All unassigned parking spaces within Tierra Montanosa (those without numbers printed on them) are designated as Visitor Parking.
2. In accordance with California Vehicle Code, vehicles that are not removed from the property at least every 96 hours will be cited and towed at the vehicle owner's expense.
3. Those portions of the Properties intended for parking of motorized vehicles, shall be used to park only the following motorized land vehicles designed and used primarily for non-commercial passenger transport: automobiles; passenger vans designed to accommodate ten (10) or fewer people; two-wheel motorcycles; and pick-up trucks having manufacturer's rating or pay load capacity of three-quarter (3/4) ton or less ("Authorized Vehicles").
4. No Vehicle which is not an Authorized Vehicle, including without limitation, "Recreation Vehicles", and "Commercial Vehicles or Equipment" as defined in the SAMLARC Declaration of Covenants, Conditions and Restrictions, inoperable vehicles or parts of vehicles, aircraft, or any vehicle or vehicular equipment deemed a nuisance by the Board, shall be parked, stored or kept within the Properties or on any street abutting or visible from the Properties unless the vehicle is either (i) kept in an area designated by SAMLARC'S Board of Directors or (ii) is temporarily parked for loading or unloading purposes.
5. It will be the responsibility of the homeowner to inform his/her visitor of the Parking Rules & Regulations and to provide a Parking Permit to their visitors to be displayed in their vehicle if they are parking within the Association's designated visitor parking areas.
6. Authorized Vehicles parking in any visitor space within the Properties must display in their front window a valid visitor parking pass. It is the responsibility of each Owner within the community to make both management and the Association's towing company aware of any special arrangements which have been made to accommodate a member's special parking needs (e.g., extended vacations, family emergencies, etc.)
7. Visitor spaces will be available on a first-come, first-served basis. The possession of a visitor parking pass does not guarantee that a space will be available for that vehicle.
8. Any vehicles parked by a member in front of another member's garage or which in any way impede the free flow of traffic through the Association Properties are subject to immediate towing. Cars parked by members in front of their own garages which do not impede the free flow of traffic through the Association Properties are subject to towing if they remain in front of the member's garage for longer than a two (2) hour period. Any costs incurred for vehicle towing will be the sole responsibility of the vehicle owner.
9. No automobile, Commercial Vehicle, Recreational Vehicle, or any other motorized vehicle may be dismantled, rebuilt, repaired, serviced or repainted on the Covered Property unless performed within a completely enclosed structure located on a Residence which completely screens the sight and sound of such activity from streets. Maintenance Corporation Property and neighboring Residences.
10. No garage, trailer, camper, motorhome, or recreational vehicle shall be used as a residence in the Properties for either temporary or permanent purposes.

11. No garage door shall remain open, except for a temporary purpose, and except as may be provided in the regulations promulgated by SAMLARC.
12. Owners are responsible for all parking violations of tenants and their guests.

**TIERRA MONTANOSA
MAINTENANCE CORPORATION**

DATE: August 31,2001
TO: Tierra Montanosa Homeowners and Residents
FROM: Board of Directors
RE: Parking Rules and Parking Permits

Dear New Homeowner:

Following please find a Summary of the Parking Rules of Tierra Montanosa Maintenance. Please save them for your reference.

Owners are entitled to a parking permit that all residents must display from their rear view mirrors while parked in the unmarked guest parking spaces. Please remember that permits must be visible. If you did not receive a parking permit from the prior owner of your home, please call Merit Property Management, Inc., at 949/448-6000.

Owners are responsible for providing the permits to their tenants.

Each home is entitled to one permit. Additional permit requests must be received in writing and will be considered by the Board on a case by case basis.

Failure to properly display a parking permit while parked in the unmarked guest parking area spaces will result on the first offense in a citation and on the second offense tow of the vehicle at the owner's expense.

Thank you for your cooperation with the Parking Rules of the Association.

If you have any questions, please contact George Ross at Merit Property Management.

Sincerely,
The Board of Directors
Tierra Montanosa Maintenance Corporation

TIERRA MONTANOSA MAINTENANCE CORPORATION

SIGN RULES AND REGULATIONS

1. No sign or billboard of any kind shall be displayed to the public view on any portion of the Covered Property except (1) such signs as may be used by the Declarant or its sales agents in connection with the development of the Covered Property and sale of the Condominiums, and (2) signs that are installed or displayed by the Maintenance Corporation; provided, however, that in accordance with Section 712 of the California Civil Code, an Owner may display on his/her Residence, or on real property owned by others with their consent, or both, signs which are reasonably located, in plain view of the public, are of reasonable dimensions and design, do not adversely affect public safety, including traffic safety, and which advertise the property for sale, lease, or exchange, or advertise directions to the property or the Owner's or agent's address and telephone number.
2. All signs or billboards and the conditions promulgated for the regulation thereof shall conform to the requirements of all applicable governmental ordinances and SAMLARC.

TIERRA MONTANOSA
MAINTENANCE CORPORATION

POOL AND SPA RULES

The following rules apply to the pool, spa, patio and adjacent common areas:

1. Use of pool / spa facilities is a privilege which can be revoked by the Board of Directors in response to conduct which prevents another owner or tenant from enjoying their pool/spa privilege.
2. Pool privileges are for owners or tenants and their guests. If an owner elects to lease their unit and gives pool/spa access rights to the tenant, the owner forfeits their access rights.
3. Children under the age of 14 years must be accompanied by an adult. Children who are not potty-trained are not permitted in the pool or spa without a swim diaper.
4. Drinking of liquors, beers, or other fermented beverages on this property, specifically the pool/spa and patio area, common areas, common streets, and driveways is prohibited and subject to criminal prosecution and a fine. (RSM Ord. No. 00-24, § 1(4.10.020), 9-7-2000)
5. No smoking.
6. No glass objects, skateboards, skates, scooters or bicycles.
7. No yelling or harsh/foul language.
8. Radios/music players must be kept at very low volume levels, so as not to be heard outside of the pool area.
9. No animals or pets.
10. No diving, running or pushing.
11. No soaps, bath oils, or bath salts are allowed in pool or spa.
12. Maximum of 4 guests per owner or tenant, without prior approval by the Board of Directors. All guests must be accompanied by the owner or tenant at all times.
13. Pool gates are to remain closed at all times. Owners or tenants caught propping the gate open will have their pool privileges revoked. Trespassing is prohibited.

TIERRA MONTANOSA MAINTENANCE CORPORATION

ENFORCEMENT PROCEDURE

I. Discovery of Violation

- A. Any Violation that IA an alleged violation of the documents and the rules of me Corporation will be processed according to the procedures outlined herein.
- B. In the event two or more members of the Corporation or Board of Directors file a Violation Report the Board would act as follows:
 1. Send a letter to the homeowner stating the alleged violation and date needed to cure said violation.
 2. Upon expiration of the cure date, if the violation still exists, a second letter will be sent to the homeowner stating that the failure to abide by Corporation Rules and Regulations has imposed a hardship on the Corporation and the owner will be asked to attend a hearing with the Board of Directors.
 3. The homeowner will be notified as to the decision rendered by the Board as a result of the hearing. If the homeowner is found to be in violation of the Corporation's documents, the Board will either a) seek remedy by use of the legal system, b) apply monetary fines to the homeowner's assessment billing, c) suspend the homeowner's right to use any recreational facilities, d) suspend voting privileges , e) record a notice of noncompliance encumbering the Unit, f) choose to correct (or cause to be corrected) the violation and assess the owner for reimbursement of costs, or g) a combination thereof.
 4. If the decision is to pursue a monetary fine system, the Tierra Montanosa Maintenance Corporation Fine Schedule will apply.

NOTE: A violation is defined as an act in conflict with the CC&R's, Bylaws, Rules and Regulations or Architectural Guidelines of the Corporation.

TIERRA MONTANOSA MAINTENANCE CORPORATION

RULES AND VIOLATION REPORT

DATE: _____

I. PERSON MAKING REPORT: NAME _____

BUILDING # _____

UNIT #: _____

PHONE NUMBER: _____

II. DESCRIPTION OF VIOLATION (fill in as completely as possible)

DATE: _____ TIME: _____ LOCATION: _____

in. DESCRIPTION OF VIOLATOR:

NAME: _____ PHONE NO.: _____

BUILDING #: _____ UNIT #: _____

IV. ADDITIONAL WITNESSES:

NAME: _____

BUILDING #: _____ UNIT #: _____

NAME _____

BUILDING #: _____ UNIT #: _____

V. BOARD OF DIRECTORS ACTION TAKEN:

DATE: _____

DESCRIPTION OF ACTION: _____

SIGNATURE OF BOARD OF DIRECTORS: _____

**TIERRA MONTANOSA MAINTENANCE CORPORATION
FINE SCHEDULE**

1. A letter will be sent to the homeowner stating the alleged violation.
2. A second letter will be sent to the homeowner stating the alleged violation continues and requests the homeowner appear before the Board of Directors.
3. If the result of the hearing is a monetary fine, a fine of \$30 will be applied to owner's account
4. If the violation continues past the hearing and first fine stage, additional hearings may be scheduled and fines may be doubled. Any fines not paid may result in legal action in accordance with California law.
5. At any point, the Board may determine to use the legal system or cause correction of the violation to effect a cure and the owner may be responsible for legal fees and or reimbursement of costs to the Corporation.

NOTE: Should a violation occur which imposes financial obligation of the Corporation, then the party responsible for said violation shall reimburse, by way of a Penalty Assessment, the Corporation for this financial obligation. If, for example, a party damages a fence, tree or any other common property, repair and replacement costs will be charged to that party.

TIERRA MONTANOSA MAINTENANCE CORPORATION
PROCEDURE FOR HOMEOWNER HEARING

Procedure:

1. Statement of violation by acting chairperson.
2. Violator's Statement.
3. Review of CC&R requirement. Bylaws, and Rules and Regulations of the Corporation.
4. Discussion and questioning of the violator by the Board members.
5. Questions and final statement by alleged violator.
6. Board ruling.
7. Enforcement procedures as applicable.
8. Adjournment.

DOCUMENTATION

Name of Violator _____ Phone Number: _____

Address: _____ Unit # _____

Nature of Violation: _____

Board Ruling: _____

Additional Comments: _____

Date: _____

**THE MATERIAL CONTAINED WITHIN THIS PACKET IS NOT INTENDED TO BE
SUBSTITUTED FOR THE SERVICES OF AN ATTORNEY. THE LAW AND ITS
INTERPRETATION ARE CONSTANTLY CHANGING.
PLEASE CONSULT YOUR PROFESSIONAL ADVISOR REGARDING YOUR
INVOLVEMENT IN A MAINTENANCE CORPORATION.**

TIERRA MONTANOSA MAINTENANCE CORPORATION

PATIO AND BALCONY FURNISHING STANDARDS

Pursuant to Article IV., Section 4.02, the Board of Directors has appointed an Architectural Committee to define the patio and terrace architectural standards set forth in the Declaration of Covenants, Conditions, and Restrictions for Tierra Montanosa. The committee recommends the following policy be amended to the Rules and Regulations.

With respect to the CC&Rs, Article IV., Section 4.02.A, "placement, kind, shape, material" the Architectural Committee has determined the following inclusive but not exhaustive list of items are acceptable as patio furniture and decorations: patio furniture rates as ASTM-G53 standard for weatherability; wooden, plastic, wicker, or metal benches, tables and furniture; umbrellas, barbecues, potted and hanging plants that do not pose a safety hazard in their placement, outdoor rated speakers, wind chimes, hoses and hose racks, fountains, Malibu and ground lights, sundials, clocks, art, and bird feeders.

Furthermore, pursuant to Article IX., Section 9.09, "all...unsightly material or objects... shall be removed...from view" the following inclusive but not exhaustive list of items are prohibited as patio furniture, decorations, or other: wooden or metal cable/wire spools; indoor rated furniture: leather sofas, chairs, and loveseats; bicycles, clothes, clothesline, cleaning supplies, building materials, recyclables, sporting equipment, fans and all storage items.

ARCHITECTURAL GUIDELINES

PREPARED FOR

TIERRA MONTANOSA MAINTENANCE CORPORATION

TIERRA MONTANOSA MAINTENANCE CORPORATION

ARCHITECTURAL GUIDELINES

TABLE OF CONTENTS

Purpose.....Page 1

GuidelinesPage 2-4

Architectural Standards.....Page 4-6

General ConditionsPage 7

VariancePage 8

Home Improvement Form-Exhibit A.....Page 9

Neighbor Notification FormPage 10

Impacted Neighbor Statement - Exhibit B.....Page 11

Notice of Completion Form - Exhibit CPage 12

Enforcement Procedure.....Page 13

Rules and Violation Report - Exhibit D.....Page 14

Fine Schedule.....Page 15

Procedure for Homeowner Hearing.....Page 16

Disclaimer.....Page 17

**ARCHITECTURAL GUIDELINES
FOR
TIERRA MONTANOSA MAINTENANCE CORPORATION**

I. PURPOSE

As set forth in the Declaration of Restrictions, the Architectural Committee is vested with the power to review and approve all Improvements to all Units for Tierra Montanosa Maintenance Corporation. Such Improvements include, without limitation, additions, modifications and alterations to Units, signs, fences, walls, landscaping, screens, patios and patio covers window treatments, air conditioning units and attic fans, and any other modifications to the exterior of a Unit or other Improvements or alterations to your home.

The Architectural Committee does not seek to restrict individual creativity or personal preference but rather to help assure a continuity in design which will help preserve and improve the appearance of the Community and enhance the property values of all Owners in the Community.

The Architectural Committee shall consist of not fewer than three (3) or more than five (5) persons as fixed from time to time by resolution of the Board. Members of the Architectural Committee shall receive no compensation for services rendered other than reimbursement by the Corporation for any expenses that might be incurred in performing their duties. The Architectural Committee has the right to retain architects or other construction specialists as may be necessary to perform its duties.

Prior to the commencement of any addition, alteration or construction work of any type on any residential Unit in Tierra Montanosa, you must first make application to the Architectural Committee for approval of such work. Failure to obtain approval of the Architectural Committee may constitute a violation of the Declaration of Restrictions affecting your home. and may require modification or removal of unauthorized works of Improvement at your expense. The Board may, from time to time, adopt and promulgate Architectural Standards to be administered through the Architectural Committee as it deems appropriate.

A building or other permit may be required by the County of Orange Building Department, or other governmental agencies prior to the commencement of any work. Neither the Architectural Committee, nor the Corporation assumes any responsibility for failure to obtain such permits. Also, obtaining such permits does not waive the obligation to obtain Architectural Committee approval.

II. GUIDELINES

A. Submission Procedure and Requirements

- 1) All requests ("Requests") for Architectural Committee approval are to be made on the standard Tierra Montanosa Home Improvement Form (Exhibit A).
- 2) Submission of Requests. All Requests are to be made to the Tierra Montanosa Architectural Committee, c/o Merit Property Management, 1 Polaris Way, Aliso Viejo, CA 92656.
- 3) Reasonable Fees. The Board of Directors, or the Architectural Committee, may assess a fee not to exceed \$50.00 per submission for review of plans and specifications required pursuant to these Standards.
- 4) Construction Drawings. Plans and specifications for works of Improvement must be prepared in accordance with the applicable building codes, and with sufficient clarity and completeness to enable the Committee to make an informed decision on your request.
- 5) Submission of Application/or Improvements. Please forward three (3) sets of your proposed plans and specifications, together with the standard Home Improvement Form (Exhibit A), and the Facing, Adjacent and Impacted Neighbor Statement (Exhibit B) along with the following information to the Architectural Committee to constitute a complete Application. Please mail this information to the address noted above in item #2. One (1) set will be returned to you after completion of the review.
 - a) Plot plan drawn to scale showing the following:
 - i) All proposed Improvements and relevant elevations, together with the desired location of such Improvements to the Unit.
 - ii) Complete dimensions of the proposed Improvements.
 - b) Description of materials to be used, including the proposed color scheme. Samples should be provided.
 - c) Drainage plans (if applicable) where the established drainage pattern might be altered by the proposed Improvements.
 - d) Floor plans (if applicable) showing overall dimensions and area of Improvements reflecting your preliminary design concept.
 - e) Description of proposed construction scheduled.
 - f) Landscape plan and working drawings (if applicable).
 - g) If proposed Improvements require access over the Common Area or Common Facilities for purposes of transporting labor or materials, written permission shall be required from the Association. Any such requests must be filed with the Board of Directors prior to the commencement of your Improvements.
 - h) Any other information or documentation deemed to be necessary by the Architectural Committee in evaluating your request.

B. Failure to Comply with Required Procedures.

Unless all of the rules of the Architectural Committee have been complied with, such plans and specifications shall be deemed not submitted. Approval of plans and specifications by the Architectural Committee or Board of Directors of SAMLARC shall not be deemed to be approved by the Architectural Committee as such plans and specifications must also be submitted to and approved by the Architectural Committee of the Maintenance Corporation. The architectural standards of SAMLARC and the decisions of the Architectural Committee and/or the Board of Directors of SAMLARC shall prevail only to the extent of conflict

C. Approval of Architectural Committee.

Decisions of the Architectural Committee and the reasons for the decisions shall be transmitted by the Committee to the Applicant at the address set forth in the application for approval, within thirty (30) days after receipt by the Committee of all materials required by the Committee. An application submitted shall be deemed approved, unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the Applicant within thirty (30) days after the date of receipt by the Committee of all required materials. The Applicant shall meet any review or permit requirements of the County prior to making any alterations or Improvements.

D. Appeal.

In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board. The written request must be received by the Board not more than fifteen (15) days following the final decision of the Architectural Committee. The Board shall render its written decision in connection with a written appeal to the Board of a final decision of the Architectural Committee within forty-five (45) days following receipt of the request to appeal. Failure of the Board to render such decision within such period of time shall be deemed a decision in favor of the appellant.

E. Enforcement.

Failure to obtain the necessary approval from the Architectural Committee, or failure to complete the Improvements in conformity with the plans and specifications approved by the Architectural Committee, may constitute a violation of the Declaration of Restrictions and may require modifications or removal of any work or Improvement at your expense.

F. Violations.

All Owners in Tierra Montanosa Maintenance Corporation shall have the right and responsibility to bring to the attention of the Architectural Committee, any violations of the Standards set forth herein.

G. Inspection.

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

H. Control in SAMLARC

No Improvements shall be made until there has been compliance with provisions of the Article entitled "Architectural Control" of the SAMLARC Declaration and the architectural, landscape and construction regulations and restrictions of SAMLARC. In the event of any irreconcilable differences between the decisions by the SAMLARC Board of Directors and the Board pertaining to architectural and landscape control, and the decision of the SAMLARC Board of Directors shall prevail to the extent necessary to eliminate such conflict

III. ARCHITECTURAL STANDARDS

A. Structural or material additions or alterations.

Exteriors of any building shall conform to the material, colors, character and detailing as established on existing Units within the respective Tract.

- 1) Structures in this section shall conform to the original structural character of the existing Unit.
- 2) Patio sun shades, arbors and trellis structures shall be of wood construction only with the exception of vertical supports which may be of stucco or masonry.
- 3) Structures under this section will be stained or painted to match or be complimentary with colors used on its appurtenant Unit.
- 4) Structures in this section shall have either flat or shed roofs, or a form consistent with the existing roof lines.
- 5) In designing this addition, intrusion upon a neighbor's privacy, or the passage of light or air to a contiguous Condominium, shall be kept to an absolute minimum.

B. Landscaping and Other Related Improvement.

No Owner shall further landscape or otherwise improve any Common Area or Common Facilities owned and maintained by Tierra Montanosa Maintenance Corporation.

C. Drainage and Fill.

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

D. Gutters and Downspouts.

No gutters, downspouts or scuppers to control water shed from roofs shall be installed without prior approval of the Architectural Committee. Such Improvements shall be primed and painted to match the surface color of its appurtenant Unit Each Owner shall also insure that the gutter and downspout serving his/her Residence are kept clean and free of debris.

E. Unsightly Items.

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

F. Outside Installations.

No outside installation of any type shall be erected or maintained on any Residence, excepting antenna installed by the Developer as a part of the initial construction of the Property and except as may be installed by, or with the prior written consent of the Architectural Committee. No patio or deck covers or lattice work, wiring, or installation of air conditioning, water softeners, or other machines shall be installed on the exterior of the buildings without prior Architectural Committee approval.

G. Antenna.

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

H. Solar Energy Systems.

As provided in Section 714 of the California Civil Code reasonable restrictions on the installation of solar energy systems that do not significantly increase the cost of the system or significantly decrease its efficiency or specified performance, or which allow for an alternative system of comparable costs, efficiency and energy conservation benefits may be imposed by the Architectural Committee. Whenever approval is required for the installation or use of a solar energy system, the application for approval shall be processed and approved by the Architectural Committee in the same manner as an application for approval of an architectural modification to the property, and shall not be willfully avoided or delayed.

I. Window Coverings.

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

J. Water Supply Systems.

No individual water supply or water softener system shall be permitted in any Unit unless such system is designed, located, constructed and equipped in accordance with the requirements, standards, and recommendations of any applicable water district, the City and County in which the Property is located, and all other applicable governmental authorities.

K. Equipment and Storage Sheds.

No structure of a temporary character, trailer tent, shack, garage, barn or other out-building shall be installed or used at any time, temporarily or permanently.

L. Deck Restrictions.

Items stored on Exclusive Use Common Area Decks shall be limited to patio furniture, potted plants with adequate drainage, and barbeques. Such items shall be subject to Association rules and regulations.

M. View.

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

N. Post Tension Slabs.

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

O. Right to Adopt Additional Architectural Standards

The Architectural Committee may from time to time, adopt and promulgate additional Architectural Standards to be administered through the Architectural Committee as it deems appropriate and are not in conflict with the SAMLARC Declaration or the standards and rules and regulations established thereto. Copies of such additional Architectural Standards, together with any rules or regulations adopted and promulgated by the Board of Directors and/or the Architectural Committee, shall be on file at the office of Merit Property Management

GENERAL CONDITIONS

1. Tierra Montanosa Maintenance Corporation Architectural approval does not constitute waiver of any requirements required by applicable governmental agencies. Architectural approval of plans does not constitute acceptance of any technical or engineering specifications, and Tierra Montanosa Maintenance Corporation assumes no responsibility for such. The function of the Architectural Committee is to review submittals as to aesthetics. All technical and engineering matters are the responsibility of the Condominium Owner.
2. Building permits may be required for certain improvements from the County of Orange The Applicant shall obtain Committee approval of exterior improvements requiring a building permit prior to requesting such a permit from the County.
3. An oversight of a Covenant, Condition or Restriction, or a Committee policy does not constitute waiver of that rule and therefore, must be corrected upon notice.
4. Orange County ordinances require Owners to maintain correct grades of lots so that water drainage does not flow into adjoining properties or does not prevent off flow from same Approved plans are not to be considered authorization to change the drainage plan as installed by the developer and approved by the County of Orange.
5. Access for equipment used in construction must be through your property only. Access over Common Area or Common Facilities will not be permitted without prior approval from the Architectural Committee.
6. Streets may not be obstructed with objects and building materials that are hazardous to pedestrians, vehicles, etc. Items such as, but not limited to, dumpsters, sand and building materials may not be stored on streets, sidewalks or Common Property. Building materials may be kept within an enclosed parking space temporarily during construction which has been previously approved by the Architectural Committee.
7. Any damage to Tierra Montanosa Maintenance Corporation Property will be replaced or repaired by a Tierra Montanosa subcontractor. All applicable charges for restoration will be charged back to the Owner by Tierra Montanosa Maintenance Corporation and is due and payable within 30 days from notification or assessment of penalties.
8. Approval of plans is not authorization to proceed with Improvements on any property other than the Unit owned by the applicant

VARIANCE

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

EXHIBIT A

HOME IMPROVEMENT FORM

Tierra Montanosa Maintenance Corporation
c/o Merit Property Management
1 Polaris Way
Aliso Viejo, CA 92656

UNIT # _____

TRACT _____

ARCHITECTURAL COMMITTEE

X _____
HOMEOWNER'S SIGNATURE

Name _____ Home Phone _____

Work Phone _____

Address _____ Tierra Montanosa Maintenance Corporation

PROJECTS BEING SUBMITTED: (Please check appropriate box)

Start ____/____/____ / Finish ____/____/____/

___ AIR CONDITIONER

___ LANDSCAPING

___ DRAINS (IF ALTERING EXISTING GRADE)

___ GUTTERS

___ FENCE(S) OR

___ WALLS

___ PATIO

___ PATIO COVER

___ TREES

___ OTHER

___ PAINTING

___ PLAYHOUSE

___ SPA AND EQUIP.

PLEASE FILL IN DETAILS BELOW IF NOT SHOWN ON PLANS: _____

ARE EXISTING IMPROVEMENTS SHOWN ON PLANS? _____

NAMES OF PLANTS _____

TYPE OF MATERIALS USED _____

TYPE OF WOOD SURFACES _____

COLOR SCHEME _____

IMPACTED NEIGHBOR STATEMENT ATTACHED? _____

THREE COPIES ATTACHED? _____

NOTE: Plans that are approved are not to be considered authorization to change the drainage plan as installed by the developer and approved by the County of Orange. The review is intended to consider aesthetic appearance of the drains, pipes and coring and other applicable aspects of drainage.

Owner may also need to acquire approval from the County of Orange for permission to encroach within County Easement.

DO NOT WRITE BELOW THIS LINE

NEIGHBOR NOTIFICATION

It is the intent of the Architectural Committee to consult neighbors on any Improvements which may impact their use and enjoyment of their property. Neighbor approval or disapproval of a particular Improvement shall only be advisory and shall not be binding in any way on the Architectural Committee's decision.

1. **Definitions:** Facing Neighbor, Adjacent Neighbor, and Impacted Neighbor.

Facing Neighbor: Means the three (3) Units most directly across the street

Adjacent Neighbor: Means all Units with adjoining property lines to the unit in question.

Impacted Neighbor: Means all Units in the immediate surrounding area which would be affected by the construction of any Improvement

2. **Improvements Requiring Notification:**

Any exterior Improvements that may impact the neighbors in the community.

3. **Statement:**

The Facing, Adjacent and Impacted Neighbor Statement (Exhibit "B") must be provided to the Architectural Committee to verify the neighbors have been notified about the proposed Improvements.

EXHIBIT B

**TIERRA MONTANOSA MAINTENANCE CORPORATION
FACING, ADJACENT AND IMPACTED NEIGHBOR STATEMENT**

The attached plans were made available to the following neighbors for review:

FACING NEIGHBOR:

Name	Address	Unit#	Signature
------	---------	-------	-----------

FACING NEIGHBOR:

Name	Address	Unit#	Signature
------	---------	-------	-----------

FACING NEIGHBOR:

Name	Address	Unit#	Signature
------	---------	-------	-----------

ADJACENT NEIGHBOR:

Name	Address	Unit#	Signature
------	---------	-------	-----------

ADJACENT NEIGHBOR:

Name	Address	Unit#	Signature
------	---------	-------	-----------

IMPACTED NEIGHBOR:

Name	Address	Unit#	Signature
------	---------	-------	-----------

IMPACTED NEIGHBOR:

Name	Address	Unit#	Signature
------	---------	-------	-----------

The neighbors have seen the plans I am submitting for Architectural Committee approval (see above verification). I understand neighbor objections do not in themselves cause denial. However, the Architectural Committee will contact the neighbors to determine their objections and their appropriateness, if necessary.

SUBMITTED BY:

Name _____ Date _____

Address _____

EXHIBIT C

TIERRA MONTANOSA MAINTENANCE CORPORATION

NOTICE OF COMPLETION

Notice is hereby given that:

The undersigned is the owner(s) of the property located at

(Street & Number)

(City)

The work of Improvement on the described property was COMPLETED ON THE

_____ Day of _____, 20 _____ in accordance with the

Architectural Committee's written approval of the above owner's plans and submitted package.

Signature of Owner _____

Date: _____

TIERRA MONTANOSA MAINTENANCE CORPORATION
ENFORCEMENT PROCEDURE

I. Discovery of Violation

- A. Any violation that is an alleged violation of the Management Documents and the Rules and Regulations of the Association will be processed according to the procedures outlined herein.
- B. In the event one or more Members of the Association or Board of Directors file a Violation Report (Exhibit "D") the Board would act as follows:
 - 1. Send a letter to the Owner stating the alleged violation and date needed to cure said violation.
 - 2. Upon expiration of the cure date, if the violation still exists, a second letter will be sent stating that the failure to abide by Association Rules and Regulations has imposed a hardship on the Association and the Owner will be asked to attend a hearing with the Board of Directors.
 - 3. The homeowner will be notified as to the decision rendered by the Board as a result of the hearing. If the homeowner is found to be in violation of the Corporation's documents, the Board will either a) seek remedy by use of the legal system, b) apply monetary fines to the homeowner's assessment billing, c) suspend the homeowner's right to use any recreational facilities, d) suspend voting privileges, e) record a notice of noncompliance encumbering the Unit. f) choose to correct (or cause to be corrected) the violation and assess the owner for reimbursement of costs, or g) a combination thereof.
 - 4. If the decision is to pursue a monetary fine system, the Tierra Montanosa Maintenance Corporation Fine Schedule will apply.

NOTE: A violation is defined as an act in conflict with the CC&R's, By-Laws, Rules and Regulations and Architectural Guidelines of the Corporation.

EXHIBIT D

TIERRA MONTANOSA MAINTENANCE CORPORATION

RULES AND VIOLATION REPORT

DATE: _____

I. PERSON MAKING REPORT: NAME: _____

ADDRESS: _____

PHONE NUMBER: _____

II. DESCRIPTION OF VIOLATION (fill in as completely as possible)

DATE: _____ TIME: _____ LOCATION: _____

III. DESCRIPTION OF VIOLATOR:

NAME: _____ PHONE NO.: _____

ADDRESS: _____

IV. ADDITIONAL WITNESSES:

NAME: _____

ADDRESS: _____

NAME: _____

ADDRESS: _____

V. ACTION TAKEN BY THE BOARD OF DIRECTORS:

DATE: _____

DESCRIPTION OF ACTION: _____

SIGNATURE OF THE BOARD OF DIRECTORS: _____

TIERRA MONTANOSA MAINTENANCE CORPORATION

FINE SCHEDULE

1. A letter will be sent to the homeowner stating the alleged violation.
2. A second letter will be sent to the homeowner stating the alleged violation continues and this letter will request the homeowner appear before the Board of Directors.
3. If the result of the hearing is a monetary fine, a fine of \$50 will be applied to the Owner's account.
4. If the violation continues past the hearing and first fine stage, additional hearings will be scheduled with the homeowner and the fines may be doubled with each hearing. Any fines not paid may result in legal action in accordance with California law.
5. The Board may determine to use the legal system or cause correction of the violation to effect a cure and the Owner may be responsible for legal fees and or reimbursement of costs to the Corporation.

NOTE: Should a violation occur which imposes a financial obligation of the Corporation, then the party responsible for said violation shall reimburse, by way of a Penalty Assessment, the Corporation for this financial obligation. If, for example, a party damages a fence, tree or any other common property, repair and replacement costs will be charged to that party.

**TIERRA MONTANOSA HOMEOWNERS ASSOCIATION
PROCEDURE FOR HOMEOWNER HEARING**

Procedure:

1. Statement of violation by acting chairperson.
2. Violator's statement and presentation of oral or written evidence.
3. Review of CC&R requirements. Bylaws, and Rules and Regulations of the Association.
4. Discussion and questioning of the violator by the Board members.
5. Questions and final statement by alleged violator.
6. Board ruling.
7. Enforcement procedures as applicable.
8. Adjournment.

DOCUMENTATION:

Name of Violator: _____ Phone Number: _____

Address: _____

Nature of Violation: _____

Board Ruling: _____

Additional Comments: _____

Date: _____

THE MATERIAL CONTAINED WITHIN THIS PACKET IS NOT INTENDED TO BE
SUBSTITUTED FOR THE SERVICES OF AN ATTORNEY. THE LAW AND ITS
INTERPRETATION ARE CONSTANTLY CHANGING.
PLEASE CONSULT YOUR PROFESSIONAL ADVISOR REGARDING YOUR
INVOLVEMENT IN A CORPORATION.

Tierra Montanosa Maintenance Corporation

Bylaws

A graphic element consisting of a dark grey chevron pointing right, with a smaller, lighter grey chevron pointing left, overlapping it from above.

FirstService
RESIDENTIAL

**BYLAWS
OF
TIERRA MONTANOSA MAINTENANCE CORPORATION**

Table of Contents

	<u>Page</u>
ARTICLE I - NAME AND LOCATION	1
ARTICLE II - DEFINITIONS	1
ARTICLE III - MEETINGS OF THE MAINTENANCE CORPORATION	1
Section 3.01 - Annual Meetings	1
Section 3.02 - Place of Meeting	1
Section 3.03 - Special Meetings	2
Section 3.04 - Notice of Meetings	2
Section 3.05 - Meetings	3
Section 3.06 - Quorum	3
Section 3.07 - Approval of the Members	4
Section 3.08 - Action Without Meeting	4
Section 3.09 - Proxies	4
Section 3.10 - Vote by Proxy or Written Ballot	5
Section 3.11 - Mortgagee Protection	5
ARTICLE IV - ELECTION OF DIRECTORS	5
Section 4.01 - Number and Qualification	5
Section 4.02 - Election and Term	5
Section 4.03 - Nomination and Election Procedures	6
Section 4.04 - Cumulative Voting	6
Section 4.05 - Removal of Directors	6
Section 4.06 - Vacancies	7
Section 4.07 - Special Voting Rights	7
ARTICLE V - MEETINGS OF THE BOARD	7
Section 5.01 - Regular Meetings	7
Section 5.02 - Special Meetings	8
Section 5.03 - Place of Meetings	8
Section 5.04 - Notice of Meetings	8
Section 5.05 - Adjournment	8
Section 5.06 - Waiver of Notice	8
Section 5.07 - Quorum	9
Section 5.08 - Attendance by Members	9
Section 5.09 - Action Without Meeting	9
Section 5.10 - Telephonic Attendance	9

ARTICLE VI - POWERS, DUTIES AND LIMITATIONS	9
Section 6.01 - Powers and Duties	10
Section 6.02 - General Limitations and Restrictions	12
Section 6.03 - Additional Contractual Restrictions	13
Section 6.04 - Record Date	13
Section 6.05 - Contracts; How Executed	14
Section 6.06 - Indemnification	14
Section 6.07 - Appointment of Committees.	15
Section 6.08 - Officer and Director Liability	15
ARTICLE VII - OFFICERS	16
Section 7.01 - Officers	16
Section 7.02 - Election	16
Section 7.03 - Subordinate Officers	17
Section 7.04 - Removal and Resignation	17
Section 7.05 - Vacancies	17
Section 7.06 - President	17
Section 7.07 - Vice President	17
Section 7.08 - Secretary	17
Section 7.09 - Chief Financial Officer	18
ARTICLE VIII - FINANCIAL STATEMENTS AND INFORMATION	18
Section 8.01 - Budgets, Financial Statements and Documents	18
Section 8.02 - Annual Report	19
Section 8.03 - Statement at Accounting Date	19
Section 8.04 - Review of Accounts	19
Section 8.05 - Withdrawal From Reserves	20
Section 8.06 - Use of Reserve Funds	20
Section 8.07 - Reserve Account Study	20
Section 8.08 - Rights of First Mortgagees	21
ARTICLE IX - INSPECTION OF RECORDS	21
Section 9.01 - Availability of Documents	21
Section 9.02 - Rules For Inspection	22
Section 9.03 - Inspection By Directors	22
ARTICLE X - DISCIPLINE OF MEMBERS	22
Section 10.01 - Maintenance Corporation Rules; Penalty Assessments	22
Section 10.02 - Enforcement	23
ARTICLE XI - AMENDMENT PROVISIONS	24
Section 11.01 - Powers of Members	24
Section 11.02 - Record of Amendments	25
Section 11.03 - FHA/VA	25

ARTICLE XII - MISCELLANEOUS 25
Section 12.01 - Singular Includes Plural 25
Section 12.02 - Fiscal Year 25

**BYLAWS
OF
TIERRA MONTANOSA MAINTENANCE CORPORATION**

ARTICLE I

NAME AND LOCATION

The name of this corporation is Tierra Montanosa Maintenance Corporation. The county in the State of California where the principal office for the transaction of the business of the Maintenance Corporation is located is the County of Orange. The principal office is hereby fixed and located within the Covered Property, or as close thereto as practicable in the County. The Board is hereby granted full power and authority to change said principal office from one location to another within the County.

ARTICLE II

DEFINITIONS

All terms as used in these Bylaws shall, unless stated otherwise herein, be defined as set forth in that certain Declaration of Covenants, Conditions and Restrictions which defines the Maintenance Corporation named herein in the Article thereof entitled "Definitions" and which has been or will be recorded by Tierra, Ltd., a California limited partnership, in the Official Records, and any amendments thereto (the "Declaration"). All of the terms and provisions of said Declaration and any amendments thereto are hereby incorporated herein by reference.

ARTICLE III

MEETINGS OF THE MAINTENANCE CORPORATION

Section 3.01 - Annual Meetings. Regular meetings of the Maintenance Corporation shall be held not less frequently than once each calendar year at a time and place fixed by the Board pursuant to the provisions of the Bylaws. The first meeting of the Maintenance Corporation, which shall be the first annual meeting, shall be held not later than forty-five (45) days after Close of Escrow has occurred on fifty-one percent (51%) of the Condominiums located in the First Phase provided that the Final Subdivision Public Report covering the First Phase authorizes the sale of at least fifty (50) Condominiums. However, notwithstanding the foregoing, in no event shall the first annual meeting of the Maintenance Corporation be held later than six (6) months after the first Close of Escrow. Each subsequent regular annual meeting of the Maintenance Corporation shall be held on or about the anniversary date of the first annual meeting as fixed by resolution of the Board.

Section 3.02 - Place of Meeting. All meetings of the Maintenance Corporation shall be held within the Covered Property or at a meeting place as close thereto as possible as may be fixed from time to time by resolution of the Board. Unless unusual conditions exist, Maintenance Corporation meetings shall not be held outside of the County.

Section 3.03 - Special Meetings. Special meetings of the Maintenance Corporation for any purpose shall be called at any time by resolution of the Board or upon receipt by the president, vice president or secretary of a written request for a special meeting signed by Members representing at least five percent (5%) of the total voting power of the Maintenance Corporation.

Section 3.04 - Notice of Meetings.

(a) Upon request in writing to the president, vice president, or secretary by any persons representing at least five percent (5%) of the total voting power of the Maintenance Corporation, the officer forthwith shall cause notice to be given to the Members entitled to vote within twenty (20) days after receipt of the request for the special meeting that a meeting will be held at a time fixed by the Board which meeting shall be not less than thirty-five (35) nor more than ninety (90) days after the receipt of the request.

(b) Notwithstanding the foregoing, upon receipt of a petition demanding a meeting for the purpose of voting to override a decision of the Board or the failure of the Board to act in connection with the Article entitled "Enforcement of Bonded Obligations" of the Declaration, such meeting shall be held in any event not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of such petition for the meeting.

(c) Subject to the limitations imposed under the foregoing provisions of this Section, written notice of meetings, annual or special, shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting to each Member who, on the record date for notice of the meeting, is entitled to vote thereat. Subject to the provisions of subparagraph (g) below, the notice shall state the place, date and time of the meeting and (1) in the case of a special meeting, the general nature of the business to be transacted and shall specify those matters that the Board intends to present for action by the Members, and no other business may be transacted, or (2) in the case of the regular meeting, those matters which the Board, at the time the notice is given, intends to present for action by the Members but any proper matter may be presented at the meeting for action. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees at the time the notice is given to Members.

(d) Written notice of meetings of the Maintenance Corporation, annual or special, shall be delivered in the manner prescribed in the Declaration to each Member entitled thereto.

(e) When a meeting of the Maintenance Corporation is adjourned to another time or place, unless the Maintenance Corporation Management Documents otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. No meeting may be adjourned for more than forty-five (45) days. At the adjourned meeting the Maintenance Corporation may transact any business which might have been transacted at the original meeting. If after the adjournment a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each Member who, on the record date for notice of the meeting, is entitled to vote at the meeting.

(f) The transactions of any meeting of the Maintenance Corporation, however called and noticed, and wherever held, are as valid as though had at a meeting held after regular call and notice if a quorum is present, either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by

proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed within the Maintenance Corporation records or made a part of the minutes of the meeting. Attendance of a Member at a meeting shall constitute a waiver of notice except when the Member objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by this Section to be included in the notice but not so included, if the objection is expressly made at the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of the Maintenance Corporation need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof, except as provided in subparagraph (g) below.

(g) Notwithstanding the foregoing, any approval of the Members required to remove a director without cause, to fill a vacancy on the Board, to ratify a transaction between the Maintenance Corporation and one or more of its directors, to approve amendments to the Articles, or to elect to voluntarily wind-up and dissolve the Maintenance Corporation, other than unanimous approval by those entitled to vote, shall be valid only if the general nature of the proposal so approved was stated in the notice of meeting or in any written waiver of notice.

Section 3.05 - Meetings. Meetings of the Maintenance Corporation shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Maintenance Corporation may adopt. Whenever two or more associations have consolidated any of their functions under a joint neighborhood association or similar organization, members of each participating association shall be entitled to attend all meetings of the joint association other than executive sessions, shall be given reasonable opportunity for participation in those meetings, and shall be entitled to the same access to the joint association's records as they are to the participating association's records.

Section 3.06 - Quorum. The presence at the meeting of the Maintenance Corporation or proxies or any combination thereof entitled to cast a majority of the voting power of the Maintenance Corporation shall constitute a quorum for any action except as otherwise provided in the Maintenance Corporation Management Documents. The Members present at a duly called or held meeting at which a quorum is present may continue to transact 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 voting power required to constitute a quorum. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. The quorum requirements for such adjourned meeting shall be thirty-three and one-third percent (33-1/3%) of the voting power of the Maintenance Corporation. If after the adjournment a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each Member who, on the record date for notice of the meeting, is entitled to vote at the meeting. When any meeting of the Maintenance Corporation, either annual or special, is adjourned for any reason (including, without limitation, that a quorum was not present) for more than thirty (30) days or if the time and place for the adjourned meeting are not announced at the original meeting, or if a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given in the manner prescribed for the original meeting.

Section 3.07 - Approval of the Members. The voting rights of the Members are more particularly described in the Article entitled "The Maintenance Corporation" of the Declaration. Except where a greater portion of the voting power is required by the Maintenance Corporation Management Documents, a majority of the votes cast at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) shall constitute approval of the Members and prevail at all meetings.

Section 3.08 - Action Without Meeting.

(a) Pursuant to Section 7513 of the California Corporations Code, any action which may be taken at a regular or special meeting of the Maintenance Corporation, except the election of directors, may be taken without a meeting if the Maintenance Corporation distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Maintenance Corporation.

(b) Approval by written ballot pursuant to this Section shall be valid only when the number of votes cast by ballot within the specified time period equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve such action at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(c) Ballots shall be solicited in a manner consistent with the requirements of Sections 7511(b) and 7514 of the California Corporations Code as set forth in the Sections entitled "Notice of Meetings" and "Vote by Proxy or Written Ballot" of this Article of the Bylaws. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.

(d) A written ballot may not be revoked.

Section 3.09 - Proxies.

(a) Every Member entitled to vote or execute consents shall have the right to do so either in person, or by an agent or agents authorized by a written proxy executed by such Member or his duly authorized agent and filed with the Secretary of the Maintenance Corporation; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. All proxies must satisfy the requirements of Section 7613 of the California Corporations Code.

(b) Any revocable proxy concerning certain matters which require a vote of the Members is not valid as to such matters unless it sets forth the general nature of the matter to be voted on. These certain matters are as follows:

- (i) removal of a director without cause;
- (ii) filling vacancies on the Board created by removal of a director;

- (iii) approval of transactions involving directors;
- (iv) amendment of the Articles or Bylaws repealing, restricting, creating or expanding proxy rights;
- (v) sale, lease, conveyance, exchange, transfer or other disposition of all or substantially all of the assets of the Maintenance Corporation;
- (vi) merger of the Maintenance Corporation with another corporation;
- (vii) amendment of an agreement of merger;
- (viii) voluntary dissolution of the Maintenance Corporation;
- (ix) distribution of the Maintenance Corporation's assets upon dissolution.

Section 3.10 - Vote by Proxy or Written Ballot. Any form of proxy or written ballot distributed by any person to the Members shall afford an opportunity on the proxy or written ballot to specify a choice between approval and disapproval of each matter or group of matters which, at the time the proxy or written ballot is distributed, are intended to be acted upon at the meeting for which the proxy is solicited or by such written ballot, except that it shall not be mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot shall provide, subject to reasonable specified conditions, that where the Member solicited specifies a choice with respect to any such matter the vote shall be cast in accordance therewith. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

Section 3.11 - Mortgagee Protection. Written notice of annual meetings, upon written request, shall also be given to any First Mortgagee either personally or by sending a copy of the notice through the mail in the manner provided in the Section entitled "Notices" of the Article entitled "General Provisions" of the Declaration. First Mortgagees shall have the right to attend all membership meetings through a representative who has been designated in a writing that has been delivered to the Board.

ARTICLE IV

ELECTION OF DIRECTORS

Section 4.01 - Number and Qualification. The Board shall consist of three (3) persons until the first annual meeting of the Maintenance Corporation unless the Board elects to increase the number of directors to five (5) at an earlier date. Thereafter, the Board shall consist of five (5) directors until changed by an amendment to this Section of these Bylaws. A person may serve as a director without being a Member.

Section 4.02 - Election and Term.

(a) Until the holding of the first annual meeting of the Maintenance Corporation the incorporator of the Maintenance Corporation may do whatever is necessary and proper to perfect the organization of the Maintenance Corporation, including the adoption of these Bylaws and the appointment of the first directors and officers.

(b) All positions on the Board shall be filled at the first annual meeting. Of the directors who are elected, the two (2) directors who received the lowest number of votes shall be elected to serve two (2) year terms and the remaining directors that are elected shall be elected to serve four (4) year terms.

(c) For as long as the Class B membership continues to exist, upon the expiration of such terms, all successor directors shall be elected to serve four (4) year terms. After the Class B Membership has been converted to Class A Membership, the first directors being elected to replace directors whose terms have expired shall serve a one (1) year term. Upon the expiration of the terms of all directors thereafter, all successor directors shall be elected to serve two (2) year terms.

(d) Election of directors shall be by secret written ballot. All directors, including directors elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Section 4.03 - Nomination and Election Procedures. Nominations to serve on the Board may be made by any Member present at a meeting in person or by proxy and may also be made by a committee appointed by the Board for that purpose in accordance with Section 7210 of the California Corporations Code as set forth in the Section entitled "Appointment of Committees" of Article VI of the Bylaws. Nominees shall be given an opportunity to communicate to the Members their qualifications and the reasons for their candidacy and to solicit votes and Members shall be given a reasonable opportunity to choose among the nominees as required under the provisions of Section 7520 of the California Corporations Code.

Section 4.04 - Cumulative Voting. Every Member entitled to vote for any election of directors shall have the right to cumulate his votes and give one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected.

No Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidates' names have been placed in nomination prior to the voting and the Member either in person or by proxy has given notice at the meeting, prior to the voting, of the Member's intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

Section 4.05 - Removal of Directors. At any meeting of the Maintenance Corporation of which notice has been properly given as provided in these Bylaws, the entire Board or any individual director may be removed from office as hereinafter set forth, provided that the same notice of said meeting has also been given to said entire Board or any individual director whose removal is to be considered at said meeting. The entire Board or any individual director may be removed from office without cause by a majority of the votes cast in the voting on any motion or resolution for removal (if such affirmative votes also constitute a majority of the required quorum); provided, however, that if the Maintenance Corporation has a voting power of less than fifty (50) votes, then such removal must be approved by an affirmative vote of a majority of all the votes entitled to be cast. However, unless the entire Board is removed, an individual director shall not be removed prior to the expiration of his term of office when the votes cast against removal, or not consenting in writing to such 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 most recent election of directors were then being elected. Upon any such motion or resolution for removal, every Member may cumulate his vote or votes, as the case may be, in the same manner as provided for the election of directors in these Bylaws. In the event that any or all directors are so removed, new directors may be elected at the same meeting.

Section 4.06 - Vacancies. A vacancy or vacancies shall be deemed to exist on the Board in case of the death, resignation or removal of any director. A vacancy shall also be deemed to exist if the authorized number of directors is increased at any meeting of the Maintenance Corporation and the additional directors needed to fill such positions to the Board are not elected at such meeting.

Except for a vacancy created by the removal of a director, vacancies on the Board may be filled by approval of the Board or, if the number of directors then in office is less than a quorum, by (1) the unanimous written consent of the directors then in office, (2) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice complying with the notice requirements set forth in Section 7211 of the Corporations Code and the Section entitled "Notice of Meetings" of Article V of the Bylaws, or (3) a sole remaining director. The Members may elect a director at any time to fill any vacancy not filled by the directors. Any director may resign effective upon giving written notice to the president, the secretary or the Board unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 4.07 - Special Voting Rights. Notwithstanding the provisions of this Article or any other provision of the Maintenance Corporation Management Documents, as long as there is a Class B membership or the majority of the voting power of the Maintenance Corporation resides in the Declarant, not less than twenty percent (20%) of the total number of directors shall have been elected by Members other than Declarant and any such director(s) may only be removed by the vote or written assent of a majority of the Members other than Declarant. Any vacancy caused by the death, resignation or removal of any such director shall be filled by a Class A Member appointed by the Board who shall serve until the vacancy can be filled by the vote of a majority of the voting power of the Members other than Declarant at any subsequent annual or special meeting of the Maintenance Corporation.

ARTICLE V

MEETINGS OF THE BOARD

Section 5.01 - Regular Meetings.

(a) Organizational Meeting. Immediately following each annual meeting of the Maintenance Corporation, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

attends does so without protesting, either prior thereto or at its commencement, the lack of notice to such director, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Maintenance Corporation or made a part of the minutes of the meeting.

Section 5.07 - Quorum. A majority of the number of directors as fixed pursuant to these Bylaws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinbefore provided. Every act or decision made or done by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting, or such greater number as is required by statute or under any of the Maintenance Corporation Management Documents.

Section 5.08 - Attendance by Members. Any Member may attend meetings of the Board except when the Board adjourns to executive session to consider litigation, matters that relate to the formation of contracts with third parties, or personnel matters. Any matter discussed in executive session shall 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 shall be entitled to attend the executive session. No Member who is not an officer or director shall participate in any deliberation or discussion unless expressly authorized by a majority of a quorum of the Board. The Board may, with the approval of a majority of its members present at a meeting in which a quorum for the transaction of business has been established, adjourn a Board meeting and reconvene in executive session exclusive of all Members who are not directors to discuss and vote upon matters requiring confidentiality. The nature of any and all business to be so considered in executive session shall first be announced in open session.

Section 5.09 - Action Without Meeting. Notwithstanding anything to the contrary contained in these Bylaws, any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors. If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Nonexclusive Use Common Area within three (3) days after the written consents of all Board members have been obtained. If the Nonexclusive Use Common Area consists only of an easement or is otherwise unsuitable for posting the explanation of the action taken, the Board shall communicate said explanation by any means it deems appropriate.

Section 5.10 - Telephonic Attendance. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this Section constitutes presence in person at such meeting.

ARTICLE VI

POWERS, DUTIES AND LIMITATIONS

Section 6.01 - Powers and Duties. Subject to limitations of the Maintenance Corporation Management Documents and of the California Corporations Code as to action to be authorized or approved by the Members and Eligible Mortgage Holders, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Maintenance Corporation shall be controlled by, the Board. Without prejudice to such general powers but subject to the same limitations, the Board is vested with and shall have the following powers and duties, to wit:

- (a) Maintenance Corporation Management Documents: The duty to enforce the provisions of the Maintenance Corporation Management Documents and other instruments for the ownership, management and control of the Covered Property and to carry out the obligations of the Maintenance Corporation including without limitation the right to levy Assessments;
- (b) Real and Personal Property Taxes: The power to pay any taxes and assessments which are, or could become, a lien on the Maintenance Corporation Property or any portion thereof;
- (c) Insurance: Contract for insurance on behalf of the Maintenance Corporation or its Members pursuant to the Article entitled "Insurance" of the Declaration;
- (d) Contracts for Goods and Services: The power to contract for goods and/or services for the Common Facilities, Maintenance Corporation Common Area Improvements, and other interests, for the benefit of the Owners and for the Maintenance Corporation;
- (e) Delegation of Powers: The power to delegate to committees, officers, employees or agents any of its duties and powers under the Maintenance Corporation Management Documents; provided, however, no such delegation to a professional management company, the Architectural Committee or otherwise shall relieve the Maintenance Corporation of its obligation to perform such delegated duty;
- (f) Budgets and Financial Statements: The duty to prepare budgets and financial statements for the Maintenance Corporation as prescribed in the Bylaws;
- (g) Rules and Regulations: The power to formulate rules of operation for the Common Area and facilities owned or controlled by the Maintenance Corporation, including without limitation, the right to limit the number of guests of Owners and the use of the recreational facilities, if any, on the Nonexclusive Use Common Area by persons not in possession of a Condominium but owning a portion of the interest in a Condominium required for membership;
- (h) Disciplinary Proceedings: The duty to initiate and execute disciplinary proceedings against Owners for violations of provisions of the Maintenance Corporation Management Documents in accordance with the procedures set forth in the Bylaws;
- (i) Right of Entry: The power to enter upon any Residence as necessary to discharge its powers and obligations under the Maintenance Corporation Management Documents which include the construction, maintenance or emergency repair for the benefit

of the Common Area or the Owners. Entry may be made without notice in the event of any emergency repair involving potential danger to life or property or as necessary to repair or maintain the Common Area so as not to deprive other Owners of the proper use thereof, for example, but without limitation, the repair of utility installations or structures that service other Residences and for any emergency involving illness. Entry for any other allowable purpose shall be made at any reasonable time, after notice to the Owner of not less than three (3) days. Any entry shall be made with as little inconvenience to the Owners as practicable. Entry in connection with any exterior maintenance, repair or construction in the exercise of the powers and duties of the Maintenance Corporation requires approval by a two-thirds (2/3) vote of the Board;

(j) Election of Officers: The duty to elect officers of the Board pursuant to the Section entitled "Officers" of the Article entitled "Officers" of the Bylaws;

(k) Vacancies on the Board: The power to fill vacancies on the Board except vacancies created by the removal of a director;

(l) Manage Property: The duty to maintain and otherwise manage: (1) all easements and real property and all facilities, Improvements and landscaping thereon in which the Maintenance Corporation holds an interest, subject to the terms of any instrument transferring such interest to the Maintenance Corporation, (2) all personal property in which the Maintenance Corporation holds an interest, subject to the terms of any instrument transferring such interest to the Maintenance Corporation, and (3) all property, real or personal, which the Maintenance Corporation is obligated to repair or maintain pursuant to the Maintenance Corporation Management Documents, including without limitation, the Article entitled "Repair and Maintenance" of the Declaration;

(m) Managing Agent: The duty to act as a managing agent for all of the Condominium Projects;

(n) Contribution to Reserves: The duty to accept and administer on behalf of and for the benefit of the Owners any initial working capital fund or contingency reserve fund established by the Declarant, if any, pursuant to an agreement between the Declarant and any of the Federal Agencies;

(o) Provide Documents and Statements: The duty to, within ten (10) days of the delivery of written request, provide an Owner with (1) a copy of the Maintenance Corporation Management Documents, (2) a copy of the most recent financial statement of the Maintenance Corporation, and (3) a true statement in writing as to the amount of any unpaid Assessments and information relating to Allowable Charges which as of the date of the statement are or may be made a lien upon the Owner's Condominium;

(p) Grant Rights: The power to grant permits, licenses and easements on, over and under the Common Area for utilities, roads and other purposes not inconsistent with the intended use and occupancy of the Covered Property and reasonably necessary or useful for the proper maintenance or operation of the Covered Property, provided that such permits, licenses and easements shall not unreasonably interfere with the right of any Owner to the use and enjoyment of his Residence and the Nonexclusive Use Common Area;

(q) Contracts With Mortgagees: The duty to negotiate and enter into contracts with Mortgagees and mortgage insurers and guarantors as may be necessary and desirable to facilitate the availability of loans secured by Mortgages within the Covered Property;

(r) Borrow Money: The power to borrow money as may be needed in connection with the discharge by the Maintenance Corporation of its powers and duties and for the purpose of improving, replacing or restoring the Common Area or adding new Common Area;

(s) Corporate Seal: The power to adopt and use a corporate seal;

(t) Membership Certificates: The power to issue appropriate membership certificates evidencing membership in the Maintenance Corporation; and

(u) Tax-Exempt Status: The duty to conduct the business of the Maintenance Corporation in such manner that the Maintenance Corporation can qualify and be considered an organization exempt from federal and state income taxes pursuant to Internal Revenue Code Section 528 and California Revenue and Taxation Code Section 23701t, as amended. The Board shall cause to be timely filed any annual election for tax-exempt status as may be required under federal or state law, and shall undertake to cause the Maintenance Corporation to comply with the statutes, rules and regulations which have been or shall be adopted by federal and state agencies pertaining to such exemption.

Section 6.02 - General Limitations and Restrictions. In addition to the limitations and restrictions enumerated elsewhere in the Maintenance Corporation Management Documents, including without limitation, the Article entitled "Mortgagee Protection" of the Declaration and the Section entitled "Additional Contractual Restrictions" of this Article, the Board shall be prohibited from taking any of the following actions without the vote or written assent of a majority of the total voting power of Members other than the Declarant as such voting power is determined pursuant to the Section entitled "Voting Rights" of the Article entitled "The Maintenance Corporation" of the Declaration:

(a) Long Term Contracts. Enter into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Maintenance Corporation for a term longer than one (1) year, with the following exceptions:

(i) a management contract the terms of which have been approved by the FHA and VA;

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

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

(iv) lease agreements for laundry room fixtures and equipment of not to exceed five (5) years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more;

(v) agreement for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more; and

(vi) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration provided that the supplier or suppliers are not entities in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(b) Expenditures. Incur aggregate expenditures for capital Improvements to the Common Area in any fiscal year in excess of five percent (5%) of the estimated Common Expenses for the fiscal year.

(c) Sale of Real or Personal Property. Sell any real or personal property of the Maintenance Corporation with an aggregate fair market value in excess of five percent (5%) of said estimated Common Expenses during any fiscal year.

(d) Compensation. Pay compensation to directors or to officers of the Maintenance Corporation for services performed in the conduct of the Maintenance Corporation's business; provided, however, the Board may cause a director or officer to be reimbursed for expenses incurred in carrying on the business of the Maintenance Corporation. Nothing herein contained shall be construed to preclude any director or officer from serving the Maintenance Corporation as agent, counsel, or any capacity other than as such director or officer and receiving compensation therefor.

Section 6.03 - Additional Contractual Restrictions. Agreements for professional management and any other contract providing for services of Declarant or any other developer, sponsor, or builder, must comply with the following requirements of FNMA, FHLMC and VA as such requirements may be amended from time to time by FHLMC, FNMA and VA:

(a) FHLMC. Any agreement for professional management of the Covered Property, or any other contract providing for services of the Declarant, sponsor, or builder, may not exceed three years and must provide for termination by either party without cause and without payment of a termination fee on ninety (90) days or less written notice.

(b) FNMA. Declarant shall be permitted to enter into a professional management contract prior to the date that control of the Maintenance Corporation is transferred to Owners other than Declarant as long as the contract contains provisions that would permit termination by the Maintenance Corporation without cause which can be exercised by the Maintenance Corporation at any time after control of the Maintenance Corporation is transferred to the Owners.

(c) VA. In addition to the foregoing, any management agreement obtained by the Board must be terminable for cause upon thirty (30) days' written notice and any management contract negotiated by Declarant should not exceed two (2) years.

Section 6.04 - Record Date.

(a) For Notice: The Board may fix, in advance, a date as the record date for the purpose of determining the Members entitled to notice of any meeting of the Maintenance

Corporation. Such record date shall not be more than sixty (60) days nor less than ten (10) days before the date of the meeting. If no record date is fixed, Members at the close of business on the business day preceding the day on which notice is given or, if notice is waived, at the close of business on the business day preceding the day on which the meeting is held are entitled to notice of a meeting of the Maintenance Corporation. A determination of Members entitled to notice of a meeting of the Maintenance Corporation shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting.

(b) To Vote: The Board may fix, in advance, a date as the record date for the purpose of determining the Members entitled to vote at a meeting of the Maintenance Corporation. Such record date shall not be more than sixty (60) days before the date of the meeting. Such record date shall also apply in the case of an adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting. If no record date is fixed, Members on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting of the Maintenance Corporation or, in the case of an adjourned meeting, Members on the day of the adjourned meeting who are otherwise eligible to vote are entitled to vote at the adjourned meeting of the Maintenance Corporation.

(c) To Cast Ballots: The Board may fix, in advance, a date as the record date for the purpose of determining the Members entitled to cast written ballots in accordance with the Section entitled "Approval of the Members" of the Article entitled "Meetings of the Maintenance Corporation" of these Bylaws. Such record date shall not be more than sixty (60) days before the day on which the first written ballot is mailed or solicited. If no record date is fixed, Members on the day the first written ballot is mailed or solicited who are otherwise eligible to vote are entitled to cast written ballots.

(d) For Exercise of Rights: The Board may fix, in advance, a date as the record date for the purpose of determining the Members entitled to exercise any rights in respect of any other lawful action. Such record date shall not be more than sixty (60) days prior to such other action. If no record date is fixed, Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later, are entitled to exercise such rights.

Section 6.05 - Contracts: How Executed. The Board, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Maintenance Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Maintenance Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 6.06 - Indemnification. To the maximum extent permitted by and in accordance with the requirements and procedures of Section 7237 of the California Corporations Code as interpreted by the judiciary from time to time, the Maintenance Corporation shall reimburse, indemnify and hold harmless each present and future director, officer, employee or other "agent" to include, without limitation, a member of any committee of the Maintenance Corporation (as such term is defined in said Section 7237) and each person who, at the request of the Maintenance Corporation, acts as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture or other enterprise, (hereinafter in this Section referred to as the "Maintenance Corporation representative"), from and against all loss, cost, liability and expense which may be imposed

upon or reasonably incurred by such Maintenance Corporation representative including reasonable settlement payments, in connection with any claim, action, suit or proceeding, or threat thereof, made or instituted, in which such Maintenance Corporation representative may be involved or be made a party by reason of being or having been an Maintenance Corporation representative or by reason of any action alleged to have been taken or omitted by such Maintenance Corporation representative in such capacity. The right of indemnification provided in this Section shall inure to each Maintenance Corporation representative whether or not the claim asserted is based on matters which arose in whole or in part prior to the adoption of this Section, and in the event of the death of the Maintenance Corporation representative, shall extend to the legal representatives of such person. The right of indemnification provided in this Section shall not be exclusive of any other rights to which any person, or any other individual, may be entitled as a matter of law, under any agreement or otherwise.

Section 6.07 - Appointment of Committees.

(a) Subject to limitations hereinafter provided in this Section, the Board may delegate the management of the activities of the corporation to any person or persons, management company, or committee however composed provided that the activities and affairs of the Maintenance Corporation are conducted and all corporate powers are exercised by or under the direction of the Board as provided in Section 7210 of the California Corporations Code.

(b) Any executive committee, empowered to act with the authority of the Board, must consist of at least two (2) directors. Any such committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to:

(i) the approval of any action for which the law requires approval of the Members or approval of a majority of all Members;

(ii) the filling of vacancies on the Board or on any committee which has the authority of the Board;

(iii) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;

(iv) the appointment of other committees of the Board or the members thereof; and

(v) the approval of any self-dealing transaction with respect to assets held in charitable trust except as provided in Section 5233(d) of the California Corporations Code.

Section 6.08 - Officer and Director Liability. Until Section 1365.7 of the California Civil Code is amended to provide otherwise, a volunteer officer or volunteer director of the Maintenance Corporation shall not be personally liable in excess of the coverage of insurance specified in subparagraph (d) below to any person who suffers injury, including, but not limited to, bodily injury, emotional distress, wrongful death, or property damage or loss as a result of the tortious act or omission of the Maintenance Corporation volunteer officer or volunteer director if all of the following criteria are met:

- (a) The act or omission was performed within the scope of the officer's or directors' Maintenance Corporation duties.
- (b) The act or omission was performed in good faith.
- (c) The act or omission was not willful, wanton, or grossly negligent.
- (d) The Maintenance Corporation maintained and had in effect at the time the act or omission occurred and at the time a claim is made one or more policies of insurance which shall include coverage for (i) general liability of the Maintenance Corporation, and (ii) individual liability of officers and directors of the Maintenance Corporation for negligent acts or omissions in that capacity; provided, that both types of coverage are in the following minimum amount:
 - (1) at least five hundred thousand dollars (\$500,000) if the Common Interest Development consists of 100 or fewer Condominiums;
 - (2) at least one million dollars (\$1,000,000) if the Common Interest Development consists of more than 100 Condominiums.

The payment of actual expenses incurred by a director or officer in the execution of the duties of that position does not affect the director's or officer's status as a volunteer within the meaning of this section.

An officer or director who at the time of the act or omission was a Declarant, or who received either direct or indirect compensation as an employee from the Declarant, or from a financial institution that purchased a Condominium at a judicial or nonjudicial foreclosure of a Mortgage, is not a volunteer for the purposes of this section.

Nothing in this section shall be construed to limit the liability of the Maintenance Corporation for its negligent act or omission or for any negligent act or omission of an officer or director of the Maintenance Corporation.

This section shall only apply to a volunteer officer or director who is a tenant of a Condominium or is an Owner of no more than two Condominiums.

ARTICLE VII

OFFICERS

Section 7.01 - Officers. The officers shall be a President, a Vice President, a Secretary and a Chief Financial Officer which officers shall be elected by and hold office at the pleasure of the Board. Any two (2) or more of such offices may be held by the same person. All offices may be held by someone who is not a member of the Board.

Section 7.02 - Election. The officers of the Maintenance Corporation, except such officers as may be appointed in accordance with the provisions of the Sections entitled "Subordinate Officers" and "Vacancies" of this Article, shall be chosen annually by the Board and each shall hold his office until he shall resign or shall be removed or otherwise be disqualified to serve, or until his successor shall be elected and qualified.

Section 7.03 - Subordinate Officers. The Board may appoint such other officers as the business of the Maintenance Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 7.04 - Removal and Resignation. Any officer may be removed, either with or without cause, by the vote of a majority of all the directors then in office at any regular or special meeting of the Board at which a quorum is present.

Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary of the Maintenance Corporation. Any such resignation shall take effect as of the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 7.05 - Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled by election or appointment by the Board as prescribed in these Bylaws.

Section 7.06 - President. The President shall be the chief executive officer of the Maintenance Corporation and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Maintenance Corporation. The President shall preside at all meetings of the Maintenance Corporation and of the Board. He shall be an ex officio member of all standing committees, if any, and shall have the general powers and duties of management usually vested in the office of the President of a nonprofit mutual benefit corporation, and shall have the powers and duties as may be prescribed by the Board or these Bylaws. The President shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all notes of the Maintenance Corporation.

Section 7.07 - Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the office of President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or the Bylaws.

Section 7.08 - Secretary. The Secretary shall keep, or cause to be kept, at the principal office or such other place as the Board may order, (1) a book of Minutes of all meetings and proceedings of the Board and its committees and of the Maintenance Corporation, with the time and place of the holding of same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present or represented at Maintenance Corporation meetings and the proceedings thereof and (2) a record of the Members giving the names, addresses and telephone numbers and the class of membership held by each.

The Secretary shall give, or cause to be given, notice of all meetings of the Maintenance Corporation and of the Board required by the Bylaws or by law to be given, and he shall keep the seal of the Maintenance Corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws.

Section 7.09 - Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Maintenance Corporation. The books and records of account shall at all reasonable times be open to inspection by any director or by any Member.

The Chief Financial Officer shall sign promissory notes of the Maintenance Corporation and shall deposit all monies and other valuables in the name and to the credit of the Maintenance Corporation with such depositories as may be designated by the Board. He shall disburse the funds of the Maintenance Corporation as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Maintenance Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

ARTICLE VIII

FINANCIAL STATEMENTS AND INFORMATION

Section 8.01 - Budgets, Financial Statements and Documents. Until and unless Section 1365 of the California Civil Code is amended to provide otherwise, the Maintenance Corporation shall prepare and distribute to all of its Members the following documents:

(a) Pro Forma Operating Budget. The Pro Forma Operating Budget as defined in Section 1365(a) of the California Civil Code and the Section entitled "Pro Forma Operating Budget" of Article I of the Declaration. A copy of the Pro Forma Operating Budget shall be annually distributed to each Member not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Maintenance Corporation's fiscal year.

(b) Review of Financial Statement. A review of the financial statement of the Maintenance Corporation shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. A copy of the review of the financial statement shall be distributed within one hundred twenty (120) days after the close of each fiscal year.

(c) Distribution of Summary. In lieu of the distribution of the Pro Forma Operating Budget required by this Section, the Board may elect to distribute a summary of the Pro Forma Operating Budget to all Members with a written notice that the Pro Forma Operating Budget is available at the business office of the Maintenance Corporation or at another suitable location within the boundaries of the Covered Property and that copies will be provided upon request and at the expense of the Maintenance Corporation. If any Member requests copies of the Pro Forma Operating Budget to be mailed to the Member, the Maintenance Corporation shall provide such copies to such Member by first-class United States mail at the expense of the Maintenance Corporation which shall be mailed within five (5) days. The written notice that is distributed to each of the Members shall be in at least 10-point bold type on the front page of the summary of the statements.

(d) Statement. A statement describing the Maintenance Corporation's policies and practices in enforcing lien rights or other legal remedies for default in payment of its Assessments against its Members shall be annually delivered to the Members during the 60-day period immediately preceding the beginning of the Maintenance Corporation's fiscal year.

Section 8.02 - Annual Report. Until and unless Section 8321(a) of the California Corporations Code is amended to provide otherwise, the Maintenance Corporation shall prepare and distribute to each Member within one hundred twenty (120) days after the close of the Maintenance Corporation's fiscal year:

- (a) Documents. A report containing the following:
 - (i) a balance sheet as of the end of such fiscal year;
 - (ii) an operating (income) statement for such fiscal year;
 - (iii) a statement of changes in financial position for such fiscal year;
 - (iv) a copy of the review of the annual report described in Section 8.01(b) hereof;
 - (v) a statement of the place where the names and addresses of the current Members may be found; and
 - (vi) any information regarding insider transactions required to be reported by Section 8322 of the California Corporations Code.

(b) Certificate of Officer. If the report referred to in this Section is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Maintenance Corporation that such statement was prepared from the books and records of the Maintenance Corporation without independent audit or review.

Section 8.03 - Statement at Accounting Date. A balance sheet as of the Accounting Date (defined below) and an operating (income) statement for the period from the date of the first conveyance of a Condominium to the Accounting Date shall be distributed to each Member within sixty (60) days after the Accounting Date. Said income statement shall include a schedule of Assessments received and receivable, itemized for each Condominium within the Covered Property and identified by the number of each Condominium and the name of the person or entity assessed therefor.

As used in this subsection, "Accounting Date" shall mean the last day of the month closest in time to six (6) months from the date of the first conveyance of a Condominium.

Section 8.04 - Review of Accounts. The Board shall do all of the following:

- (a) Review a current reconciliation of the Maintenance Corporation's operating accounts on at least a quarterly basis;
- (b) Review a current reconciliation of the Maintenance Corporation's reserve accounts (as defined in Section 1365.5(e) of the California Civil Code to mean moneys that the Board has identified for use to defray the future repair or replacement of, or additions to, those major components which the Maintenance Corporation is obligated to maintain) on at least a quarterly basis;
- (c) Review on at least a quarterly basis the current year's actual reserve revenues and expenses compared to the current year's budget;

(d) Review the latest account statements prepared by the financial institutions where the Maintenance Corporation has its operating and reserve accounts; and

(e) Review an income and expense statement for the Maintenance Corporation's operating and reserve accounts on at least a quarterly basis.

Section 8.05 - Withdrawal From Reserves. The signatures of at least two persons, who shall be members of the Board, or one member of the Board and an officer who is not a member of the Board, shall be required for the withdrawal of funds from the Maintenance Corporation's reserve accounts. All other checks, drafts or orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Maintenance Corporation shall be signed or endorsed by such officer or officers, employee, employees, agent or agents of the Maintenance Corporation and in such manner as, from time to time, shall be determined by resolution of the Board.

Section 8.06 - Use of Reserve Funds. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving the repair, restoration, replacement or maintenance of, major components which the Maintenance Corporation is obligated to repair, restore, replace or maintain, and for which the reserve fund was established. However, the Board may authorize a temporary transfer of money from a reserve fund to the Maintenance Corporation's general operating fund to meet short-term cash-flow requirements or other expenses. The transferred funds shall be restored to the reserve fund within three (3) years of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a delay would be in the best interests of the Maintenance Corporation, delay the restoration until the time which the Board reasonably determines to be necessary. The Board shall exercise prudent fiscal management in delaying restoration of funds to the Maintenance Corporation's reserve accounts and in restoring the expended funds to the Maintenance Corporation's reserve accounts and may, if necessary, levy a special Assessment to recover the full amount of any funds expended within the time limits required hereunder. Special Assessments levied pursuant to this Section shall not be subject to the maximum assessment limitations set forth in Section 1366 of the California Civil Code.

Section 8.07 - Reserve Account Study. At least once every three (3) years, the Board shall cause a study of the reserve account requirements (defined to mean 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 Maintenance Corporation is obligated to maintain) to be conducted if the current replacement value of the major components which the Maintenance Corporation is obligated to repair, replace, restore or maintain is equal to or greater than one-half of the gross budget of the Maintenance Corporation during any fiscal year. The Board shall review the study annually and shall consider and implement necessary adjustments to the Board's analysis of the Maintenance Corporation's reserve account requirements as a result of such review. The study required by this Section shall at a minimum include:

(a) Identification of the major components which the Maintenance Corporation is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years;

(b) Identification of the probable remaining useful life of the components identified in subparagraph (a) above as of the date of the study;

(c) An estimate of the cost of repair, replacement, restoration or maintenance of the components identified in subparagraph (a) above during and at the end of their useful life; and

(d) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain the components identified in subparagraph (a) above during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

Section 8.08 - Rights of First Mortgagees. In the event the Covered Property contains fifty (50) or more Condominiums, the Maintenance Corporation must make an audited statement for the preceding fiscal year of the Maintenance Corporation (if the project has been established for a full fiscal year) available to any holder, insurer or guarantor of any First Mortgage secured by a Condominium on submission of a written request therefor. The Maintenance Corporation must make the audited financial statement available within one hundred twenty (120) days of the Maintenance Corporation's fiscal year end. In the event there are fewer than fifty (50) Condominiums within the Covered Property, and there is no audited statement available, any mortgage holder shall have the right to have an audited statement prepared at its own expense.

ARTICLE IX

INSPECTION OF RECORDS

Section 9.01 - Availability of Documents.

(a) Subject to Sections 8331 and 8332 of the California Corporations Code, a Member may be entitled to, in accordance with the provisions and requirements of Section 8330 of the California Corporations Code, inspect and copy the record of Members' names, addresses and voting rights or obtain a list of the names, addresses and voting rights of those Members entitled to vote for the election of directors if the purpose for having such information is reasonably related to such person's interest as a Member. In accordance with Section 8331 of the California Corporations Code, the Maintenance Corporation may petition the superior court of the County for an order setting aside such demand if the Maintenance Corporation, in good faith, and with a substantial basis, believes that the membership list will be used for a purpose not reasonably related to the interests as Members of the person or persons making such demand or provides a reasonable alternative, and, in accordance with Section 8332 of the California Corporations Code, the superior court may limit or restrict such rights of the Member.

(b) Until Section 1363(k) of the California Civil Code is amended to provide otherwise the minutes, minutes 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, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Maintenance Corporation's costs in making that distribution.

(c) Members shall be notified in writing at the time that the Pro Forma Operating Budget required by Section 1365 of the California Civil Code is distributed or at the time of any general mailing to the entire membership of the Maintenance Corporation of their right to have copies of the minutes of meetings of the Board, how and where those minutes may be obtained and the cost of obtaining such copies.

(d) Until Section 7160 of the Corporations Code is amended to provide otherwise, the Maintenance Corporation shall keep at its principal office the original or a copy of its Articles of Incorporation and Bylaws, as amended to date, which shall be open to inspection by the Member at all reasonable times during office hours.

(e) The membership register and books of account shall be made available for inspection and copying pursuant to this Section of the Bylaws by any Member or by his duly-appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Maintenance Corporation or at such other place within the Covered Property as the Board may prescribe.

(f) The Maintenance Corporation must have current copies of the Maintenance Corporation Management Documents as well as its own books, records and financial statements available for inspection by any prospective purchaser, holders, insurers and guarantors of First Mortgages that are secured by Condominiums in the Covered Property as well as to the Members during any reasonable time during normal business hours and for a purpose reasonably related to their interest as a prospective purchaser, Member, holder, insurer or guarantor, at the principal office of the Maintenance Corporation or such other place within the Covered Property as the Board shall prescribe.

Section 9.02 - Rules For Inspection. The Board shall establish reasonable rules with respect to notice to be given to the custodian of the records by the Member desiring to make the inspection; hours and days of the week when such inspection may be made; and payment of the cost of reproducing copies of documents requested by a Member.

Section 9.03 - Inspection By Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Maintenance Corporation and the physical properties owned or controlled by the Maintenance Corporation, all as provided in the California Corporations Code. Without limiting the generality of the foregoing, the right of inspection by a director includes the right to make extracts and copies of documents.

ARTICLE X

DISCIPLINE OF MEMBERS

Section 10.01 - Maintenance Corporation Rules; Penalty Assessments.

(a) Adoption of Maintenance Corporation Rules. The Board shall have the power to adopt, amend, and repeal Maintenance Corporation Rules which shall govern such matters in furtherance of the purposes of the Maintenance Corporation, including, without limitation, the violation of use restrictions, the use of the Nonexclusive Use Common Area, trash collection and disposal and maintenance obligations; provided, however, that the Maintenance Corporation Rules may not discriminate among Owners and shall not empower the Maintenance Corporation to suspend any Owner's right to use any portion of the Nonexclusive Use Common Area to gain access to his Residence or cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his Residence on account of the failure of such Owner to comply with the provisions of the Maintenance Corporation Management Documents, except by judgment of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments duly levied by the Maintenance Corporation. A copy of the

Maintenance Corporation Rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal of specific portions of the Maintenance Corporation Rules shall be delivered to each Owner in the same manner established in the Declaration for the delivery of notices. Upon completion of the notice requirements, said Maintenance Corporation Rules shall have the same force and effect as if they were set forth in and were part of the Declaration and shall be binding on the Owners and their successors in interest whether or not actually received thereby.

(b) Penalty Assessment. The Board shall have the right to impose a monetary penalty as a Penalty Assessment on any Member for a violation of the provisions of any of the Maintenance Corporation Management Documents, including any monetary penalty relating to the activities of a guest or invitee of a Member. Such Penalty Assessment may be assessed pursuant to this Section provided that the Board has adopted and distributed to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed for such violations. The Board shall not be required to distribute any additional schedules of monetary penalties unless there are changes from the schedule that was adopted and distributed to the Members as set forth herein. The Board shall meet in executive session if requested by the Member being disciplined and the Member shall be entitled to attend such executive session.

Section 10.02 - Enforcement. The Board shall have the right, after affording the affected Owner an opportunity to have a hearing as hereinafter provided, to take disciplinary action against any Owner for a violation of any provision of the Maintenance Corporation Management Documents. Except for the collection of Allowable Charges, the collection of Penalty Assessments where the Owner is entitled to attend an executive session of the Board held at the request of such Owner, the recordation of a lien against a Condominium and the foreclosure of said lien in the case of delinquent Assessments other than Penalty Assessments as provided in the Declaration, and except for the taking of immediate action that may be necessary to alleviate an emergency situation, a decision cannot be made and other disciplinary action cannot be imposed by the Maintenance Corporation unless the Owner is given fair and reasonable notice and the opportunity to have a hearing.

(a) Complaint. Upon finding by the Board of a violation of a provision of the Maintenance Corporation Management Documents, the Board shall deliver a complaint to the Owner (hereinafter the "Respondent") who is alleged to have violated, or whose family, tenants, guests, invitees or agents are alleged to have violated, any such provision. The complaint shall be delivered in the manner prescribed for the delivery of notices in the Section entitled "Notices" of the Article entitled "General Provisions" of the Declaration and shall contain the following information:

(i) a brief description of the alleged violation and, in the event the correction of the alleged violation requires actions such as the installation, removal, repair, replacement, reconstruction or maintenance of Improvements, the date by which such violation is to be corrected by the Respondent;

(ii) the disciplinary and/or corrective action and/or penalties, such as the levying of a Penalty Assessment or the suspension of voting and other membership rights, which have been imposed by the Board and become effective in the event the hearing is waived. A suspension of voting or other privileges may be imposed for a period of not more than thirty (30) days unless the infraction (including the nonpayment of Assessments) continues

beyond such period of time in which event such suspension may be imposed for as long as the violation continues; and

(iii) notification that, unless a written request for a hearing signed by the Respondent is delivered to the Board within fifteen (15) days after the date of the delivery of such complaint, such Respondent shall be deemed to have accepted the findings of the Board, including without limitation, the date established by the Board for the completion of any corrective work that is required to cure the violation, and has waived his right to a hearing and his right to object to the findings of the Board and the disciplinary and/or corrective actions and/or penalties imposed by the Board.

(b) Request for Hearing. Upon timely delivery of a request for hearing from the Respondent named in the complaint, the Board shall set a date for a hearing before the Board and shall deliver notice of such hearing to the Respondent and to any witnesses designated by the Board or the Respondent who are to be present for the purpose of presenting any relevant evidence. Such hearing shall be held not less than thirty (30) days nor more than sixty (60) days from the date of said written notice to the Respondent. Such hearing shall be conducted according to such reasonable rules and procedures as the Board shall adopt which shall provide the Respondent with the right to present oral and written evidence and to confront and cross-examine any person offering at such hearing evidence adverse to the Respondent.

(c) Decision of Board. The Board shall deliver its decision and the reasons therefor to the Respondent within seven (7) days after the hearing.

(d) Corrective Work. If a violation requiring corrective work continues to exist after the expiration of the time limitation established by the Board for the completion of such corrective work, the Board shall have the right, but not the obligation, to enter upon such Owner's Residence as necessary to accomplish such corrective work. Entry for such purpose may be made after notice to the Owner of not less than fifteen (15) days unless such Owner has agreed to permit earlier entry for such purposes. Unless Respondent and the Board otherwise agree, such entry upon such Residence to perform such corrective work shall take place only during daylight hours on any day, Monday through Friday, excluding holidays.

(e) Reimbursement. If the Maintenance Corporation pays for all or any portion of any corrective work required to correct a violation, such amount shall be reimbursed by Respondent. Notwithstanding the foregoing, as provided in the Declaration, judicial proceedings must be initiated before any item of construction can be altered or demolished.

ARTICLE XI

AMENDMENT PROVISIONS

Section 11.01 - Powers of Members. These Bylaws may be amended or repealed by the vote or written assent of a majority of the voting power of Members other than the Declarant as such voting power is determined pursuant to the Section entitled "Voting Rights" of the Article entitled "The Maintenance Corporation" of the Declaration. Amendments must also comply with the requirements of the Article entitled "Amendment Provisions" of the Declaration and an amendment to this Section or any other Section of these Bylaws pertaining to voting rights must further have the approval of (1) the voting

power of the Owners and of Eligible Mortgage Holders as provided in the Section entitled "Limitations by FNMA" of the Article entitled "Mortgagee Protection" of the Declaration, and (2) the Declarant as provided in the Section entitled "Special Rights" of the Article entitled "General Provisions" of the Declaration.

Section 11.02 - Record of Amendments. Whenever an amendment or new Bylaw is adopted it shall be placed in the book of Bylaws in the appropriate place. If any Bylaw is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.

Section 11.03 - FHA/VA. Anything stated in this Article to the contrary notwithstanding, no material amendment to the Bylaws shall be made without compliance with the Section entitled "Limitations by FNMA" of the Article entitled "Mortgagee Protection" of the Declaration. In addition, as long as there remains a Class B membership in the Maintenance Corporation, any amendment to these Bylaws shall require the prior approval of the FHA and/or VA. A draft of any amendments should be submitted to the FHA and/or VA for its approval prior to its approval by the membership of the Maintenance Corporation.

ARTICLE XII

MISCELLANEOUS

Section 12.01 - Singular Includes Plural. Wherever the context of these Bylaws requires same, the singular shall include the plural and the masculine shall include the feminine.

Section 12.02 - Fiscal Year. The fiscal year of the Maintenance Corporation shall be the twelve month period of time that commences on the first day of the calendar month in which the original issuance of the Final Subdivision Public Report for the Initial Covered Property occurred and ends on the last calendar day of the twelfth month thereof. However, the fiscal year of the Maintenance Corporation is subject to change from time to time as the Board shall determine.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

- (1) That I am the duly elected and acting secretary of Tierra Montanosa Maintenance Corporation, a California nonprofit mutual benefit corporation;
- (2) That the foregoing Bylaws, comprising 25 pages constitute the original Bylaws of said corporation as duly adopted on _____, 19__; and
- (3) That a certified copy of the Bylaws was inserted into the minute book of the corporation and thereby incorporated into the records of the corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this ___ day of _____, 19__.

Secretary

Tierra Montanosa Maintenance Corporation

CC and Rs



FirstService
RESIDENTIAL

COMPLETE THIS INFORMATION:

RECORDING REQUESTED BY:

CHICAGO TITLE

AND WHEN RECORDED MAIL TO:

Pettis, Tester, Kruse & Krinsky
18881 Von Karman Ave., 16th Fl.
Irvine, CA 92715

Attn: Ms. Dorothy A. Urbanec

THE ORIGINAL OF THIS DOCUMENT
WAS RECORDED ON 04/14/94.
DOCUMENT NUMBER 94-0262137.
LEE A. BRANCH, COUNTY RECORDER
ORANGE COUNTY RECORDER'S OFFICE

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RE-RECORDING OF THE DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR TIERRA MONTANOSA, ORANGE COUNTY,
CALIFORNIA

Order Number: 643125-3



THIS PAGE IS ADDED TO PROVIDE SPACE FOR RECORDING INFORMATION

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AFTER RECORDING MAIL TO:

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Irvine, California 92715
Attn: Ms. Dorothy A. Urbanec

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**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS**

**TIERRA MONTANOSA
ORANGE COUNTY, CALIFORNIA**

Table of Contents

643125-3

	<u>Page</u>
ARTICLE I - DEFINITIONS	2
Section 1.01 - Allowable Charges	2
Section 1.02 - Annexation Property	2
Section 1.03 - Annexed Property	2
Section 1.04 - Architectural Committee	2
Section 1.05 - Articles and Bylaws	2
Section 1.06 - Assessments	2
Section 1.07 - Board	2
Section 1.08 - California Statutes	3
Section 1.09 - Close of Escrow	3
Section 1.10 - Common Area	3
Section 1.11 - Common Expenses	3
Section 1.12 - Common Facilities	3
Section 1.13 - Condominium	4
Section 1.14 - Condominium Building	4
Section 1.15 - Condominium Common Area	4
Section 1.16 - Condominium Plan	5
Section 1.17 - Condominium Project	5
Section 1.18 - County	5
Section 1.19 - Covered Property	5
Section 1.20 - Declarant	5
Section 1.21 - Declaration	5
Section 1.22 - Development	5
Section 1.23 - DRE	6
Section 1.24 - Exclusive Use Common Area	6
Section 1.25 - Exhibit	6
Section 1.26 - Federal Agencies	6
Section 1.27 - Final Subdivision Public Report	6

Section 1.28 - Improvement	6
Section 1.29 - Insured Owner	7
Section 1.30 - Lot	7
Section 1.31 - Maintenance Corporation	7
Section 1.32 - Maintenance Corporation Common Area	7
Section 1.33 - Maintenance Corporation Common Area Improvements	7
Section 1.34 - Maintenance Corporation Management Documents	7
Section 1.35 - Maintenance Corporation Property	7
Section 1.36 - Maintenance Corporation Rules	8
Section 1.37 - Member	8
Section 1.38 - Mortgage and Mortgagee	8
Section 1.39 - Nonexclusive Use Common Area	8
Section 1.40 - Official Records	8
Section 1.41 - Owner	8
Section 1.42 - Perimeter Walls	8
Section 1.43 - Phase	9
Section 1.44 - Pro Forma Operating Budget	9
Section 1.45 - Public Agency	9
Section 1.46 - Residence	9
Section 1.47 - Residence Improvements	10
Section 1.48 - SAMLARC	10
Section 1.49 - SAMLARC Declaration	10
Section 1.50 - Special Benefits Area	10
Section 1.51 - Special Benefits Common Area	10
Section 1.52 - Special Benefits Expenses	10
Section 1.53 - Structural Condominium Common Area	10
Section 1.54 - Supplementary Declaration	10
Section 1.55 - Trustee	10
Section 1.56 - Unit	11
ARTICLE II - THE MAINTENANCE CORPORATION	13
Section 2.01 - General Duties and Powers	13
Section 2.02 - Power of Attorney	14
Section 2.03 - Power to Grant Rights	14
Section 2.04 - Membership	14
Section 2.05 - Transfer	14
Section 2.06 - Delegation of Membership Rights	14
Section 2.07 - Classes of Membership	14
Section 2.08 - Voting Power	15
Section 2.09 - Voting Rights	15
Section 2.10 - Approval of All Members	15
Section 2.11 - Special Benefits Area Approval	16
Section 2.12 - Certificate Evidencing Approvals	16
ARTICLE III - ASSESSMENTS	16
Section 3.01 - Agreement to Pay	16
Section 3.02 - Collection and Disbursement	16
Section 3.03 - Assessment Increases	16
Section 3.04 - Assessment Allocation	18
Section 3.05 - Certificate of Payment	19

Section 3.06 - Exempt Property	19
Section 3.07 - Date of Commencement	19
Section 3.08 - No Offsets	20
Section 3.09 - Homestead Waiver	20
Section 3.10 - Taxation of Maintenance Corporation	20
Section 3.11 - Delinquency	20
Section 3.12 - Limitation on Fees	20
Section 3.13 - Personal Obligation; Lien	21
Section 3.14 - Not Subject to Lien	21
Section 3.15 - Foreclosure Sale	21
Section 3.16 - Subordination of Assessment Liens	21
Section 3.17 - Capitalization of Maintenance Corporation	22
Section 3.18 - Collection of SAMLARC Assessments	22
ARTICLE IV - ARCHITECTURAL CONTROL	
Section 4.01 - Architectural Committee	22
Section 4.02 - Architectural Standards	23
Section 4.03 - Functions of Architectural Committee	23
Section 4.04 - Allowable Modifications	24
Section 4.05 - Approval	24
Section 4.06 - Nonliability for Approval	25
Section 4.07 - Appeal	25
Section 4.08 - Evidence of Approval	25
Section 4.09 - Performance Dates	26
Section 4.10 - Nonconformity	26
Section 4.11 - Variances	27
Section 4.12 - Reconstruction After Destruction	27
Section 4.13 - Control in SAMLARC	27
ARTICLE V - INSURANCE	
Section 5.01 - Obligation to Insure	27
Section 5.02 - Notice of Cancellation or Modification	28
Section 5.03 - Waiver by Owners	28
Section 5.04 - Required Waiver	28
Section 5.05 - Annual Insurance Review	29
Section 5.06 - Rights of Owners to Insure	29
Section 5.07 - Requirements of Federal Agencies	29
ARTICLE VI - ENFORCEMENT OF BONDED OBLIGATIONS	31
ARTICLE VII - REPAIR AND MAINTENANCE	
Section 7.01 - By Maintenance Corporation	32
Section 7.02 - By Owner	33
Section 7.03 - Repair of Damage	34
Section 7.04 - Noncompliance by Owner	34
Section 7.05 - Maintenance of Public Utilities	34
Section 7.06 - Transfer of Maintenance Corporation Property	35
Section 7.07 - Temporary Relocation	35
ARTICLE VIII - EASEMENTS AND RIGHTS	35

Section 8.01 - Nature of Easements	35
Section 8.02 - Company Easements; Ingress and Egress	36
Section 8.03 - Easements for Construction and Marketing Activities	36
Section 8.04 - Easements for Owners	37
Section 8.05 - Easements for Maintenance Corporation	38
Section 8.06 - Support, Settlement and Encroachment	39
Section 8.08 - Utilities and Cable Television	39
Section 8.09 - Additional Exclusive Use Common Areas	40
Section 8.10 - Public Bicycle and Pedestrian Trails	40
Section 8.11 - Subordination	40
Section 8.12 - Delegation of Use	40
Section 8.13 - Waiver of Use	40
ARTICLE IX - USE RESTRICTIONS	41
Section 9.01 - Commercial Use	41
Section 9.02 - Signs	41
Section 9.03 - Nuisance	41
Section 9.04 - Temporary Residences	41
Section 9.05 - Vehicles	41
Section 9.06 - Use of Common Area	42
Section 9.07 - Animals	42
Section 9.08 - Restrictions on Drilling Operations	42
Section 9.09 - Unsightly Items	43
Section 9.10 - Antennae; Roof Structures	43
Section 9.11 - Drainage	43
Section 9.12 - Garages	43
Section 9.13 - Window Covers	43
Section 9.14 - California Vehicle Code	44
Section 9.15 - Leases	44
Section 9.16 - View	44
Section 9.17 - Post Tension Slabs	44
Section 9.18 - Transfer of Title Disclosures	44
ARTICLE X - DESTRUCTION OF IMPROVEMENTS	45
Section 10.01 - Definitions	45
Section 10.02 - Board Action	46
Section 10.03 - Reconstruction	46
Section 10.04 - Proceeds of Insurance	47
Section 10.05 - Reconstruction Assessments	47
Section 10.06 - Compliance with Plans	47
Section 10.07 - Abatement of Regular Assessments	48
Section 10.08 - Certificate of Intention Not to Reconstruct	48
Section 10.09 - Partition	48
Section 10.10 - Determination of Allocable Proceeds	48
Section 10.11 - Distribution of Insurance Proceeds	48
Section 10.12 - Payment of Mortgagees	49
Section 10.13 - Requirements of Federal Agencies	49
ARTICLE XI - EMINENT DOMAIN	49
Section 11.01 - Definition of Taking	49

Section 11.02 - Representation by Board	49
Section 11.03 - Award for Certain Common Area	50
Section 11.04 - Award for Condominium	50
Section 11.05 - Inverse Condemnation	50
Section 11.06 - Revival of Right to Partition	50
Section 11.07 - Personal Property and Relocation Allowances	50
Section 11.08 - Change of Condominium Interest	50
Section 11.09 - Requirements of Federal Agencies	51
ARTICLE XII - PARTY WALLS	51
Section 12.01 - Definition	51
Section 12.02 - Use	51
Section 12.03 - Sharing of Repair and Maintenance	51
Section 12.04 - Destruction	51
Section 12.05 - Right to Contribution Runs With Land	51
Section 12.06 - Arbitration	51
ARTICLE XIII - ANNEXATIONS	51
Section 13.01 - Plan of Development	51
Section 13.02 - Annexation Without Approval	52
Section 13.03 - Annexation Pursuant to Approval	52
Section 13.04 - Effectuation of Annexation	52
Section 13.05 - Mergers or Consolidations	53
Section 13.06 - Deannexation	53
ARTICLE XIV - MORTGAGEE PROTECTION	53
Section 14.01 - Priority of Mortgage Lien	53
Section 14.02 - Curing Defaults	54
Section 14.03 - Resale	54
Section 14.04 - Limitations by FNMA	54
Section 14.05 - Limitations by FHLMC	55
Section 14.06 - Notice	56
Section 14.07 - Mortgagees Furnishing Information	56
Section 14.08 - Conflicts	56
Section 14.09 - Priority of Mortgagee	56
Section 14.10 - Federal Agency Agreement	56
ARTICLE XV - GENERAL PROVISIONS	56
Section 15.01 - Enforcement	56
Section 15.02 - No Waiver	57
Section 15.03 - Cumulative Remedies	57
Section 15.04 - Severability	57
Section 15.05 - Term	57
Section 15.06 - Construction	57
Section 15.07 - Singular Includes Plural	58
Section 15.08 - Nuisance	58
Section 15.09 - Attorneys' Fees	58
Section 15.10 - Notices	58
Section 15.11 - Conflicts Between Documents	58
Section 15.12 - Effect of Declaration	58

Section 15.13 - Personal Covenant	59
Section 15.14 - Nonliability of Officials	59
Section 15.15 - Construction By Declarant	59
Section 15.16 - Special Rights	59
Section 15.17 - Inapplicability to Government Property	60
Section 15.18 - FHA and/or VA	60
ARTICLE XVI - AMENDMENT PROVISIONS	60
Section 16.01 - Vote of Maintenance Corporation	60
Section 16.02 - Petition to Amend	60
Section 16.03 - Amendments by Declarant	60
ARTICLE XVII - PROTECTION FROM LIENS	61
Section 17.01 - Maintenance Corporation to Defend	61
Section 17.02 - Liens Against Condominiums	61
Section 17.03 - Other Liens	61
Section 17.04 - Reimbursement	61
ARTICLE XVIII - LIMITATIONS UPON THE RIGHT TO PARTITION AND SEVERANCE	62
Section 18.01 - No Partition	62
Section 18.02 - No Severance	62
Section 18.03 - Proceeds of Partition Sale	62
ARTICLE XIX - SPECIAL REQUIREMENTS OF THE COUNTY	63
Section 19.01 - Conditions of Approval	63
Section 19.02 - Implementation of Best Management Practices	63
Section 19.03 - Assumption of Post Construction Best Management Practices	63
Section 19.04 - Landscaping and Irrigation System	63
Section 19.05 - Catch Basin Stenciling	64
Section 19.06 - Newsletter Reminders	64
Section 19.07 - Amendment	64
Section 19.08 - Enforcement	64
ARTICLE XX - COMMUNITY INFORMATION	64
Section 20.01 - Acceptance and Agreement	64
Section 20.02 - Contiguous Area Map	64
Section 20.03 - Declarant's Improvements	65
Section 20.04 - Improvements	65
Section 20.05 - Matters of Record	67
EXHIBIT A: DEPICTION OF ENTIRE DEVELOPMENT	
EXHIBIT B: PERIMETER FENCES MAINTAINED IN PHASE 1	
EXHIBIT C: CONTIGUOUS AREA MAP	

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS**

TIERRA MONTANOSA
ORANGE COUNTY, CALIFORNIA

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (the "Declaration") is made this 31 day of December, 1993, by TIERRA, LTD., a California limited partnership (the "Declarant").

R E C I T A L S

A. Declarant is the fee owner of certain real property (the "Initial Covered Property") located in the County of Orange, State of California, and described as Parcels 2 and 3 as shown on Lot Line Adjustment 93-038 recorded on March 18, 1994 as Instrument No. 94-193560, of Official Records of said County and Lot B of Tract Map No. 14763, as per map filed in Book 700, Pages 7 to 10, inclusive, of Official Records of said County. Said lot line adjustment (hereinafter referred to as "LL 93-038") and said Tract 14763 shall (hereinafter referred to as "Tract No. 14763") together with any final tract map, parcel map or lot line adjustment filed or recorded in the records of the County covering any portion of the Covered Property are incorporated herein and by this reference made a part hereof

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

C. If developed as planned, the Development will contain two hundred five Condominiums ranging in size from 1,106 square feet to 1,472 square feet which are to be developed in fourteen Phases and will include recreational facilities consisting of a swimming pool, jacuzzi, barbecue grill and restroom facilities. Although Declarant currently intends to sequentially develop the Initial Covered Property and the Annexation Property as aforesaid, Declarant may elect to develop all or any part of the Annexation Property in increments of any size and in any order. The development of the condominium project will be consistent with the overall development plan submitted to the VA and/or the FHA.

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

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

ARTICLE I
DEFINITIONS

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

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

Section 1.02 - Annexation Property. "Annexation Property" shall mean that real property in the unincorporated area of the County described on Exhibit A attached hereto excepting therefrom the Initial Covered Property. The maximum number of Condominiums which may be annexed as part of the Annexation Property shall not exceed one hundred ninety (190) Condominiums.

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

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

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

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

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

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

(c) Penalty Assessment levied against an Owner as a monetary penalty as a disciplinary measure for failure of such Owner to comply with the provisions of the Maintenance Corporation Management Documents or as a means of reimbursing the Maintenance Corporation for costs incurred by the Maintenance Corporation in the repair of damage to Common Area that is being maintained by the

Maintenance Corporation pursuant to the provisions of this Declaration for which the Owner was allegedly responsible or bringing such Owner and his Condominium into compliance with the provisions of the Maintenance Corporation Management Documents;

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

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

(f) Special Assessment levied against all Owners to cover the cost of any action or undertaking on behalf of the Maintenance Corporation which is not specifically covered under any other Assessment. In the event the Maintenance Corporation undertakes to provide materials or services which benefit a particular Owner, such Owner in accepting such materials and services agrees that the cost thereof shall also be a Special Assessment; and

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

Section 1.07 - Board. "Board" shall mean the Board of Directors of the Maintenance Corporation.

Section 1.08 - California Statutes. "California Statutes" (Sections of the California Civil Code, Business and Professions Code, Code of Civil Procedure or Corporations Code) when referenced in any of the Maintenance Corporation Management Documents shall mean each such statute, and any amendments thereto or any successor statute thereof.

Section 1.09 - Close of Escrow. "Close of Escrow" shall mean the date of the recordation in the Official Records of the conveyance of a Condominium within a Phase in a transaction that requires the delivery of a Final Subdivision Public Report.

Section 1.10 - Common Area. "Common Area" shall mean the Covered Property excepting therefrom the Units.

Section 1.11 - Common Expenses. "Common Expenses" shall mean the actual and estimated costs or amounts established by the Board, other than Special Benefits Expenses, which are to be allocated to all of the Owners to be paid for:

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

(b) unpaid Capital Improvement Assessments, Reconstruction Assessments, Regular Assessments, Special Assessments and Penalty Assessments that are levied as a means of reimbursing the Maintenance Corporation for costs incurred by the Maintenance Corporation in the repair of damage to Common Area other than Exclusive Use Common Area;

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

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

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

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

(g) taxes paid by the Maintenance Corporation;

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

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

(j) security systems or services installed by or contracted for by the Maintenance Corporation;

and

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

Section 1.12 - Common Facilities. "Common Facilities" shall mean the Improvements upon the Nonexclusive Use Common Area that are not Structural Condominium Common Area.

Section 1.13 - Condominium. "Condominium" shall mean an estate in real property as defined in Section 1351(f) of the California Civil Code and consists of a fractional undivided interest in common in certain Condominium Common Area, together with a separate interest in space called a Unit and all right, title and interest appurtenant thereto. Said undivided interest shall be in the Condominium Common Area of the Lot in which such Unit is located and shall be determined by a fraction the numerator of which is one (1) and the denominator of which is the total number of Units contained within the Lot on which such Unit is located. Such fractional undivided interest shall be appurtenant to each Unit within such Lot, shall be described in the instrument conveying a Condominium to the Owner of each such Unit and shall not be changed except as provided in the Section entitled "Limitations by FNMA" of the Article entitled "Mortgagee Protection," the Section entitled "Compliance with Plans" of the Article entitled "Destruction of Improvements," or the Section entitled "Change of Condominium Interest" of the Article entitled "Eminent Domain" all of this Declaration.

Section 1.14 - Condominium Building. "Condominium Building" shall mean a building that contains one or more Units, or portions thereof.

Section 1.15 - Condominium Common Area. "Condominium Common Area" shall mean that portion of the Common Area that is not Maintenance Corporation Property and, without limiting the generality of the foregoing, specifically including all structural projections within a Unit which are required for the support of a Condominium Building, gas, water, waste pipes, all sewers, all ducts, chutes, conduits, wires and other utility installations of the structures wherever located (except the outlets thereof when located within the Units), the land upon which the structures are located, the air space above these structures, all bearing walls, columns, floors, the roof, the slab foundation, common stairways and the like. Condominium Common Area shall specifically exclude all garage door opening systems, window glass and all air conditioning equipment notwithstanding that the foregoing may be located in the Condominium Common Area.

Section 1.16 - Condominium Plan. "Condominium Plan" shall mean the condominium plan covering the Condominium Project within the Initial Covered Property, any condominium plan or plans covering a Condominium Project that is annexed to the plan of the Declaration by the recordation of a Supplementary Declaration, and any amendments thereto, as defined in Section 1351(e) of the California Civil Code which are recorded in the Official Records all of which are incorporated herein and by this reference made a part hereof.

Section 1.17 - Condominium Project. "Condominium Project" shall mean and refers to each Lot that is divided into Condominiums which together contain all of the undivided interests in common in the Condominium Common Area of such Lot.

Section 1.18 - County. "County" shall mean the County of Orange, State of California.

Section 1.19 - Covered Property. "Covered Property" shall mean the Initial Covered Property and, subsequent to the annexation thereof, any Annexed Property. "Covered Property" shall also be deemed to include any portion of a lot or parcel described in a lot line adjustment recorded in the Official Records that has been quitclaimed to the Maintenance Corporation or to an Owner in connection with the adjustment of the boundary line between any portion or the real property encumbered by this Declaration and contiguous real property that is not encumbered by this Declaration notwithstanding that such property quitclaimed to the Maintenance Corporation or an Owner may not have been encumbered by the Declaration by the recordation of a Supplementary Declaration. The Covered Property is a common interest development as defined in Section 1351(c) of the California Civil Code which is being developed as a condominium planned development.

Section 1.20 - Declarant. "Declarant" shall mean:

(a) Tierra Ltd., a California limited partnership, its successors and assigns, by merger, consolidation or by purchase of all or substantially all of its assets; and

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

Section 1.21 - Declaration. "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions as it may be amended from time to time.

Section 1.22 - Development. "Development" shall mean the Initial Covered Property and the Annexation Property.

Section 1.23 - DRE. "DRE" shall mean the Department of Real Estate of the State of California.

Section 1.24 - Exclusive Use Common Area. "Exclusive Use Common Area" shall mean those portions of the Common Area the exclusive use of which, subject to the rights of the Maintenance Corporation and Declarant, has been granted to the Owner or Owners of particular Units and which, when conveyed, shall be appurtenant to the Unit(s) of any such Owner or Owners. The Exclusive Use Common Area shall be described (1) on the Condominium Plan or on an Exhibit attached to this Declaration or a Supplementary Declaration, (2) by the physical boundaries, either in existence or to be constructed, such as walls, floors and ceilings of a structure or any portion thereof, (3) an entire structure containing Exclusive Use Common Area or (4) any combination thereof. In the event of any discrepancy between the configuration, dimensions and location of any Exclusive Use Common Area as shown on the Condominium Plan or on an Exhibit attached to this Declaration or a Supplementary Declaration, and the configuration, dimensions and location of such Exclusive Use Common Area as physically constructed on the site, the physical, as-built configuration, dimensions and location shall prevail. Particular Exclusive Use Common Area shall include the following:

(a) The Condominium Plan shall depict Exclusive Use Common Area parking spaces and shall indicate the Units to which each such Exclusive Use Common Area will be appurtenant.

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

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

Section 1.25 - Exhibit. "Exhibit" shall mean any document so designated herein and attached hereto or so designated in a Supplementary Declaration and attached thereto and each of such Exhibits is by this reference incorporated in this Declaration or such Supplementary Declaration.

Section 1.26 - Federal Agencies. "Federal Agencies" shall mean collectively one or more of the following agencies to the extent that any such agency is a Mortgagee, Owner, or insurer or guarantor of a Mortgage within the Covered Property and the following letter designation for such agencies shall mean, respectively, the agency specified within the parentheses following such letter designation: FHA (Federal Housing Administration), FHLMC (Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), VA (Department of Veterans Affairs).

Section 1.27 - Final Subdivision Public Report. "Final Subdivision Public Report" shall mean the report issued by the DRE pursuant to Section 11018.2 of the California Business and Professions Code on a portion of the Covered Property, as amended, if applicable.

Section 1.28 - Improvement. "Improvement" shall mean all:

(a) structures and appurtenances thereto of every type and kind, including but not limited to, buildings, out buildings, walkways, sprinkler and sewer pipes or lines, garages, carports, gazebos, swimming pools and other recreational facilities, roads, driveways, parking areas, fences, screens, screening walls, retaining walls, awnings, patio and balcony covers, stairs, decks, landscaping, hedges,

slopes, windbreaks, the exterior surfaces of any visible structure, trees and shrubs, poles, signs, solar or windpowered energy systems or equipment, and water softener or heater or air conditioning and heating fixtures and equipment;

(b) the demolition or destruction by voluntary action of any structure or appurtenance thereto of every type and kind;

(c) the grading, excavation, filling, or similar disturbance to the surface of the land including, without limitation, change of grade, change of ground level, change of drainage pattern or change of stream bed;

(d) landscaping, planting, clearing, or removing of trees, shrubs, grass, or plants; and

(e) any change or alteration of any Improvement including any change in existing drainage structures, or change of material, exterior appearance, color or texture; and

(f) the processing and recording of any lot line adjustment.

Section 1.29 - Insured Owner. "Insured Owner" shall mean an Owner who owns a Condominium that is covered by the fire and casualty insurance policy maintained by the Maintenance Corporation.

Section 1.30 - Lot. "Lot" shall mean a lot shown on the most recently filed tract map describing such lot or a parcel shown on the most recently filed parcel map describing such parcel covering any portion of the Covered Property and filed for record in the County as such lot or parcel may be adjusted from time to time by any recorded lot line adjustment to the extent that such lot or parcel is a part of the Covered Property. "Lot" shall not include any Maintenance Corporation Property.

Section 1.31 - Maintenance Corporation. "Maintenance Corporation" shall mean Tierra Montanosa Maintenance Corporation, a nonprofit mutual benefit corporation incorporated under the laws of the State of California, its successors and assigns, for the purpose of managing the Covered Property.

Section 1.32 - Maintenance Corporation Common Area. "Maintenance Corporation Common Area" shall mean the portions of the Common Area other than Exclusive Use Common Area that are designated by the Maintenance Corporation from time to time for the exclusive use of the Maintenance Corporation or any designees of the Maintenance Corporation for purposes that are consistent with the management and operation of the Covered Property (i.e., office facilities, manager's living quarters, storage rooms or areas, utility installations and structures containing utility installations and control panels).

Section 1.33 - Maintenance Corporation Common Area Improvements. "Maintenance Corporation Common Area Improvements" shall mean the Improvements upon the Maintenance Corporation Common Area.

Section 1.34 - Maintenance Corporation Management Documents. "Maintenance Corporation Management Documents" shall mean the Articles, Bylaws, Architectural Standards, Declaration, Supplementary Declaration and the Maintenance Corporation Rules and any amendments to any of the foregoing.

Section 1.35 - Maintenance Corporation Property. "Maintenance Corporation Property" shall mean all real property and the Improvements thereon owned in fee, by easement or leased from time to time by the Maintenance Corporation. The Maintenance Corporation Property within the Initial Covered Property is described as Parcel 3 of LL 93-038 and Lot B of Tract No. 14763.

Section 1.36 - Maintenance Corporation Rules. "Maintenance Corporation Rules" shall mean rules adopted, amended and repealed from time to time by the Board pursuant to the Article entitled "Discipline of Members" of the Bylaws.

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

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

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

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

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

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

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

Section 1.41 - Owner. "Owner" shall mean one or more persons or entities who are alone or collectively the record owner of a fee simple title to a Condominium, including Declarant, excluding those having any such interest merely as security for the performance of an obligation. If a Condominium has been sold under a land sale contract in which the State of California is the vendor, then the vendee shall be deemed to be the Owner of such Condominium. If a Condominium is leased by Declarant for a term in excess of ten (10) years and the lease or memorandum thereof is recorded, the lessee or transferee of the leasehold interest and not the Declarant shall be deemed to be the Owner. If fee title to a Residence is owned other

than by Declarant, the owner of the fee title and not the lessee of such Residence shall be deemed the Owner regardless of the term of the lease.

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

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

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

- (a) The estimated revenue and expenses on an accrual basis;
- (b) A summary of the Maintenance Corporation's reserves based upon the most recent review or study conducted pursuant to Section 1365.5 of the California Civil Code and the Section entitled "Review of Accounts" of the Bylaws which is printed in bold type and includes all of the following:
 - (i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component that the Maintenance Corporation is obligated to maintain;
 - (ii) As of the end of the fiscal year for which the study is prepared:
 - (A) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components that the Maintenance Corporation is obligated to maintain;
 - (B) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components that the Maintenance Corporation is obligated to maintain; and
 - (iii) The percentage that the amount determined for purposes of clause (B) of subparagraph (ii) above is of the amount determined for purposes of clause (A) of subparagraph (ii) above
- (c) A statement as to whether the Board has determined or anticipates that the levy of one or more special Assessments will be required to repair, replace or restore any major component that the Maintenance Corporation is obligated to maintain or to provide adequate reserves therefor; and
- (d) A general statement setting forth the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement or additions to those major components that the Maintenance Corporation is obligated to maintain.

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

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

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

Section 1.48 - SAMLARC. "SAMLARC" shall mean Rancho Santa Margarita Landscape and Recreation Corporation, a nonprofit mutual benefit corporation incorporated under the laws of the State of California, its successors and assigns.

Section 1.49 - SAMLARC Declaration. "SAMLARC Declaration" shall mean that certain Amended and Restated Declaration of Covenants, Conditions and Restrictions recorded on April 24, 1986 as Instrument No. 86-162928 of the Official Records, and any amendments thereto.

Section 1.50 - Special Benefits Area. "Special Benefits Area" shall mean a particular portion of the Covered Property designated as such in this Declaration or in any Supplementary Declaration which will require particular services for which the Maintenance Corporation shall incur expenses which are attributable only to Owners within such portion of the Covered Property. There are no Special Benefits Areas within the Initial Covered Property.

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

Section 1.51 - Special Benefits Common Area. "Special Benefits Common Area" shall mean, as to any Special Benefits Area, the portion thereof, or the Improvements therein required to be maintained by the Maintenance Corporation pursuant to the provisions of this Declaration or any Supplementary Declaration for the exclusive benefit of the Owners within such Special Benefits Area. There is no Special Benefits Common Area within the Initial Covered Property.

Section 1.52 - Special Benefits Expenses. "Special Benefits Expenses" shall mean and refer to the actual and estimated costs or expenses incurred by the Maintenance Corporation for the exclusive benefit of Owners within a particular Special Benefits Area and may include, without limitation, any of the kinds of expenses that are described as Common Expenses hereunder but which pertain only to the Residences or Owners within such Special Benefits Area.

Section 1.53 - Structural Condominium Common Area. "Structural Condominium Common Area" shall mean the portion of the Common Area that is comprised of the Condominium Building, or portion thereof, that houses a Unit or an element of a Unit and shall include any Exclusive Use Common Area which, in the original construction of the Condominium Building, or in any reconstruction thereof, is attached or affixed thereto. "Structural Condominium Common Area" shall specifically not include any portion of a Condominium Building that is Maintenance Corporation Common Area.

Section 1.54 - Supplementary Declaration. "Supplementary Declaration" shall mean a writing annexing additional property extending the plan of this Declaration to such additional property.

Section 1.55 - Trustee. "Trustee" shall mean the insurance trustee appointed by the Board and shall be a commercial bank, or branch thereof, or a trust company in the County, which has agreed in writing to accept such trust; provided, however, if the Board is unable to find such an institution to act as Trustee for reasonable compensation after a diligent search, the Board may designate itself to act as the Trustee.

Section 1.56 - Unit. "Unit" shall mean the separate interest in space as defined in Section 1351(f) of the California Civil Code comprised of the elements of a Condominium not owned in common with the Owners of other Condominiums and shall consist of a residential or living element, together with one or more air conditioning, balcony, garage and patio elements. Each Unit shall be identified on the Condominium Plan with a separate number.

California Civil Code Section 1351(f) provides in part that the description of the unit may refer to (1) boundaries described in the recorded final map, parcel map, or condominium plan, (2) physical boundaries, either in existence, or to be constructed, such as walls, floors and ceilings of a structure or any portion thereof, (3) an entire structure containing one or more units, or (4) any combination thereof. In accordance with the foregoing, the boundaries of the elements of a Unit shall be governed by the following:

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

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

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

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

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

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

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

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

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

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

In addition, any shutters, awnings, window boxes, doorsteps, stoops, exterior door frames and hardware incident thereto, garage door opening systems, hinges, springs and other hardware incident to garage doors, air conditioning equipment, screens, windows and window glass, forced air and other heating units and other fixtures designed to serve a single Residence shall be deemed to be a part of the Unit of such Residence even if located outside the boundaries of such Unit.

In the event of any discrepancy between the configuration, dimensions and location of the elements of the Unit as shown on the Condominium Plan and the configuration, dimensions and location of such elements of the Unit as physically constructed on the site, the physical, as-built configuration, dimensions and location shall prevail and the fences and walls that form or define the structural boundaries shall be either within the element of the Unit or part of the Condominium Common Area as provided below. Any

boundaries of a Unit that are not determined by the structure of a wall or fence shall be planes (1) extending from the wall or fence in those instances where the wall or fence does not extend the entire length or width of the boundary, or (2) extending from the point where physical structures or planes intersect as necessary to form the boundaries contemplated by the Condominium Plan all as described below.

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

ARTICLE II

THE MAINTENANCE CORPORATION

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

(a) The powers granted to a nonprofit mutual benefit corporation permitted by California statute as set forth in Corporations Code Section 7140, Code of Civil Procedure Section 374 and Civil Code Section 1363;

(b) Standing to institute, defend, settle, or intervene in litigation, arbitration, mediation, or administrative proceedings in its own name as the real party in interest and without joining with it the individual Owners in matters pertaining to the following:

- (i) Enforcement of the Maintenance Corporation Management Documents;
- (ii) Damage to the Common Area;
- (iii) Damage to the Residences that the Maintenance Corporation is obligated to maintain or repair;
- (iv) Damage to the Residences which arises out of, or is integrally related to, damage to the Common Areas or Residences that the Maintenance Corporation is obligated to maintain or repair;

(c) The other powers granted to the Maintenance Corporation by law.

Such powers shall include, but not be limited to, the right to designate from time to time portions of Common Area other than Exclusive Use Common Area as Maintenance Corporation Common Area and the right to join with Declarant in the execution of any lot line adjustment and quitclaim deeds and to accept title to additional property as necessary (1) for the purpose of eliminating encroachments due to engineering errors or errors in construction of any Improvements upon any of the affected property, (2) to permit

changes in the development plan in circumstances where such changes are the result of topography, obstruction, hardship, aesthetic or other environmental conditions, (3) are the requirement of a regulatory agency, (4) do not have a significant negative impact upon the Maintenance Corporation or the Owners, or (5) to transfer the burden of management and maintenance of any Maintenance Corporation Property which in the reasonable judgment of the Board is generally inaccessible or is not likely to be of any particular use or benefit to the Owners.

Section 2.02 - Power of Attorney. In addition to any other rights, duties, obligations and powers granted to the Maintenance Corporation herein, and not in limitation of any such rights, duties, obligations and powers, each Owner appoints the Maintenance Corporation as attorney-in-fact for the purpose of handling any losses or proceeds from condemnation, destruction or liquidation of all or any part of the Covered Property to the extent such functions are the obligation of the Maintenance Corporation as such obligations are more particularly described in the Maintenance Corporation Management Documents. All such proceeds shall be retained in the general funds of the Maintenance Corporation except as specifically provided in the Articles entitled "Destruction of Improvements," "Eminent Domain" and "Limitations Upon the Right to Partition and Severance" of this Declaration.

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

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

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

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

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

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

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

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

- (a) the second anniversary of the first Close of Escrow to occur in the most recent Phase of the Development; or
- (b) the fourth anniversary of the first Close of Escrow to occur in the First Phase.

Section 2.08 - Voting Power. Class A Members shall be entitled to one (1) vote for each Condominium in which they hold the interest required for membership and the Class B Member shall be entitled to three (3) votes for each Condominium in which it holds the interest required for membership. When more than one person owns a portion of the interest in a Condominium required for membership, each such person shall be a Member and the vote for such Condominium shall be exercised as they among themselves determine, but in no event shall the total number of votes for each Condominium exceed the total number permitted for such Condominium as provided in this Section. The Maintenance Corporation may, but shall not be obliged to, refuse to recognize the vote or written assent of any such co-Owner, except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Maintenance Corporation.

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

- (a) as long as there is a Class B membership, the vote or written assent of a bare majority of the Class B voting power and the prescribed majority of the total Class A voting power; and
- (b) after the Class B membership has been converted to Class A membership, the vote or written assent of a bare majority of the total voting power of the Maintenance Corporation as well as the vote or written assent of a prescribed majority of the total voting power of Members other than Declarant.

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

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

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

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

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

ARTICLE III

ASSESSMENTS

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

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

Section 3.03 - Assessment Increases.

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

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

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

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

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

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

(f) In the event the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all Common Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy, issue a supplemental estimate of the Common

Expenses and to the extent permitted in this Section determine the revised amount of the Regular Assessment and the installments thereof, if applicable, allocable to each Condominium, and the date or dates when due. The Board shall provide notice by first-class mail to all Members of any increase in Regular Assessments not less than thirty (30) nor more than sixty (60) days prior to the date upon which such increased Assessment becomes due.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 3.07 - Date of Commencement.

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

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

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

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

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

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

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

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

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

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

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

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

Section 3.13 - Personal Obligation; Lien. An Assessment and any Allowable Charges shall be a personal obligation and debt of the Owner of the Condominium at the time the Assessment or Allowable Charges are levied and shall not pass to successors in title unless assumed by the successors in title. The amount of the Assessment, plus any Allowable Charges, shall be a lien on the Owner's Condominium from and after the time the Maintenance Corporation causes to be recorded in the Official Records a notice of delinquent assessment which shall state (1) the amount of the Assessment and Allowable Charges, (2) a description of the Owner's Condominium against which the Assessment and Allowable Charges are levied, (3) the name of the record Owner of the Condominium against which the lien is imposed, and (4) in order for the lien to be enforced by nonjudicial foreclosure as hereinafter provided, the name and address of the trustee authorized by the Maintenance Corporation to enforce the lien by sale. The notice of delinquent assessment shall be signed by the officers authorized for such purpose by resolution of the Board or by the president of the Maintenance Corporation. Upon payment of the sums specified in the notice of delinquent assessment, the Maintenance Corporation shall cause to be recorded a further notice stating the satisfaction and release of the lien thereof. A lien created pursuant to this Section shall be prior to all other liens recorded subsequent to the notice of delinquent assessment, except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any First Mortgage.

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

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

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

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

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

Section 3.17 - Capitalization of Maintenance Corporation. A capital contribution in the amount equal to one-sixth (1/6th) of the amount of the annual Regular Assessment levied against a Condominium must be made to the Maintenance Corporation for each Condominium in the First Phase and, as long as required by any of the Federal Agencies, must be paid (i) through escrow upon the Close of Escrow for the sale of such Condominium in a transaction that requires the delivery of a Final Subdivision Public Report, (ii) when the control of the Board has been transferred to the Owners other than Declarant, or (iii) six months from and after the date of the Close of Escrow for the first Condominium within the First Phase, whichever of (i), (ii) or (iii) occurs earlier. Each Owner in the Initial Covered Property shall be required to deposit into the sale escrow for the purchase of his Condominium an amount equal to one-sixth (1/6th) of the amount of the annual Regular Assessment which shall be disbursed therefrom at Close of Escrow to the Maintenance Corporation or to the Declarant if such amount has already been paid for such Condominium to the Maintenance Corporation by Declarant. The capital contribution is not to be considered as an advance payment of Regular Assessments. Declarant is prohibited from using any working capital funds to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while it is in control of the Maintenance Corporation.

Section 3.18 - Collection of SAMLARC Assessments. The Maintenance Corporation may contract with SAMLARC for the collection of SAMLARC assessments and SAMLARC related services.

ARTICLE IV

ARCHITECTURAL CONTROL

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

Section 4.02 - Architectural Standards. The Board may, from time to time, adopt and promulgate Architectural Standards to be administered through the Architectural Committee as it deems appropriate and as are not in conflict with the SAMLARC Declaration or the standards and rules and regulations established pursuant thereto. The Architectural Standards may include among other things those restrictions and limitations upon the Owners set forth below:

- (a) time limitations for the completion of the Improvements for which approval is required pursuant to the Architectural Standards;
- (b) conformity of completed Improvements to plans and specifications approved by the Architectural Committee;
- (c) such other limitations and restrictions on Improvements as the Board in its reasonable discretion shall adopt, including, without limitation, the regulation of the placement, kind, shape, materials, species and location of any Improvement and the height of any Improvement other than landscaping;
- (d) a description of the Improvements which, if completed in conformity with the Architectural Standards, do not require the approval of the Architectural Committee; and
- (e) the Architectural Standards may differ from, but shall not irreconcilably conflict with, any architectural and landscape standards or architectural, landscape and construction regulations and restrictions of SAMLARC.

Section 4.03 - Functions of Architectural Committee.

- (a) It shall be the duty of the Architectural Committee to consider and act upon proposals or plans submitted pursuant to the terms of this Declaration or the Architectural Standards, and to perform such other duties delegated to it by the Board.
- (b) The Architectural Committee may delegate its plan review responsibilities to one or more members of such Architectural Committee. Upon such delegation, the approval or disapproval of plans and specifications by such persons shall be equivalent to approval or disapproval by the entire Architectural Committee.
- (c) The Architectural Committee may, from time to time, subject to the approval of the Board, adopt, amend and repeal Architectural Committee Rules, may require the prepayment of a deposit to be applied toward the payment of any Special Assessment levied by the Board if such Owner fails to restore any portion of the Covered Property to a clean and attractive condition and may assess a reasonable fee as appropriate for the type and nature of the Improvement, to cover the cost of inspections that may be necessary to insure compliance and in connection with the review of plans and specifications for proposed Improvements, including without limitation, a procedure for approval of preliminary plans and drawings, as well as final approval, the number of sets of plans to be submitted, and may require such detail as it deems proper, including without limitation, floor plans, site plans, elevation drawings, and descriptions or samples of exterior material and colors.
- (d) Unless all of the rules of the Architectural Committee have been complied with, such plans and specifications shall be deemed not submitted. Approval of plans and specifications by the architectural committee or Board of Directors of SAMLARC shall not be deemed to be approved by the Architectural Committee as such plans and specifications must also be submitted to and approved by the Architectural Committee of the Maintenance Corporation. The architectural standards of SAMLARC and the decisions

of the architectural committee and/or the Board of Directors of SAMLARC shall prevail only to the extent of the conflict.

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

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

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

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

Section 4.05 - Approval.

(a) No Improvements shall be made upon the Covered Property including those made pursuant to California Civil Code Section 1360 as provided above except in compliance with plans and specifications therefor which have been submitted to and approved by the Architectural Committee except as may otherwise be provided in the Architectural Standards or in any Supplementary Declaration. An Owner who intends to modify a Unit pursuant to the foregoing Section entitled "Allowable Modifications" shall submit plans and specifications to the Architectural Committee to determine whether the modifications comply with such Section. The Architectural Committee shall not deny approval of the proposed modifications which comply with the provisions of subparagraph (b) of said Section without good cause.

(b) The Architectural Committee shall review plans and specifications submitted for its approval as to style, exterior design, appearance and location and shall approve such plans and specifications only if it deems that the proposed Improvement will not be detrimental to the appearance of the Development as a whole; that the Improvement complies with the Architectural Standards; that the appearance of any Improvements will be in harmony with the surrounding structures; that the construction of any Improvement will not detract from the beauty and attractiveness of the Development or the enjoyment thereof by the Owners; and that the upkeep and maintenance of any Improvement will not become a burden on the Maintenance Corporation. The Architectural Committee (1) may determine that such Improvement cannot be approved because of its effect on existing drainage, utility or other easements, (2) may require submission of additional plans and specifications or other information or materials prior to approving or disapproving plans and specifications submitted, or (3) may condition its approval of plans and specifications for any Improvement on such changes therein as it deems appropriate such as, and without limitation, the approval of such Improvement by a holder of an easement which may be impaired thereby or

upon approval of any such Improvement by the appropriate Public Agency. Any Architectural Committee approval conditioned upon the approval by a Public Agency or an easement holder shall not imply the Maintenance Corporation is enforcing any government codes or regulations or provisions of any easement agreement, nor shall the failure to make such conditional approval imply that any such Public Agency or easement holder approval is not required.

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

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

Section 4.08 - Evidence of Approval.

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

Statement and further approval of any such Improvements shall not be required unless there is a change or alteration in material, exterior appearance, color or texture in such Improvements. The Maintenance Corporation shall be entitled to collect a fee to cover the cost of inspections and other costs in connection with the issuance of any Compliance Statements and Noncompliance Statements in accordance with the provisions of this Declaration contained in the Section entitled "Limitation on Fees" of the Article entitled "Assessments" and the Section entitled "Functions of Architectural Committee" of this Article. Failure to schedule an inspection or to issue a Compliance Statement or Noncompliance Statement for any reason within the time limitation established herein shall be deemed to mean that all existing Improvements do comply with the Maintenance Corporation Management Documents and any such requesting Owner, purchaser, Mortgagee or prospective Mortgagee shall be entitled to receive a Compliance Statement evidencing such compliance.

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

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

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

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

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

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

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

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

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

Section 4.13 - Control in SAMLARC. No Improvements shall be made until there has been compliance with the provisions of the Article entitled "Architectural Control" of the SAMLARC Declaration and the architectural, landscape and construction regulations and restrictions of SAMLARC. In the event of any irreconcilable differences between the decisions by the SAMLARC board of directors and the Board pertaining to architectural and landscape control, the decision of the SAMLARC board of directors shall prevail to the extent necessary to eliminate such conflict.

ARTICLE V

INSURANCE

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

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

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

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

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

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

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

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

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

- (a) subrogation of claims against the Owners or tenants of the Owners;
- (b) any defense based on co-insurance;
- (c) any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Maintenance Corporation;

(d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Maintenance Corporation, any Owner or any tenant of any Owner, or arising from any act, neglect or omission of any named insured or the respective agents, contractors and employees of any insured;

(e) any right of the insurer to repair, rebuild or replace and, in the event the building is not repaired, rebuilt or replaced following loss, any right to pay under the insurance the lesser of the replacement value of the Improvements insured or the fair market value thereof;

(f) notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Condominium; and

(g) any right to require any assignment of any Mortgage to the insurer.

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

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

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

(a) Hazard Insurance. Each hazard insurance policy must be written by an insurance carrier that meets the requirements of the Federal Agencies. Unless a higher maximum is required by California law,

the maximum deductible amount must be the lesser of Ten Thousand Dollars (\$10,000) or one percent (1%) of the policy face amount. Funds for such deductible amounts must be included in the Maintenance Corporation's reserves and must be so designated.

The following endorsements are required:

- (i) an Inflation Guard Endorsement, when it can be obtained;
- (ii) Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land-use law will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.);
- (iii) Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. This coverage should provide for the insurer's minimum liability per accident to at least equal the lesser of Two Million Dollars (\$2,000,000) or the insurable value of the building(s) housing the boiler or machinery; and
- (iv) Agreed Amount Endorsement.

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

(b) Liability. The Maintenance Corporation shall obtain such other coverage in kinds and amounts usually required by mortgage investors in other projects in the area including, where applicable and available, comprehensive automobile liability, bailee's liability, elevator collision liability, garage keeper's liability, host liquor liability, workers' compensation and employer's liability and contractual liability.

(c) Fidelity Insurance. Fidelity insurance coverage is not required by any Federal Agency unless the Covered Property is comprised of more than twenty (20) Residences. The blanket fidelity insurance shall cover losses resulting from dishonest or fraudulent acts on the part of anyone who handles or is responsible for funds held or administered by the Maintenance Corporation, including directors, officers, trustees, employees or volunteers of the Maintenance Corporation. Where the Maintenance Corporation delegates some or all of the responsibility for the handling of funds to a management agent, fidelity insurance is required for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Maintenance Corporation whether or not such persons receive compensation for services. A management agent who handles funds for the Maintenance Corporation should also be covered by its own fidelity insurance which must provide the same coverage required by the Maintenance Corporation and must submit evidence of such coverage to the Maintenance Corporation. The Maintenance Corporation shall be named as an additional insured in the management agent's insurance policy. The fidelity insurance should cover the maximum funds that will be in the custody of the Maintenance Corporation or its management agent at any time while the insurance is in force, but must be written in an amount of not less than the highest amount required by any of the Federal Agencies. Fidelity insurance shall name the Maintenance Corporation as insured and shall contain waivers of any defense based on the

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of persons who serve without compensation from any definition of "employee" or similar
reason. All fidelity insurance maintained by the Maintenance Corporation must provide that such
fidelity insurance may not be cancelled or substantially modified without at least ten (10) days' prior
written notice to the Maintenance Corporation or the Trustee and each Mortgage servicing contractor that is
servicing any Federal Agency owned or securitized Mortgage.

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

(e) **Mortgage Clause.** All policies documenting insurance for hazard and flood insurance coverages obtained by the Maintenance Corporation must have the "standard mortgage clause" or equivalent endorsement providing that coverage of a Mortgage under the insurance policy will not be adversely affected or diminished by an act or neglect of the Mortgagor, which is commonly accepted by private institutional mortgage investors in the area in which the Covered Property is located, unless such coverage is prohibited by applicable law. Each Mortgage owned by FNMA must name as Mortgagee either FNMA or the servicer of the Mortgage held by FNMA encumbering the Condominium. When a servicer is named as the Mortgagee, its name should be followed by the phrase "its successors and assigns." If the Mortgage is owned in whole by FHLMC the name of the servicer of the Mortgage followed by the phrase "its successors and assigns, beneficiary" should be named as Mortgagee instead of FHLMC. The Mortgage clause must be endorsed to fully protect FHLMC's interests or the interest of FHLMC and the servicer where applicable. If FHLMC must be named as Mortgagee, the endorsement should show the servicer's address in lieu of FHLMC's address. A mortgage clause in favor of Mortgagees holding Mortgages on Condominiums is not required on a policy insuring the Maintenance Corporation Property.

ARTICLE VI

ENFORCEMENT OF BONDED OBLIGATIONS

In the event that the Improvements to the Common Area required to be completed by the Declarant have not been completed prior to the issuance of a Final Subdivision Public Report and the Maintenance

Corporation is insured under a bond or other arrangement (the "Bond") to secure performance of the commitment of Declarant to complete such Improvements, the following provisions shall apply:

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

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

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

ARTICLE VII

REPAIR AND MAINTENANCE

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

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

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

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

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

(iv) Special Benefits Common Area; and

(v) fire protection systems.

(b) maintain, repair, restore and replace the Perimeter Walls, to include all surfaces and the structural integrity thereof;

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

(i) interior and exterior surface boundaries including the floor or ground surfaces of the balcony elements of a Unit, including, without limitation, the painting thereof;

(ii) exterior surface (defined to mean the side fronting Common Area or public rights-of-way) of any patio element fences or walls, to include the exterior surface of any entry gate therein, except that the Maintenance Corporation shall not be required to maintain any wrought iron portion of any such entry gate.

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

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

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

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

Section 7.02 - By Owner. Each Owner shall:

(a) install and thereafter maintain landscaping Improvements within the patio element of a Unit within six (6) months from date of the initial conveyance of the Condominium in a transaction that required the delivery of a Final Subdivision Public Report and maintain, repair, replace and restore in a clean, sanitary and attractive condition all portions of his Unit that are not maintained by the Maintenance Corporation including, without limitation, the following:

- (i) the interior walls, ceilings, floors and doors of the residential or living element and the garage element of a Unit, and the plumbing, electrical and heating systems servicing his Residence;
 - (ii) all glass for his own Residence, and Owners shall be responsible for the interior and exterior cleaning of such glass;
 - (iii) garage door opening systems and hinges, springs and other parts of the garage door mechanism;
 - (iv) air conditioning areas and air conditioning equipment that services the Unit of such Owner;
 - (v) all plants or other growing things emplaced or located within the Unit. All plants shall be permitted to encroach into or onto the Common Areas, subject to the Article entitled "Architectural Control" of this Declaration; and
 - (vi) all portions of any gate forming the boundary of a patio Unit element that are not maintained by the Maintenance Corporation.
- (b) maintain, repair, replace and restore the Exclusive Use Common Area, or portion thereof, consisting of all internal and external telephone wiring designed to serve the Unit of such Owner.

Owners shall perform day-to-day cleaning and sweeping of the balcony element of the Unit so that such balcony is routinely maintained in a clean, sanitary and attractive condition.

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

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

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

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

Section 7.06 - Transfer of Maintenance Corporation Property.

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

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

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

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

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

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

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

ARTICLE VIII

EASEMENTS AND RIGHTS

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

Section 8.02 - Company Easements: Ingress and Egress.

(a) Rancho Santa Margarita Joint Venture, a California general partnership (the "Company"), has reserved, together with the right to grant and transfer the same:

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

(ii) Water Rights. The right and power to use or utilize on any other property owned or leased by Company, any and all water rights or interest in water rights no matter how acquired by Company, and all water rights or interests in water rights that may be within, under or on the Covered Property, whether such water rights shall be riparian, overlying, appropriative, percolating, prescriptive or contractual, provided, however, that the reservation did not reserve to or for the benefit of Company any right to enter upon the surface of the Covered Property in the exercise of such rights.

(b) Ingress and Egress. There is hereby reserved to Declarant, together with the right to grant and transfer same, easements over the private streets within the Covered Property for ingress, egress, use and enjoyment for the benefit of the Annexation Property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Utility Purposes. Easement over, under, through and across Condominium Common Area other than Exclusive Use Common Area for utility purposes which include but are not limited to the installation, maintenance, repair and replacement of utility facilities as reasonably necessary to the ongoing development, operation and use of the Covered Property, together with the right of the Maintenance Corporation to grant and transfer same to any utility company subject to the terms and conditions set forth in the form of easement document provided by such utility company;

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

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

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

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

Section 8.06 - Support, Settlement and Encroachment.

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

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

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

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

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

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

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

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

Section 8.08 - Utilities and Cable Television. Wherever sanitary sewer house connections, water house connections, air conditioning connections or ducts, electricity, gas, telephone and cable television lines or drainage facilities are installed within the Covered Property, the Maintenance Corporation or any Owner as the owner of any property served by said connections, lines or facilities shall have the right, and there is hereby reserved to Declarant, together with the right to grant and transfer the same to any such owner, an easement to the full extent necessary for the full use and enjoyment of such portion of such connections which service such owner's property, and to enter, or have utility or cable television companies enter upon any portion of the Covered Property including without limitation, upon the Residences in or upon which said connections, lines or facilities or any portion thereof lie, to repair, replace and generally maintain said connections, lines and facilities as and when the same may be necessary, provided that any damage caused

by such entry shall be repaired by such owner, utility or cable television company as promptly as possible after completion of work thereon.

Section 8.09 - Additional Exclusive Use Common Areas. There is hereby reserved to Declarant, together with the right to grant and transfer same, easements over the Common Area, or any portion thereof that is not Exclusive Use Common Area or Maintenance Corporation Common Area, for the exclusive use by an Owner or Owners of contiguous property as a yard, recreational, gardening, and/or landscaping area, and for minor encroachment of any Improvements thereon and the repair and maintenance thereof. Any such easement when conveyed shall be deemed to be Exclusive Use Common Area (notwithstanding that all or a portion thereof may be located on Maintenance Corporation Property) to the same extent as if so described in this Declaration, Condominium Plan or any Supplementary Declaration. Such easement shall not be effective unless approved by the Board. The Board shall approve any such easement if it has determined that it would be in the best interests of the Maintenance Corporation and the remaining Owners to create such Exclusive Use Common Areas for the benefit of any particular Owner or Owners of any such contiguous property. For example and without limitation, it would be beneficial to the Maintenance Corporation and the remaining Owners to transfer the burden of management and maintenance of any property which in the reasonable judgment of the Board is generally inaccessible to the remaining Owners or is not likely to be used by the remaining Owners. Upon conveyance, such Exclusive Use Common Area shall be appurtenant to the property of the Owner who has the exclusive use thereof. Such easement may contain modifications of the covenants, conditions and restrictions as they pertain to such easement area and shall also be subject to any additional terms, conditions and restrictions that may be imposed by the Board.

Section 8.10 - Public Bicycle and Pedestrian Trails. There is hereby reserved to Declarant, together with the right to grant and transfer the same, an easement for public ingress and egress over any bicycle, pedestrian, equestrian or other trails shown on any recorded final tract or parcel map covering the Covered Property. The reservation of this easement shall not imply any right of public use of the Covered Property or Improvements.

Section 8.11 - Subordination. Except as may be otherwise provided in the grant or dedication of an easement, any easement conveyed in favor of a Public Agency shall be prior and superior to all other easements described herein, and any easement conveyed pursuant to the provisions of this Article to a utility company shall be prior and superior to all other easements described herein except any easement in favor of a Public Agency. Grantor and any grantee by acceptance of a conveyance of any easement described in this Declaration, whether or not so stated in such conveyance document, agree that such easement shall be subordinate to any such prior and superior easements and further agree to execute any document acknowledging such subordination that may be required by the holder of any such prior easement.

Section 8.12 - Delegation of Use. Any Owner may delegate his right of enjoyment to the Nonexclusive Use Common Area to the members of his family or his tenants who reside on his Residence or to a vendee under a land sales contract subject to the covenants, conditions and restrictions contained in the Maintenance Corporation Management Documents and the rules and regulations adopted by the Board. In the event and for so long as an Owner delegates said rights of enjoyment to his tenants or a vendee, said Owner shall not be entitled to the use and enjoyment of any facilities or equipment belonging to or controlled by the Maintenance Corporation for the use and enjoyment of its Members.

Section 8.13 - Waiver of Use. No Owner may exempt himself from personal liability for Assessments duly levied by the Maintenance Corporation, or release the Condominium owned by him from the liens, charges and other provisions of the Maintenance Corporation Management Documents by waiver of the use and enjoyment of the Nonexclusive Use Common Area or the abandonment of his Condominium.

ARTICLE IX
USE RESTRICTIONS

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

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

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

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

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

Section 9.05 - Vehicles.

- (a) The following terms used in this Section are defined to mean as follows:
- (i) "Commercial Vehicle" shall mean a truck of greater than three-quarter (3/4) ton capacity;

(ii) "Recreational Vehicle" shall mean any recreational vehicle or equipment designed to be used for recreational purposes, to include, without limitation, trailers, boats, campers, trailer coaches, buses, house cars, camp cars, motor homes (if the motor homes are a size larger than seven (7) feet in height and/or greater than one hundred twenty-four (124) inches in wheel base length) or any other similar type of equipment or vehicle; and

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

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

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

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

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

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

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

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

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

Section 9.10 - Antennae; Roof Structures.

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

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

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

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

Section 9.12 - Garages. No garage doors shall be permitted to remain open except for a temporary purpose, and the Board may adopt rules for the regulation of the opening of garage doors, including the assessment of Penalty Assessments to Owners whose garage doors have remained open in violation of such rules. Owners must also comply with additional restrictions pertaining to the use of garages contained in the Article entitled "Special Requirements of County" of this Declaration.

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

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

Section 9.15 - Leases. Any agreement for the leasing or rental of a Condominium (hereinafter in this Section referred to as a "lease") shall be in writing and shall provide that the terms of such lease shall be subject in all respects to the provisions of the Maintenance Corporation Management Documents and any applicable agreements between the Maintenance Corporation and any of the Federal Agencies. Any Owner who shall lease his Condominium shall be responsible for assuring compliance by such Owner's lessee with the Maintenance Corporation Management Documents. No Condominium shall be leased for any period less than seven (7) days. The Development and the Condominiums shall be operated to the extent reasonably possible in a manner that will satisfy guidelines or regulations that permit the Federal Agencies to purchase, insure, or guarantee First Mortgages encumbering Condominiums. As long as hotel-type rentals preclude Federal Agencies from purchasing, insuring or guaranteeing First Mortgages, as aforesaid, such hotel type rentals shall not be permitted. "Hotel-type rentals" have been defined by FNMA to mean rentals that include the presence of a registration desk, available food and telephone service, daily occupancy rates, daily cleaning services or rental pooling agreements that require Owners to either rent their Condominiums or give management firm control over the occupancy of the Condominiums.

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

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

Section 9.18 - Transfer of Title Disclosures. An Owner shall comply with the provisions of California Civil Code Section 1368 which until amended to provide otherwise provides that an Owner shall, as soon as practicable before transfer of title to a Condominium or execution of a real property sales contract therefor (defined in Section 2985 of the California Civil Code to mean an agreement wherein one party

agrees to convey title to real property to another party upon the satisfaction of specified conditions set forth in the contract which does not require conveyance of title within one (1) year from the date of formation of the contract), provide the following to the prospective purchaser:

(a) A copy of the Maintenance Corporation Management Documents;

(b) In the event the Maintenance Corporation Management Documents are amended to contain a restriction limiting the occupancy, residency, or use of a Condominium on the basis of age in a manner different from that provided in California Civil Code Section 51.3 pertaining to senior citizens housing restrictions, a statement that the restriction is only enforceable to the extent permitted by said Section 51.3 and a statement specifying the applicable provisions of said Section 51.3; and

(c) A true statement in writing from an authorized representative of the Maintenance Corporation as to the amount of any Assessments levied upon the Owner's Condominium which are unpaid on the date of the statement. The statement shall also include true information on Allowable Charges which, as of the date of the statement, are or may be made a lien upon the Owner's Condominium pursuant to the Section entitled "Personal Obligation; Lien" of the Article entitled "Assessments" of this Declaration.

ARTICLE X

DESTRUCTION OF IMPROVEMENTS

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

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

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

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

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

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

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

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

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

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

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

- (i) a Substantial Destruction;
- (ii) a determination that the requirements of the Acceptable Range of Reconstruction Cost have not been met;
- (iii) receipt of a written request of Insured Owners representing at least five percent (5%) of the total voting power of the Insured Owners requesting such action; or
- (iv) failure or inability to make a determination as to the Acceptable Range of Reconstruction Cost within sixty (60) days of the date of the destruction.

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

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

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

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

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

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

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

Section 10.06 - Compliance with Plans.

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

(b) Common Area Other than Condominium Buildings. Any reconstruction of Common Area other than Condominium Buildings undertaken pursuant to this Article shall substantially conform to the

original plans and specifications unless other action is approved by a majority of the voting power of the Maintenance Corporation.

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

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

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

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

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

(b) In the event the insurance carrier fails to allocate the insurance proceeds, such allocation shall be determined by multiplying the amount of insurance proceeds available for distribution by a fraction, the denominator of which is the total decrease of M.A.I. appraised fair market value of all of the partially or totally destroyed Insured Improvements for which insurance proceeds have been paid by reason of the casualty and the numerator of which is the decrease of M.A.I. appraised fair market value of each such Affected Condominium, Affected Common Facility and Affected Maintenance Corporation Common Area Improvement. The appraised values shall be determined by an M.A.I. appraiser selected by the Trustee. Such allocation shall be final and binding on the Owners, the Mortgagees and the Maintenance Corporation.

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

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

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

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

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

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

ARTICLE XI

EMINENT DOMAIN

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

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

Section 11.02 - Representation by Board. In the event of a taking, the Board shall, subject to the right of all Mortgagees who have requested the right to join the Board in the proceedings, represent all of the Owners in the affected Phases in which a Close of Escrow has occurred in an action to recover all awards. No Owner shall challenge the good faith exercise or the discretion of the Board in fulfilling its duties under this Article. The Board is further empowered, subject to the limitations herein, as the sole representative of the Owners in all aspects of condemnation proceedings not specifically covered herein. The award or proceeds shall be payable to the Maintenance Corporation for the use and benefit of the Owners in such affected Phases and their Mortgagees as their interest may appear.

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

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

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

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

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

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

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

ARTICLE XII

PARTY WALLS

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

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

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

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

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

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

ARTICLE XIII

ANNEXATIONS

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

Section 13.01 - Plan of Development. Declarant intends to sequentially develop the Annexation Property on a phased basis; however, Declarant may elect not to develop all or any part of such real property, to annex such real property to this Declaration in increments of any size whatsoever, or to develop more than

one such increment at any given time and in any given order. Moreover, Declarant reserves the right to subject all or any portion of the Annexation Property to the plan of this Declaration or one or more separate declarations of covenants, conditions and restrictions which subjects said property to the jurisdiction and powers of a homeowner association or other entity with powers and obligations similar to the Maintenance Corporation and which is not subject to the provisions of this Declaration. Although Declarant shall have the ability to annex the Annexation Property as provided in this Article, Declarant shall not be obligated to annex all or any portion of such property, and such property shall not become subject to this Declaration unless and until a Supplementary Declaration shall have been so executed and recorded.

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

- (a) the annexation shall have occurred within seven (7) years from date of the recordation of this Declaration;
- (b) prior to annexation pursuant to this Section, plans for the development of any Phase being developed as a FHA and/or VA project must be submitted to the VA, and VA must determine that such plans are in accordance with the previously approved general plan and so advise Declarant;
- (c) the recordation of the Supplementary Declaration annexing a new Phase is effected prior to the third anniversary of the first Close of Escrow to occur after the issuance of the most recently issued Final Subdivision Public Report for the most recent Phase of the Covered Property; and
- (d) the DRE has agreed to issue a Final Subdivision Public Report which shall be deemed to be evidence that Declarant has furnished proof satisfactory to the DRE that: (1) no proposed annexation will result in overburdening of the common interests of the then existing Owners and (2) no proposed annexation will cause a substantial increase in Assessments against existing Owners which was not disclosed in Final Subdivision Public Reports under which pre-existing Owners purchased their interests.

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

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

Section 13.04 - Effectuation of Annexation. Upon the satisfaction of all of the conditions contained in this Article, the recordation of a Supplementary Declaration in the Official Records shall constitute and effectuate the annexation of the Annexed Property described therein, making said Annexed Property subject to this Declaration and subject to the functions, powers and jurisdiction of the Maintenance Corporation, and thereafter said Annexed Property shall be part of the Covered Property and all of the Owners of Condominiums in said Annexed Property shall automatically be Members. The Supplementary Declaration

shall incorporate by reference all of the covenants, conditions, restrictions, easements and other provisions of this Declaration, and may contain such complementary additions or modifications of the covenants, conditions and restrictions in this Declaration as may be necessary to reflect the different character, if any, of the Annexed Property as are not inconsistent with the plan of this Declaration. Except as otherwise permitted by this Declaration, in no event, however, shall any such Supplementary Declaration revoke, modify or add to the covenants established by this Declaration or by any prior Supplementary Declaration with respect to property covered by this Declaration at the time of the recording of the said Supplementary Declaration.

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

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

Notwithstanding the foregoing, any portion of the Covered Property that has been (i) included within a lot or parcel shown on a lot line adjustment that contains real property contiguous to the Covered Property that is not subject to the Declaration, and (ii) is quitclaimed by the Maintenance Corporation or any Owners to the person or entity that owns such other portion of such lot or parcel shown on said lot line adjustment that is not subject to the Declaration, may also be deleted or deannexed from the plan of the Declaration by an instrument that is executed by the owner of such lot or parcel shown on said lot line adjustment and the Maintenance Corporation and is recorded in the Official Records.

ARTICLE XIV

MORTGAGEE PROTECTION

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

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

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

Section 14.04 - Limitations by FNMA.

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

- (i) voting rights;
- (ii) increases in Assessments that raise the previously assessed amount by more than twenty-five percent (25%), Assessments, Assessment liens, or the priority of Assessment liens;
- (iii) reductions in reserves for maintenance, repair and replacement of the Common Area other than Exclusive Use Common Area;
- (iv) responsibility for maintenance and repairs;
- (v) reallocation of interests in the Common Area or rights to their use;
- (vi) redefinition of any Unit boundaries;
- (vii) convertibility of Units into Common Area or of Common Area into Units;
- (viii) expansion or contraction of a Condominium Project or the addition, annexation or withdrawal of property to or from a Condominium Project;
- (ix) hazard or fidelity insurance requirements;
- (x) imposition of any restrictions on the leasing of Units;
- (xi) imposition of any restrictions on the right of an Owner to sell or transfer such Owner's Condominium;
- (xii) a decision by the Maintenance Corporation, when there are more than fifty (5) Condominiums, to establish self-management if professional management had been previously

required by the Maintenance Corporation Management Documents or by an Eligible Mortgage Holder;

(xiii) restoration or repair of a Condominium Project (after a damage or partial condemnation) in a manner other than that specified in the Maintenance Corporation Management Documents;

(xiv) any provisions that expressly benefit Mortgagees, insurers or guarantors.

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

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

(a) by act or omission seek to abandon or terminate the Condominium Project;

(b) change the pro rata interest or obligations of any Units for purposes of (1) levying Assessments or charges, allocating distributions of insurance proceeds or condemnation awards, or (2) determining the pro rata share of ownership in the Condominium Common Area;

(c) partition or subdivide a Unit;

(d) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Condominium Common Area. The granting of easements for public utilities or other public purposes consistent with the intended use of the Condominium Common Area is not a transfer within the meaning of this clause;

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

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

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

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

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

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

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

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

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

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

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

ARTICLE XV

GENERAL PROVISIONS

Section 15.01 - Enforcement.

(a) Against Covered Property. The Maintenance Corporation or any Owner shall have the right of action against any Owner, and any Owner shall have a right of action against the Maintenance Corporation to enforce by proceedings at law or in equity, all restrictions, conditions, covenants and reservations, now or hereafter imposed by the provisions of the Maintenance Corporation Management Documents or any amendment thereto, including the right to prevent the violation of such restrictions,

conditions, covenants, or reservations and the right to recover damages or other dues for such violation except that with respect to the enforcement of Assessments liens, architectural control and Maintenance Corporation Rules, the Maintenance Corporation shall have the exclusive right to the enforcement thereof unless the Maintenance Corporation refuses or is unable to effectuate such enforcement, in which case any Owner shall have the right to undertake such enforcement. Notwithstanding the foregoing or any other provision of the Maintenance Corporation Management Documents, judicial proceedings must be instituted before any items of construction can be altered or demolished in connection with any summary abatement or similar means of enforcing restrictions against any Condominium Improvement or its use.

(b) Against Property Included in Lot Line Adjustment. Notwithstanding the foregoing, the Maintenance Corporation or any Owner shall also have the right of action against any Owner, and any Owner shall have a right of action against the Maintenance Corporation to enforce by proceedings at law or in equity as aforesaid, all restrictions, conditions, covenants and reservations, now or hereafter imposed by the provisions of the Maintenance Corporation Management Documents or any amendment thereto, against any portion of a Lot that as the result of a lot line adjustment had not been properly encumbered by this Declaration by the recordation of the Declaration or a Supplementary Declaration.

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

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

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

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

Section 15.06 - Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development of a residential community or tract and for the maintenance of the Covered Property. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

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

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

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

Section 15.10 - Notices. Any notice to be given to an Owner, the Maintenance Corporation, an Eligible Mortgage Holder or a Requesting Mortgagee, Insurer or Guarantor under the provisions of this Declaration shall be in writing and shall be deemed to have been properly delivered when directed to such addressee at the address furnished by such addressee for the purpose of notice and placed in the first class United States mail, postage prepaid. Notice to Owners shall also be deemed to have been properly delivered when personally delivered or delivered to a common carrier for personal delivery to the addressee, or delivered to a person giving such notice by electronic means. If no address was furnished by an Owner or the Maintenance Corporation for the purpose of notice, the notice to an Owner may be delivered to the principal office of the Maintenance Corporation and the street address of such Owner's Condominium, and notice to the Maintenance Corporation may be delivered to the address of its principal place of business. In the case of co-Owners any such notice may be delivered or sent to any one of the co-Owners on behalf of all co-Owners and shall be deemed delivery on all such co-Owners.

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

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

In the event of any conflict between the Articles of Incorporation, Bylaws, Declaration of SAMLARC and any rules and regulations adopted by the Board of Directors of SAMLARC with the provisions of the Maintenance Corporation Management Documents, the provisions of the Articles of Incorporation, Bylaws, Declaration and rules and regulations of SAMLARC shall be deemed to supersede such provisions of the Maintenance Corporation Management Documents to the extent of such conflict.

Section 15.12 - Effect of Declaration. This Declaration is made for the purposes set forth in the Recitals to this Declaration and Declarant makes no warranties or representations, express or implied as to the binding

effect or enforceability of all or any portion of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances and regulations applicable thereto.

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

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

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

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

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

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

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

ARTICLE XVI

AMENDMENT PROVISIONS

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

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

(b) Notwithstanding the foregoing, any provision of the Maintenance Corporation Management Documents which expressly requires the approval of a specified percentage of the voting power of the Maintenance Corporation for action to be taken under said provision can be amended only with the affirmative vote or written assent of not less than the same percentage of the voting power of the Maintenance Corporation.

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

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

ARTICLE XVII

PROTECTION FROM LIENS

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

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

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

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

funds received to the Owners against whom Special Assessments were levied pursuant to the provisions of this Article.

ARTICLE XVIII

LIMITATIONS UPON THE RIGHT TO PARTITION AND SEVERANCE

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

Section 18.02 - No Severance. The elements of a Condominium and other rights appurtenant to the ownership of a Condominium are inseparable and each Owner agrees that he shall not, while this Declaration or any similar declaration is in effect, make any conveyance of less than the entire Condominium and such appurtenances. Any deed, Mortgage or other conveyance that purports to convey less than all of the interests in a Condominium shall be deemed to transfer and convey the entire Condominium, including the omitted interests even though such omitted interests were not expressly mentioned in such conveyance document. The provisions of this Section shall terminate on the date that judicial partition shall be decreed.

Section 18.03 - Proceeds of Partition Sale.

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

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

ARTICLE XIX

SPECIAL REQUIREMENTS OF THE COUNTY

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

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

Section 19.03 - Assumption of Post Construction Best Management Practices. As a condition to the recordation of the final tract map for the Development, Declarant has been required to incorporate structural and non-structural Best Management Practices as prescribed by the County in a manner meeting the approval of the Manager, Subdivision Division of the County in consultation with the Managers, Flood Programs and Environmental Resources, all as more particularly described in such conditions of approval, the post-construction maintenance of which must be assumed by the Maintenance Corporation and the Owners. As provided in Sections 7.01 and 7.02 of this Declaration, the Maintenance Corporation and the Owners have an obligation to maintain, repair, restore, replace and make all necessary Improvements of all Phases of the Covered Property in which a Close of Escrow has occurred which would include all post-construction Best Management Practices Improvements constructed or installed by Declarant. In accordance with Section 7.04 of this Declaration and Section 10.02 of the Bylaws, the Maintenance Corporation further has the right to accomplish any maintenance, repair, restoration or replacement of any Improvements that are to be individually maintained by the Owners if such Owners fail to adequately perform such maintenance, repair, restoration or replacement. The obligations of the Maintenance Corporation and Owners include the following:

- (a) Litter control to include Maintenance Corporation and individual trash collection, proper trash storage and collection procedures, emptying of trash receptacles and cleaning of trash storage areas;
- (b) Inspection of catch basins, cleanouts and inlets on a monthly basis and cleaning if necessary which must occur prior to the stormy season and no later than October 15th of each year;
- (c) Sweeping of private streets and parking areas no later than October 15th of each year;
- (d) Dechlorination of pool water prior to discharging into the storm drain system.

Section 19.04 - Landscaping and Irrigation System. Water conservation practices and fertilizer, pesticide and herbicide restrictions to be instituted for the Covered Property include the following:

- (a) All plant materials in a group should have the same watering requirements so that the irrigation controllers can be set to deliver the appropriate minimum amounts of water;
- (b) Plant materials should be selected that minimize the need for fertilizer and pesticides;

(c) Native and drought-resistant plants should be used that adapt to local soil conditions and are resistant to pests and adequate soil drainage techniques should be used that will minimize the need for fertilizer and pesticides;

(d) Watering practices should be established that minimize fungus and mildew potential;

(e) Special controllers and heads that allow several start times for watering should be utilized in order to limit the amount of water surface runoff and upper and lower slopes should have different irrigation operating times;

(f) Excessive use of water is not permitted; and

(g) Buckets together with bio-degradable cleaning products are to be used for the washing of vehicles.

Section 19.05 - Catch Basin Stenciling. The letters and/or symbols on the catch basins being maintained by the Maintenance Corporation shall be inspected for legibility during the annual cleaning operation and the letters and/or symbols shall be re-stencilled if they are not legible.

Section 19.06 - Newsletter Reminders. Reminders should be included in newsletters distributed to Owners that the individually maintained areas are to be kept clean from debris and waste materials and that dumping of debris or waste materials into the storm drain system is prohibited.

Section 19.07 - Amendment. Any amendment to this Article of the Declaration shall require the prior written consent of the County.

Section 19.08 - Enforcement. The County shall have the right to enforce by proceedings at law or in equity, all restrictions, conditions, covenants, and reservations now or hereafter imposed by the provisions of this Article of the Declaration, or any amendment thereto, to the same extent as the Maintenance Corporation or any Owner.

ARTICLE XX

COMMUNITY INFORMATION

Section 20.01 - Acceptance and Agreement. The information being provided by the Declarant in this Article is intended to provide information about the site and the improvements that will be of interest to the Owners and the Maintenance Corporation and should be considered by the Owners and the Maintenance Corporation in the course of the maintenance and construction of additional Improvements.

Section 20.02 - Contiguous Area Map. Exhibit C attached hereto contains information pertaining to public and private improvements in close proximity to the Covered Property which is in existence or is contemplated as of the recordation of this Declaration. Although the Declarant believes this information to be factual as of the date of the recordation of this Declaration, Declarant assumes no responsibility for the accuracy of the information contained therein. The Contiguous Area Map is being provided for informational purposes only and is subject to change without notice. Owners are advised to contact the appropriate Public Agency for current and more precise information.

Section 20.03 - Declarant's Improvements.

(a) Fences. Fences constructed by the Declarant may not have been constructed on the boundary line of a Lot or on the boundary line shown on a Condominium Plan as to any patio element fence in order to maintain the structural integrity of the fence and/or slope, or to restrict access to a slope area being maintained by the Maintenance Corporation. As stated in the Declaration, the as-built location, configuration, and dimensions of the patio shall prevail. Any fence or gate return not installed by Declarant that forms the closure from a fences to the dwelling structure must be installed by the Owner within the time set forth in this Declaration or as may be required by the Architectural Standards or Architectural Committee. Any proposed additions or modifications to any of the fences and walls must be submitted to the Architectural Committee. Changes to party walls (walls that are constructed to separate two Residences and are shared by the Owners who have the use thereof) require approval by the other Owner who shares the use thereof. Changes or modifications to some of the walls in the project may not be permitted either by the Architectural Committee or by the Public Agency that has jurisdiction over the project.

(b) Maintenance of Wrought Iron Fences. Any wrought iron fences or gates installed by Declarant have been fabricated and installed to high industry standards for production housing. In spite of this particularly in the presence of moisture either from the coastal environment or irrigation water overspray, rust will form on the surface of the paint and shall slowly penetrate to the metal and will detract from the appearance of the wrought iron. Wrought iron prime and paint processes typically used in residential developments begin to rust from the inside-out almost immediately and may cause premature damage to the fence and early replacement costs. A wrought iron fence will show signs of surface rust within a year and should be routinely maintained either by the Maintenance Corporation or the Owner as provided in this Declaration to retard the rusting process.

(c) Common Area. Common Area landscaping Improvements made by the Declarant and irrigated by an irrigation system that is metered and billed to the Maintenance Corporation are maintained by the Maintenance Corporation. Owners shall not install or construct any Improvements within any such Common Area, or modify any Improvements or landscaping upon any Common Area being maintained by the Maintenance Corporation.

(d) Drainage. The Covered Property has been graded in accordance with codes of the local Public Agency and sound engineering practices to accomplish certain objectives such as to (a) direct surface water toward drainage inlets that exit onto the driveway, sidewalk, or street; (b) prevent surface water from ponding on any Lot or against structures; (c) prevent surface water from draining to property adjacent to the Covered Property unless an easement for drainage purposes has been granted; and (d) permanently accept existing or intended surface and subsurface drainage from adjacent property if so designed and approved by the appropriate Public Agency. Easements for drainage are described in Section 8.05 of Article VIII of the Declaration. Some erosion caused by drainage to an adjacent Lot will typically occur.

Section 20.04 - Improvements.

(a) Indemnity. Each Owner and the Maintenance Corporation, by the acceptance of a deed or other conveyance of a Condominium of Maintenance Corporation Property, acknowledge and agree that the Declarant shall not be liable or responsible for any damage to Improvements that have been constructed or modified by an Owner or by the Maintenance Corporation or that is the result of modifications to Improvements that have been constructed by Declarant. Improvements should not be installed, constructed or modified without the assistance of qualified consultants. For example, professional soils and structural engineers should be consulted to determine the existing soil conditions and such Improvements or modifications should be designed to compensate for any expansive soil within a Lot.

(b) Code Requirements. All Improvements upon the Covered Property must be completed in conformance with the Uniform Building Code and other applicable regulations of any of the Public Agencies. Improvements constructed or installed upon a slope area, at the top or toe of a slope, or upon expansive soil may require additional design techniques to mitigate the affect of such expansive soil condition or upon such slope.

(c) Public Right-of-Way. Making Improvements such as planters, walls and curb cores within a public right-of-way may require permission from the utility companies and the responsible Public Agency in addition to the Architectural Committee. Construction of any such Improvements should not be commenced until all required approvals and permits have been obtained.

(d) Slope Improvements. Improvements such as pools, spas, concrete slabs, decks, planters and walls that have not been designed by qualified soils and structural engineers to compensate for expansive soil conditions and slope creep should not be located adjacent to the top or toe of slopes. Minor lifting and cracking of Improvements constructed at the top or toe of slopes may occur even when such Improvements are constructed with qualified professional assistance.

(e) Slope Maintenance. Landscaping upon slope areas must be maintained in a condition that will prevent slope erosion in conformance with any requirements of the responsible Public Agency.

(f) Effect of Expansive Soil. The soil within this Development may be composed of formations that have "highly expansive" characteristics. Soils testing should be performed, special construction techniques should be used and precautions must be taken when constructing new Improvements or modifying existing Improvements as the soil expands when it is wet thus causing Improvements to lift and crack. Soils and structural engineers were consulted by the Declarant, all Lots were graded to drain independently and away from the structural Improvements, and Improvements such as foundations, driveways, walls, sidewalks and streets were designed to compensate for any expansive soil conditions. The following information and/or recommendations should be considered by the Maintenance Corporation, Owners of their consultants prior to making or modifying any Improvements:

Special consideration and attention is required in designing concrete and masonry Improvements such as masonry walls and planters, concrete slabs, pools, spas and decking. For example, steel reinforcing bars may be required in lieu of steel mesh in concrete slabs. Block walls may require extra horizontal and vertical steel reinforcing bars. Pools and spas located at the top or bottom of a slope or on expansive soils require special design techniques.

Adequate drainage and irrigation control should be utilized. The construction or modification of Improvements should not result in ponding of surface drainage water. The landscape irrigation system should be designed to prevent excessive saturation of expansive soils. Water must drain away from the house footings and other Improvements constructed upon the Lot and obstructions such as walls should not be constructed across swales unless adequate replacement drainage Improvements have been installed or created. Planters created by walkways next to a dwelling structure should be lined with an impervious surface and should contain drain inlets to drain excess water.

(g) Grading. The grading and drainage design of a Lot should not be altered in the course of installing Improvements such as patios, planters, walls, swimming pools and/or spas in a manner that will redirect surface water flow toward the dwelling or onto adjacent property or that will trap water so that it ponds and floods. Drainage devices such as concrete ditches, area drain lines and gutters should be

carefully designed and installed with professional assistance. Drainage devices installed by the Declarant should not be altered or modified in a manner that will redirect or obstruct the drainage through these drainage devices. Any grading and drainage modifications are subject to applicable codes of the applicable Public Agency, and modifications made by Owners are also subject to approval by the Architectural Committee.

Section 20.05 - Matters of Record.

(a) Property Lines. The boundaries of each Lot within the Covered Property and the boundaries of all Unit elements and Exclusive Use Common Area are delineated on tract maps, lot line adjustments, parcel maps or condominium plans that are public records and are available at the office of the County Recorder.

(b) Preliminary Title Report. The preliminary title report issued by the title company that insures the title to a Condominium which is available for review, inspection and approval by any prospective purchaser as a condition to the close of escrow will reveal matters of record that, unless removed as a condition to the close of the escrow, will continue to be effective against the Condominium after the close of escrow. The preliminary title report describes easements and rights of record which include, without limitation, the following:

(i) Utility Easements. The Condominiums are subject to easements in favor of utility companies for the installation and maintenance of utility lines and facilities that provide service to the Covered Property. The location of the various lines and facilities are totally within the control of the respective utility companies although facilities such as electrical vaults, telephone, street lights and cable television boxes are generally located in the area behind the sidewalk.

(ii) Mailboxes. An easement has been reserved for the installation, maintenance, repair and replacement of mailboxes. Mailboxes are usually located within the utility easement area adjacent to the street but the locations and configurations are controlled by the United States Postal Service and subject to change.

(iii) Special Assessment or Mello-Roos Community Facilities Districts. The Covered Property lies within the boundaries of Special Assessment Districts and Mello-Roos Community Facilities Districts which require the levy of a special tax for the repayment of bonds issued for the purpose of paying the cost of the services or the capital improvements that have been or are being provided. The amount of the special tax and any other information pertaining to any such district can be obtained from the County Assessor's office.

(c) Maintenance Corporation. The Maintenance Corporation has the right and obligation to manage and control all of the property covered by this Declaration in accordance with the Maintenance Corporation Management Documents which consist of Articles, Bylaws, this Declaration, Architectural Standards and Maintenance Corporation Rules. All of these documents comprise the governing documents of the Maintenance Corporation and include provisions include provisions pertaining to the following:

(i) Improvements. All Improvements installed or constructed by Owners must comply with the Architectural Standards.

(ii) Declarant Control. Owners other than Declarant have the right to elect at least twenty percent (20%) of the Board. For as long as Declarant has sufficient voting power, Declarant intends, but has no obligation, to exercise its voting rights under the Declaration to elect at least a majority of the Board and the Declarant has the absolute right, pursuant to the Declaration, to initially appoint or replace all of the members of the Architectural Committee and to appoint a majority of the members of the Architectural Committee for a period of five (5) years after the date of the issuance of the first Final Subdivision Public Report by the DRE or until ninety percent (90%) of all of the Residences within the overall Development have been conveyed. Declarant intends to transition the Board members appointed by the Declarant out of the management and control of the Maintenance Corporation and the Architectural Committee when the Development is substantially complete by appointing other Owners to serve the remainder of the terms or any resigning architectural committee members and directors.

(iii) Maintenance Corporation Common Areas. The common facilities such as landscaping, walls and recreational facilities that have been installed or constructed by the Declarant will be accepted for maintenance by the Maintenance Corporation when such Improvements have been completed in accordance with the plans and specifications and certified as complete by the architect who designed such improvements.

(iv) Affect of Dedications to Public Agencies. Portions of the Covered Property may have been dedicated in fee or by easement to a Public Agency. Property owned in fee by the Maintenance Corporation that is subject to a prior dedication to a Public Agency will automatically be conveyed to the Public Agency without any prior approval of the Owners or of the Maintenance Corporation if the Public Agency elects to accept the prior dedication. Portions of the Covered Property may also be subject to easements in favor of a Public Agency for specific purposes such as open space, access, equestrian, bicycle or other trails. The dedications are recorded against the affected property and are reflected in the public records of the County.

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

TIERRA, LTD., a California limited partnership

BY: ROCKFIELD DEVELOPMENT CORPORATION, a California corporation

By: [Signature]
Its: [Signature]

By: _____
Its: _____

BY: HERTEL HOMES, a California corporation

By: [Signature]
Its: Chairman

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Orange
On 4-1-94 before me, Theresa L. Pointon Notary Public
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Timothy L. Unger
NAME(S) OF SIGNER(S)

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.
Theresa L. Pointon
SIGNATURE OF NOTARY

OPTIONAL SECTION

CAPACITY CLAIMED BY SIGNER
Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

- INDIVIDUAL
- CORPORATE OFFICER(S)
TITLE(S) President
- PARTNER(S) LIMITED GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

OPTIONAL SECTION

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED AT RIGHT:
Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form.

TITLE OR TYPE OF DOCUMENT Declaration of assets
NUMBER OF PAGES 69 DATE OF DOCUMENT 12/31/93
SIGNER(S) OTHER THAN NAMED ABOVE R.L. Hertel

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 9507

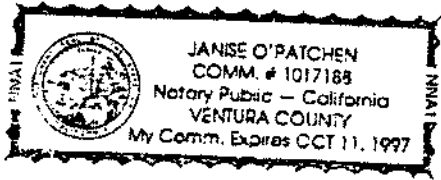
State of California

County of Ventura

On April 6, 1994 before me, Janise O'Patches, Notary Public
DATE NAME, TITLE OF OFFICER - E.G. "JANE DOE, NOTARY PUBLIC"

personally appeared R. L. Hertel
NAME(S) OF SIGNER(S)

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.

Janise O'Patches
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- INDIVIDUAL
- CORPORATE OFFICER
Chairman
TITLE(S)
- PARTNER(S) LIMITED
- GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

Declaration of CC+Rs
TITLE OR TYPE OF DOCUMENT

69
NUMBER OF PAGES

December 31, 1993
DATE OF DOCUMENT

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)
Hertel Homes

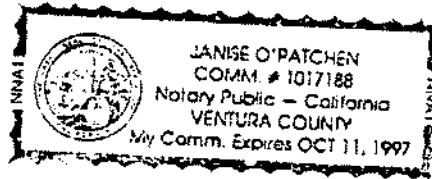
Timothy Unger
SIGNER(S) OTHER THAN NAMED ABOVE

STATE OF CALIFORNIA)
)
COUNTY OF Ventura) ss.

On January 25, 1994 before me, Janise O'Patches, a notary public in and for said State, personally appeared R.L. Hertel, personally known to me (or ~~proved to me on the basis of satisfactory evidence~~) to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Janise O'Patches



(Seal)

SUBORDINATION

The undersigned, beneficiary under that certain deed of trust encumbering all or a portion of the real property described within as the Initial Covered Property, which deed of trust was recorded on February 6, 1993, as Instrument No. 93-0533395 of Official Records of the County, hereby consents to the within Declaration of Covenants, Conditions and Restrictions and hereby subordinates the lien of said deed of trust to the provisions of this Declaration, and any Supplementary Declaration annexing additional property to this Declaration, and any amendment thereto that may be required for the purpose of complying with any law, regulation or any requirement of any of the Federal Agencies.

RANCHO SANTA MARGARITA JOINT VENTURE, a California General Partnership

By: Santa Margarita Realty Company, a California corporation, General Partner

By: [Signature]
Its: A. Martin Stradtman
Vice President

By: [Signature]
Its: Elizabeth A. Jahn
Director

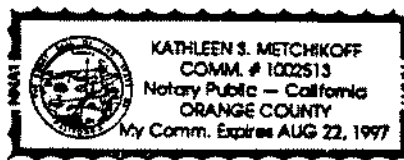
STATE OF CALIFORNIA)
)
COUNTY OF ORANGE) ss.

On February 14, 1994 before me, Kathleen S. Metchnikoff, a notary public in and for said State, personally appeared A. Martin Stradtman & Elizabeth A. Jahn, personally known to me (or ~~proved to me on the basis of satisfactory evidence~~) to be the person(s) whose name(s) ~~is~~ are subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in ~~his~~/her/their authorized capacity(ies), and that by ~~his~~/her/their signature(s) on the instrument the person(s), or the entity upon ~~behalf~~ of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

[Signature]



(Seal)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 3907

State of California

County of Orange

On April 6, 1994 before me, Kathleen S. Metchikoff, Notary Public
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared A. Martin Stradtman and Elizabeth A. Jahn
NAME(S) OF SIGNER(S)

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.

Kathleen Metchikoff
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- INDIVIDUAL
 - CORPORATE OFFICER
- TITLE(S)
- PARTNER(S)
 - LIMITED
 - GENERAL
 - ATTORNEY-IN-FACT
 - TRUSTEE(S)
 - GUARDIAN/CONSERVATOR
 - OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

Declaration of CC&R's
TITLE OR TYPE OF DOCUMENT

69
NUMBER OF PAGES

12-31-93
DATE OF DOCUMENT

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)
Santa Margarita Company /
Rancho Santa Margarita Joint Venture

SIGNER(S) OTHER THAN NAMED ABOVE

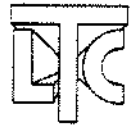
SUBORDINATION

The undersigned, beneficiary under that certain deed of trust encumbering all or a portion of the real property described within as the Initial Covered Property, which deed of trust was recorded on Sept. 23, 1993, as Instrument No. 93-645322 of Official Records of the County, hereby consents to the within Declaration of Covenants, Conditions and Restrictions and hereby subordinates the lien of said deed of trust to the provisions of this Declaration, and any Supplementary Declaration annexing additional property to this Declaration, and any amendment thereto that may be required for the purpose of complying with any law, regulation or any requirement of any of the Federal Agencies.

_____, a
By: ROOTHILL INDEPENDENT BANK
Its: George E. Langley/President
By: _____
Its: Tom Kramer/Executive Vice President
and Secretary

STATE OF CALIFORNIA:

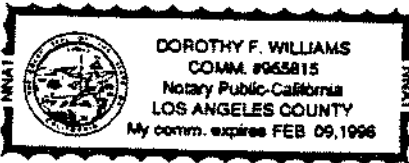
STATE OF CALIFORNIA }
COUNTY OF Los Angeles } ss.



On April 7, 1994 before me, the undersigned, a Notary Public in and for said State, personally appeared George E. Langley and Tom Kramer

_____, a notary
son(s) whose
executed the
instrument the

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name is/are subscribed to be 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.



(Seal)

WITNESS my hand and official seal.
Signature Dorothy F. Williams
LTC-20

(This area for official notarial seal)

This form furnished by Lincoln Title Company
STAPLE HERE

EXHIBIT "A"
Entire Development
Tierra Montanosa

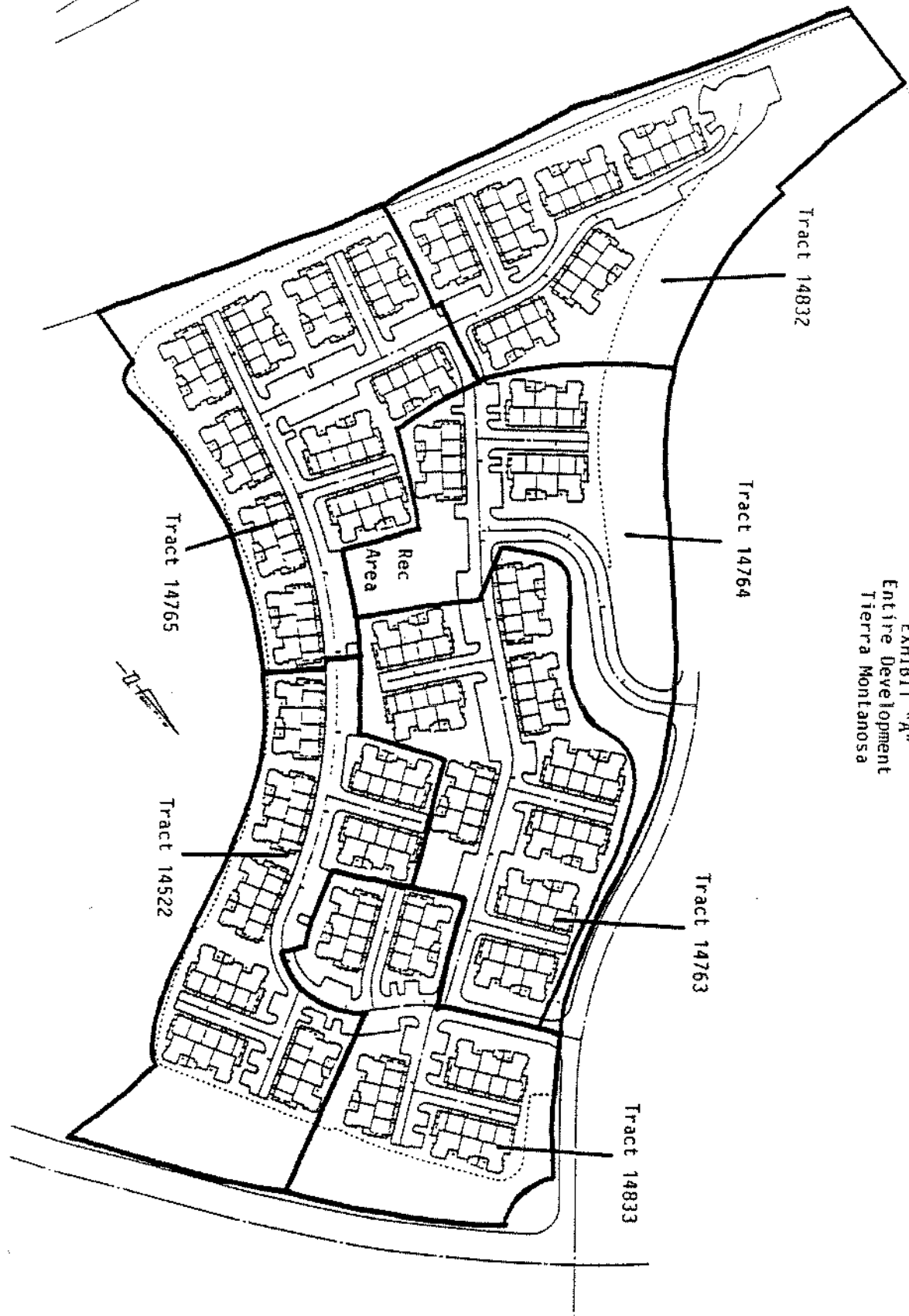
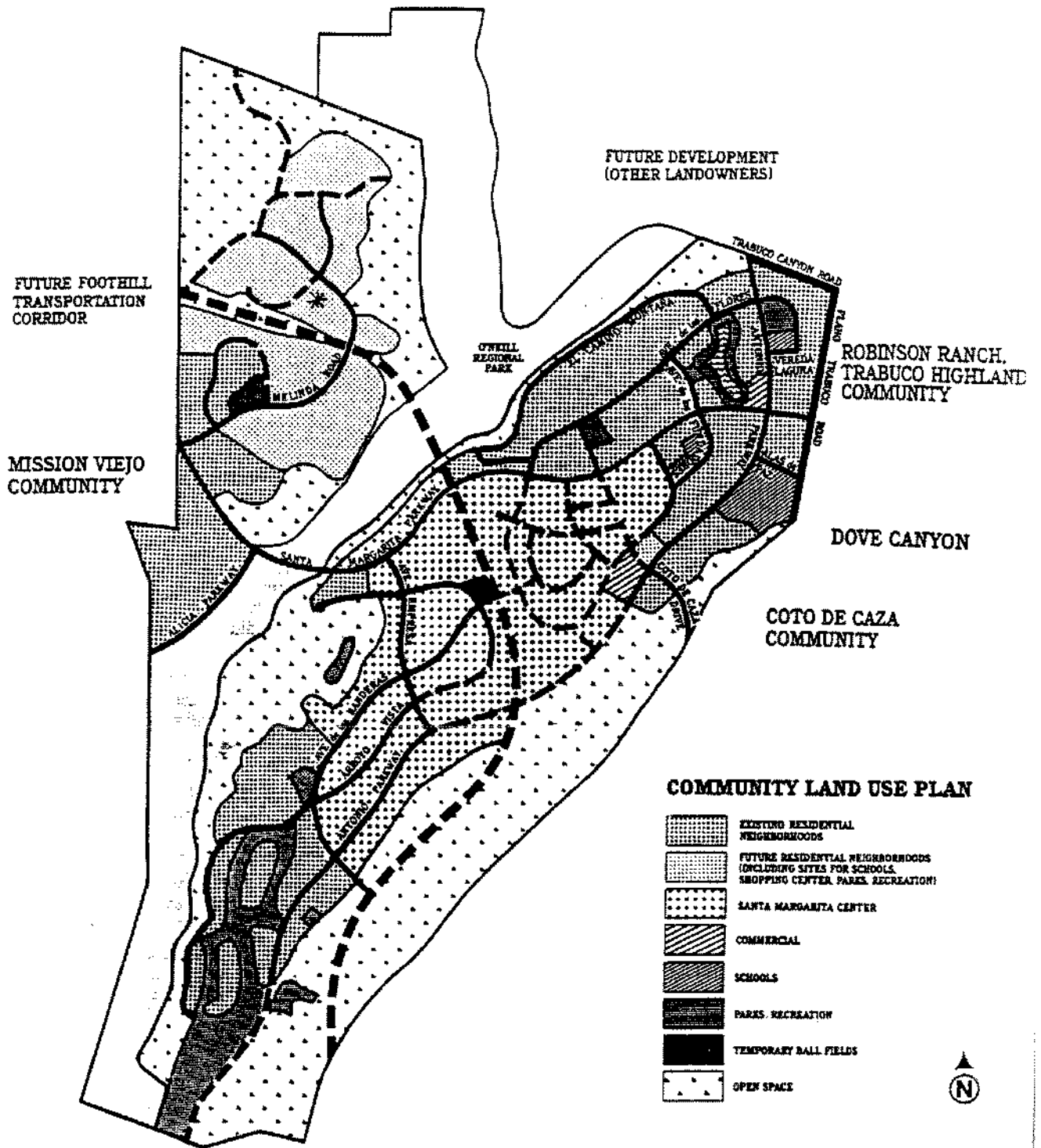


EXHIBIT B

Perimeter fences to be maintained by Maintenance Corporation:

NONE

EXHIBIT C
Contiguous Area Map



FUTURE COMMUNITY DEVELOPMENT

* Tierra Montanosa

LAND USES FOR FUTURE PHASES ARE BASED UPON COUNTY APPROVED FEATURE PLANS. THE LOCATION OF ROADS OUTSIDE OF THE EXISTING RESIDENTIAL AREA MAY DIFFER WHEN COMPLETED OR COULD BE DELETED. FOR INFORMATION REGARDING THE DEVELOPMENT OF SURROUNDING COMMUNITIES, CONTACT: THE COUNTY OF ORANGE, EMA, DEVELOPMENT PROCESSING CENTER, 834 - 2996, 12 CITY CENTER PLAZA, SANTA ANA, CA 92702.

SHEET 1 OF 4 SHEETS
NUMBER OF LOTS: 6 NUMBERED
3 LETTERED
ADDRESS: 2,783 ADRES
(A PORTION OF
TENTATIVE TRACT 14552)
DATE OF SURVEY:
AUGUST, 1992

TRACT NO. 14753

IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF ORANGE, STATE
OF CALIFORNIA, BEING A PORTION OF LOT 22 OF TRACT 13679, AS FILED
IN BOOK 672, PAGE 6 1 THRU 22 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY,

ADAMS, STREETER CIVIL ENGINEERS, INC. JAN A. ADAMS R.C.E. 21687
DATE OF SURVEY, AUGUST 1992

ACCEPTED AND FILED AT THE
REQUEST OF
CHICAGO TITLE CO
DATE JULY 30, 1992
TIME 11:50 AM OFFICE 12:00
INSTRUMENT 92-05100
BOOK 700 PAGE 77

BLOCK 5456
MODULE 45 55

LEE P. BRANCH
COUNTY RECORDER

BY Victor Luke
DEPUTY

OWNERSHIP CERTIFICATE:

WE, THE UNDERSIGNED, BEING ALL PARTIES HAVING ANY RECORD TITLE INTEREST IN THE LAND COVERED BY THIS MAP, DO HEREBY CONSENT TO THE PREPARATION AND RECORDATION OF SAID MAP AS SHOWN WITHIN THE DISTINCTIVE BORDER LINE.

WE HEREBY DEDICATE TO THE COUNTY OF ORANGE AN EASEMENT FOR EMERGENCY AND PUBLIC SERVICE VEHICLE INGRESS AND EGRESS PURPOSES AS SHOWN HEREON.

WE ALSO HEREBY DEDICATE TO SANTA MARGARITA WATER DISTRICT THE PIPELINE EASEMENTS FOR SEWER AND WATER PURPOSES OVER ALL THE PRIVATE STREETS TOGETHER WITH THE PIPELINE EASEMENTS FOR SEWER AND OR WATER PURPOSES, ALL AS SHOWN ON THIS MAP, WHICH EASEMENTS SHALL BE SUBJECT TO THE SAME TERMS, AND CONDITIONS AS ARE SHOWN IN THAT CERTAIN EASEMENT RECORDED OCTOBER 6, 1990 IN BOOK 13776, PAGE 341 OF OFFICIAL RECORDS, COUNTY OF ORANGE.

SEE SHEET 2 FOR NOTICES - DECLARATIONS :

RANCHO SANTA MARGARITA JOINT VENTURE, A CALIFORNIA GENERAL PARTNERSHIP,

BY: SANTA MARGARITA REALTY COMPANY, A CALIFORNIA CORPORATION, MANAGING GENERAL PARTNER,

BY: Michael J. Barrett
PRINT NAME Michael J. Barrett
PRINT TITLE VICE PRESIDENT

BY: John Canas
PRINT NAME John Canas
PRINT TITLE Surveyor

WELLS FARGO BANK, N.A., NATIONAL BANKING ASSOCIATION, BENEFICIARY UNDER DEED OF TRUST RECORDED OCT 6, 1992 AS INSTRUMENT NO. 92-050000 OF OFFICIAL RECORDS.

BY: Eda Hessel
PRINT NAME Eda Hessel
PRINT TITLE Loan Officer

BY: L. Hartman
PRINT NAME L. Hartman
PRINT TITLE CLERK OFFICE

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS

ON THIS 10th DAY OF June, 1992, BEFORE ME, Michael J. Barrett, A NOTARY PUBLIC IN AND FOR SAID STATE, PERSONALLY APPEARED John Canas, Eda Hessel AND L. Hartman AND ADAMUS BARRY APPROPRIATELY KNOWN TO ME (OR KNOWN TO ME ON THE BASIS OF SATISFACTORY EVIDENCE; TO BE THE PERSONS WHOSE NAMES ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT THEY EXECUTED THE SAME IN THEIR AUTHORIZED CAPACITIES, AND THAT BY THEIR SIGNATURES ON THE INSTRUMENT THE PERSONS, OR ENTITY UPON BEHALF OF WHICH THE PERSONS ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND:

SIGNATURE Michael J. Barrett BY PRINCIPAL PLACE OF BUSINESS IS
NOTARY PUBLIC IN AND FOR SAID STATE IN Orange COUNTY.
Michael J. Barrett BY COMMISSION EXPIRES 10/2/96
(Official Name)

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS

ON THIS 5 DAY OF March, 1992, BEFORE ME, Elizabeth A. Conley, A NOTARY PUBLIC IN AND FOR SAID STATE, PERSONALLY APPEARED William J. Leathers AND L. Hartman PERSONALLY KNOWN TO ME TO BE (OR KNOWN TO ME ON THE BASIS OF SATISFACTORY EVIDENCE) TO BE THE PERSONS WHOSE NAMES ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT THEY EXECUTED THE SAME IN THEIR AUTHORIZED CAPACITIES, AND THAT BY THEIR SIGNATURES ON THE INSTRUMENT THE PERSONS, OR ENTITY UPON BEHALF OF WHICH THE PERSONS ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND:

SIGNATURE Elizabeth A. Conley BY PRINCIPAL PLACE OF BUSINESS IS
NOTARY PUBLIC IN AND FOR SAID STATE IN Orange COUNTY.
Elizabeth A. Conley BY COMMISSION EXPIRES 7/1/96
(Official Name)

STATE OF CALIFORNIA)
COUNTY OF ORANGE)

ON THIS 19th DAY OF March, 1992, BEFORE ME, Terrence E. Leathers, A NOTARY PUBLIC IN AND FOR SAID STATE, PERSONALLY APPEARED William J. Leathers PERSONALLY KNOWN TO ME TO BE (OR KNOWN 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 CAPACITIES, AND THAT BY HIS SIGNATURE ON THE INSTRUMENT THE PERSON, OR ENTITY UPON BEHALF OF WHICH THE PERSON ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND:

SIGNATURE Terrence E. Leathers BY PRINCIPAL PLACE OF BUSINESS IS
NOTARY PUBLIC IN AND FOR SAID STATE IN Orange COUNTY.
Terrence E. Leathers BY COMMISSION EXPIRES 10/2/96
(Official Name)

ENGINEER'S STATEMENT:

I HEREBY STATE THAT I AM A REGISTERED CIVIL ENGINEER OF THE STATE OF CALIFORNIA, THAT THIS MAP CONSISTING OF 4 SHEETS, AND THE TITLE AND COMPLETE SURVEY MADE IN AUGUST, 1992, WHICH IT CORRECTLY REPRESENTS WERE BOTH MADE BY ME OR UNDER MY DIRECTION, THAT THE MONUMENTS ARE OF THE CHARACTER AND OCCUPY OR WILL OCCUPY THE POSITIONS INDICATED BY SAID MAP AND THE MONUMENT NOTES NOTED THEREON, AND THAT SAID MONUMENTS ARE SUFFICIENT TO ENSURE THE SURVEY TO BE RETRACED.

JAN A. ADAMS R.C.E. 21687
MY REGISTRATION EXPIRES SEPTEMBER 30, 1993

COUNTY SUPERVISOR'S STATEMENT:

I HEREBY STATE THAT I HAVE EXAMINED THIS MAP AND HAVE FOUND IT TO BE SUBSTANTIALLY IN CONFORMANCE WITH THE TENTATIVE MAP AS FILED WITH, APPROVED AND APPROVED BY THE ORANGE COUNTY SUBDIVISION COMMITTEE, THAT ALL PROVISIONS OF THE SUBDIVISION MAP ACT AND COUNTY SUBDIVISION REGULATIONS HAVE BEEN COMPLIED WITH AND I AM SATISFIED SAID MAP IS TECHNICALLY CORRECT.

DATED THIS 22nd DAY OF JULY, 1992.

Richard P. Ray
JOHN CANAS COUNTY SURVEYOR
COUNTY TREASURER-TAX COLLECTOR'S CERTIFICATE

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS

BY: Richard P. Ray, DEPUTY
L.S. 6390 EXPIRES 6-30-94

I HEREBY CERTIFY THAT ACCORDING TO THE RECORDS OF MY OFFICE THERE ARE NO LIENS AGAINST THE LAND COVERED BY THIS MAP OR ANY PART THEREOF FOR UNPAID STATE, COUNTY, MUNICIPAL, OR LOCAL TAXES OR SPECIAL ASSESSMENTS COLLECTED AS TAXES, EXCEPT TAXES OR SPECIAL ASSESSMENTS COLLECTED AS TAXES NOT PAYABLE.

AND DO ALSO CERTIFY TO THE RECORDER OF ORANGE COUNTY THAT THE PROVISIONS OF THE SUBDIVISION MAP ACT HAVE BEEN COMPLIED WITH REGARDING DEPOSITS TO SECURE THE PAYMENT OF TAXES OR SPECIAL ASSESSMENTS COLLECTED AS TAXES ON THE LAND COVERED BY THIS MAP.

DATED THIS 10th DAY OF JUNE, 1992.

ROBERT J. CITRON
COUNTY TREASURER-TAX COLLECTOR
BY: Robert J. Citron, DEPUTY TREASURER-TAX COLLECTOR

CLERK OF THE BOARD OF SUPERVISORS CERTIFICATE:

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS

I HEREBY CERTIFY THAT THIS MAP WAS PRESENTED FOR APPROVAL TO THE BOARD OF SUPERVISORS OF ORANGE COUNTY AT A REGULAR MEETING THEREOF HELD ON THE 27th DAY OF JULY, 1992, AND THAT THEREUPON SAID BOARD DID, BY AN ORDER DULY PASSED AND ENTERED, APPROVE SAID MAP.

AND DID ACCENT ON BEHALF OF THE COUNTY OF ORANGE, THE EASEMENT FOR EMERGENCY AND PUBLIC SERVICE VEHICLE INGRESS AND EGRESS AS SHOWN HEREON.

DATED THIS 27th DAY OF July, 1992.

William J. Leathers
BY: William J. Leathers
CLERK OF THE BOARD OF SUPERVISORS

TIERRA, LTD., A CALIFORNIA LIMITED PARTNERSHIP, AS OPTIONEE UNDER THAT CERTAIN OPTION AND PERFORMANCE AGREEMENT RECORDED DECEMBER 31, 1992 AS INSTR. NO. 92-050000, OFFICIAL RECORDS.

BY: William J. Leathers
PRINT NAME William J. Leathers
PRINT TITLE President

STATE OF CALIFORNIA)
COUNTY OF ORANGE)

ON THIS 19th DAY OF March, 1992, BEFORE ME, Terrence E. Leathers, A NOTARY PUBLIC IN AND FOR SAID STATE, PERSONALLY APPEARED William J. Leathers PERSONALLY KNOWN TO ME TO BE (OR KNOWN 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 CAPACITIES, AND THAT BY HIS SIGNATURE ON THE INSTRUMENT THE PERSON, OR ENTITY UPON BEHALF OF WHICH THE PERSON ACTED, EXECUTED THE INSTRUMENT.

WITNESS MY HAND:

SIGNATURE Terrence E. Leathers BY PRINCIPAL PLACE OF BUSINESS IS
NOTARY PUBLIC IN AND FOR SAID STATE IN Orange COUNTY.
Terrence E. Leathers BY COMMISSION EXPIRES 10/2/96
(Official Name)

SHEET 2 OF 4 SHEETS
SCALE: 1"=40'
NUMBER OF LOTS: 5 NUMBERED
NUMBER OF LOTS: 3 LETTERED
A PORTION OF TENTATIVE
TRACT MAP 145621
ACREAGE: 2.793 ACRES
DATE OF SURVEY:
AUGUST, 1992

TRACT NO. 14763

IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF ORANGE, STATE
OF CALIFORNIA, BEING A PORTION OF LOT 22 OF TRACT 13679, AS FILED
IN BOOK 672, PAGES 1 THRU 22 OF MISCELLANEOUS MAPS.

ADAMS, STREETER CIVIL ENGINEERS, INC., JAN A. ADAMS R.C.E. 21987
DATE OF SURVEY, AUGUST 1992

OWNERSHIP CERTIFICATE CONTINUED: (NOTICES)

WE ALSO MAKE THIS DECLARATION AND NOTICE CONCERNING AIRCRAFT ENVIRONMENTAL
IMPACT OVER ALL LOTS SHOWN HEREIN FOR THE PURPOSE AND SUBJECT TO THE SAME
CONDITIONS AND LIMITATIONS AS SHOWN IN THAT CERTAIN DECLARATION AND NOTICE
CONCERNING AIRCRAFT ENVIRONMENTAL IMPACTS RECORDED DECEMBER 1, 1983, AS
DOCUMENT NUMBER 83-848335 OF OFFICIAL RECORDS OF THE COUNTY OF ORANGE, CALIFORNIA.

WE ALSO MAKE THIS DECLARATION THAT THE PROPERTY COVERED BY THIS MAP MAY BE
SUBJECT TO THE IMPACT FROM THE PROPOSED FOOTHILL TRANSPORTATION CORRIDOR.

A FURTHER IS IMITATIVE
 TRACT MAP SHOWS
 AREA OF 2.793 ACRES
 DATE OF SURVEY,
 FEBRUARY, 1953

IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF ORANGE, STATE
 OF CALIFORNIA, BEING A PORTION OF TRACT 13679, AS FILED
 IN BOOK 672, PAGES 1 THRU 22 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY,
 ADAMS, STREETER CIVIL ENGINEERS, INC. JAN. A. ADAMS R.C.E. 21887
 DATE OF SURVEY, AUGUST 1952

BASE OF BEARINGS:

THE BEARING OF N 09° 07' 10" E BEING THE NUBER 11 STAMPED "WILLIAMSON AND
 EDWARD L. B. 3248 S. N. C. 017-1984" AND THE BEARING OF S 70° 00' 00" W BEING THE
 NUMBER 11 STAMPED "WILLIAMSON AND EDWARD L. B. 3248 S. N. C. 017-1984" IN
 BOOK 672, PAGE 10, OF RECORDS OF ORANGE COUNTY
 BEARING, WAS USED AS THE BASIS OF BEARINGS FOR THIS MAP.

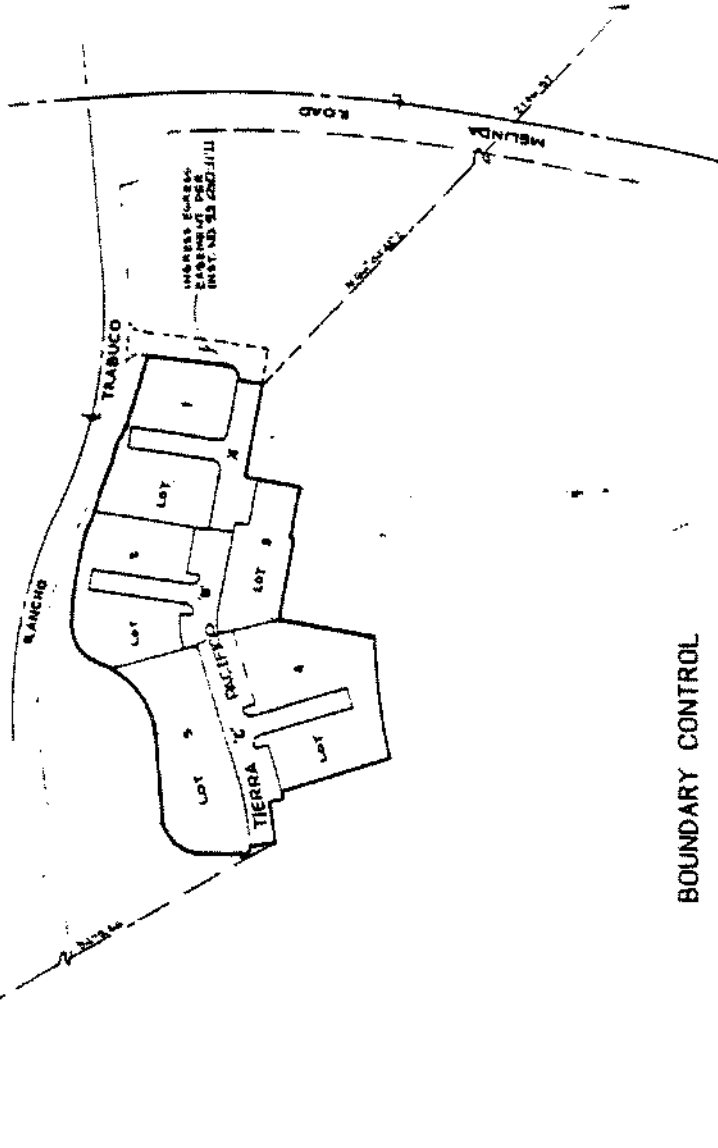
NOTES:

1. LOTS A THROUGH C ARE PRIVATE SHELTS AND ARE NOT
 BEHIND BUILDING SHELTS.
2. THE PRIVATE SHELTS CONSTRUCTED WITHIN THIS MAP
 SHALL BE OWNED, OPERATED AND MAINTAINED BY THE DEVELOPER. SUCH
 THE COUNTY OF ORANGE SHALL HAVE NO RESPONSIBILITY THEREFOR AND
 THE COUNTY OF ORANGE SHALL NOT BE RESPONSIBLE FOR THE SHELTS
 OF THE STATE OF CALIFORNIA. THE SAID PRIVATE SHELTS HAVE BEEN
 ACCEPTED INTO THE COUNTY ROAD SYSTEM BY APPROPRIATE RESOLUTION
 THE ORANGE COUNTY BOARD OF SUPERVISORS.
3. VEHICLES ARE ACCESS RIGHTS TO BELONG ALSO AND BARRIO TRABUCO 274
 STREET INTERSECTIONS AND APPROVED ACCESS LOCATIONS. WHEN BUILT
 TO THE COUNTY OF ORANGE PER TRACT 13679, N.M. 672/1-22
4. THE PROPERTY BOUND HEREIN IS IN-A-TION 1000 HIGHLAND AVE. 111
 HIGHLAND EXPORSE.

TO THE PLANNING AND SURVEYING
 WILLIAMSON AND EDWARD L. B. 3248 S. N. C. 017-1984
 242 020-1984 FEB 2 1953
 IN CONFORMANCE

515 S.R.

TO THE PLANNING AND SURVEYING
 WILLIAMSON AND EDWARD L. B. 3248 S. N. C. 017-1984



BOUNDARY CONTROL

LEGEND NOTES:

- 1 INDICATES AN EASEMENT FOR EGRESS AND PUBLIC SERVICE VEHICLE THROUGH
 AND CROSS PURPOSES DEDICATED TO THE COUNTY OF ORANGE HEREOF.
- 2 INDICATES AN EASEMENT FOR WATER LINE, WATER LINE AND UGHERS AND
 CROSS PURPOSES DEDICATED TO THE SANTA MARGARITA WATER DIST. HEREOF.

EMENT NOTES:

- 1 INDICATES THE LOCATION OF A 2" I.P. OR 2" W.P. OR 2" W.P. AND UNLESS STAMPED
 L.S. 4188 OR LEAD AND TACK TAGGED L.S. 4188 TO BE SET PER
 TRACT NO. 13679, N.M. 672/1-22.
- 2 INDICATES THE LOCATION OF A 2" I.P. OR 2" W.P. AND UNLESS STAMPED
 L.S. 4188 OR LEAD AND TACK TAGGED L.S. 4188 TO BE SET PER
 TRACT NO. 13679, N.M. 672/1-22.
- 3 INDICATES THE LOCATION OF A 2" I.P. OR 2" W.P. AND UNLESS STAMPED
 L.S. 4188 OR LEAD AND TACK TAGGED L.S. 4188 TO BE SET PER
 TRACT NO. 13679, N.M. 672/1-22.
- 4 INDICATES THE LOCATION OF A 2" I.P. OR 2" W.P. AND UNLESS STAMPED
 L.S. 4188 OR LEAD AND TACK TAGGED L.S. 4188 TO BE SET PER
 TRACT NO. 13679, N.M. 672/1-22.
- 5 INDICATES THE LOCATION OF A 2" I.P. OR 2" W.P. AND UNLESS STAMPED
 L.S. 4188 OR LEAD AND TACK TAGGED L.S. 4188 TO BE SET PER
 TRACT NO. 13679, N.M. 672/1-22.
- 6 INDICATES THE LOCATION OF A 2" I.P. OR 2" W.P. AND UNLESS STAMPED
 L.S. 4188 OR LEAD AND TACK TAGGED L.S. 4188 TO BE SET PER
 TRACT NO. 13679, N.M. 672/1-22.

TRACT NO. 14763

IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF ORANGE, STATE OF CALIFORNIA, TRACT NO. 14763, PART OF THE RECORDS OF ORANGE COUNTY, IN BOOK 67, PAGE 22 OF PUBLIC RECORDS FOR S. RECORDS OF ORANGE COUNTY, ADAMS, STREETER CIVIL ENGINEERS, INC. AND S. ADAMS & C.E. 21887

SEE SHEET 2 FOR BOUNDARY CONTROL AND SHEET INDEX MAP, BAG18 OF BEARINGS, MONUMENT NOTES, EMBLEM NOTES AND NOTES.

DATA TABLE

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DATA TABLE (CONT.)

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IMPRESS EGRESS BASHMENT PER INST. NO. 13-0417-171

FO 5/4" ALUMINUM CAP STAMPED WILLIAMSON AND DATED 1.3.3244 SMC DT-1284 PER R.S. NO. 95-106 IN CONCRETE

REMAINDER PARCEL A.P. NO. 639-040-06

FO 5/4" ALUMINUM CAP STAMPED WILLIAMSON AND DATED 1.3.3244 SMC DT-1284 PER R.S. NO. 95-106 IN CONCRETE

