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DECLARATION OF COVENANTS, CONDITIONS

AND RESTRICTIONS, AND

RESERVATION OF EASEMENTS FOR

MISSION TRAILS COLLECTION

A Residential Condominium Project

NOTE: AS MORE FULLY DESCRIBED IN THIS DECLARATION OR OTHERWISE PROVIDED BY DECLARANT, IN THE EVENT OF ANY DISPUTE(S) ARISING HEREUNDER, OR RELATING TO THE DESIGN AND/OR CONSTRUCTION OF THE PROJECT, SUCH DISPUTE(S) SHALL BE SUBMITTED TO A NONADVERSARIAL PROCEDURE AND IF NOT RESOLVED, SUBMITTED THEREAFTER TO AN ALTERNATIVE DISPUTE RESOLUTION PROCEDURE (e.g., BINDING ARBITRATION), AND AS A RESULT THEREOF, SUCH DISPUTE(S) WILL NOT BE LITIGATED IN A COURT BEFORE A JURY. ANY PERSON ACQUIRING PROPERTY IN THIS DEVELOPMENT KNOWINGLY AND VOLUNTARILY AGREES TO BE BOUND BY A PROCEDURE WHICH DOES NOT INCLUDE A RIGHT TO A JURY AND KNOWINGLY AND VOLUNTARILY CONSENTS TO THE PROJECT HOMEOWNERS ASSOCIATION'S AGREEMENT TO BE BOUND BY SUCH PROCEDURE.

IF THIS PROCEDURE IS UNACCEPTABLE, AN INDIVIDUAL OR ENTITY SHOULD NOT ACQUIRE PROPERTY IN THIS PROJECT.

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EXHIBITS:

- Exhibit A Legal Description of Phase 1
- Exhibit B Annexation Property
- Exhibit C Sample Form of Limited Warranty
- Exhibit D No Parking Areas
- Exhibit E Corporation Maintained Fences/Walls
- Exhibit F Corporation Maintained Storm Drainage Facilities
- Exhibit G Maintenance Matrix
- Exhibit H Corporation Maintained Private Common Water Lines and
Facilities
- Exhibit I Corporation Maintained Private Sewer Lines and
Facilities

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS, AND
RESERVATION OF EASEMENTS FOR
MISSION TRAILS COLLECTION

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS FOR MISSION TRAILS COLLECTION is made this 4th day of February, 2016, by CITY VENTURES HOMEBUILDING, LLC, a Delaware limited liability company (hereinafter referred to as the "Declarant").

W I T N E S S E T H:

A. Declarant owns that certain real property located in the City of Santee, County of San Diego, State of California, more particularly described on Exhibit "A" attached hereto (hereinafter referred to as the "Property" or "Phase 1").

B. Declarant desires to subdivide Lot 1 of City of Santee Tract No. 2014-01, as authorized by Section 66427 of the California Government Code, into "condominiums," as defined in Section 783 of the California Civil Code, and to develop Phase 1 and any of the "Annexation Property," as hereinafter defined, which is subsequently annexed to Phase 1 pursuant to the Article herein entitled "Annexation of Additional Property" as a common interest development, more particularly described in Section 4125 of the California Civil Code as a "condominium project" (hereinafter referred to as the "Project"), as more particularly described below.

C. Declarant deems it desirable to impose a general plan for the development, maintenance, improvement, protection, use, occupancy and enjoyment of the Project, and to establish, adopt and impose covenants, conditions, restrictions, easements, equitable servitudes, liens and charges (hereinafter referred to as the "Protective Covenants") upon the Project for the purpose of enforcing, protecting and preserving the value, desirability and attractiveness of the Project.

D. Declarant deems it desirable for the efficient enforcement, protection and preservation of the value, desirability and attractiveness of the Project to create a corporation which shall be delegated and assigned the powers of administering and enforcing the Protective Covenants.

E. The Mission Trails Collection Community Corporation, a California nonprofit, mutual benefit corporation, has been or

will be incorporated under the laws of the State of California for the purpose of exercising the aforesaid powers.

F. Declarant intends to convey Phase 1, and any and all real property annexed thereto, subject to the Protective Covenants set forth hereinbelow.

NOW, THEREFORE, pursuant to Sections 4000, et seq., of the California Civil Code, Declarant declares that it does hereby establish a general plan for the development, maintenance, care, improvement, protection, use, occupancy, management and enjoyment of the Project, and that all or any portion of the Project shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved, subject to the protective covenants set forth herein ("Protective Covenants"). Each and all of the Protective Covenants shall run with the Project, and shall be binding upon all persons having any right, title or interest in the Project, or any portion thereof, their heirs, successors and assigns, and shall inure to the benefit of and be binding upon Declarant, its successors and assigns, all subsequent owners of all or any portion of the Project, together with their grantees, heirs, executors, administrators, devisees, successors and assigns.

ARTICLE I

DEFINITIONS

Section 1. "Annexation Property" shall mean and refer to that certain real property described in Exhibit "B" attached hereto, including all Improvements (as defined below) constructed thereon, all or any portion of which may be annexed to Phase 1 as set forth in the Article herein entitled "Annexation of Additional Property."

Section 2. "Architectural Guidelines" shall mean and refer to those certain architectural standards, landscape standards and other general policies, procedures and criteria which may be adopted by the Board pursuant to this Declaration for use by the Architectural Review Committee in reviewing plans and specifications for proposed Improvements to an Owner's Condominium (e.g., Exclusive Use Corporation Property). The Architectural Guidelines are general guidelines and may be amended from time to time by a majority of the Board. A copy of the Architectural Guidelines may be obtained from the Architectural Review Committee.

Section 3. "Architectural Review Committee" shall mean and refer to the committee created pursuant to the Article herein entitled "Architectural Review - Approval."

Section 4. "Articles" shall mean and refer to the Articles of Incorporation of Mission Trails Collection Community Corporation, as filed in the Office of the Secretary of State of

the State of California, as such Articles may be amended, from time to time.

Section 5. "Assessments" shall be used as a generic term which shall mean and refer to the following:

(a) "Regular Assessment" shall mean and refer to the annual charge against each Owner and his respective Condominium representing a portion of the Common Expenses of the Corporation. The amount of the Regular Assessments levied by the Corporation shall include sums sufficient to cover the cost of all municipal charges imposed against the Corporation Property including, without limitation, sums sufficient to ensure the payment of invoices from the City for water, wastewater, and solid waste charges, as well as the cost of reading the submeters and billing and collecting amounts due from Owners based on such readings, as provided in Article VII of this Declaration, in the Section entitled "Sub-Metering of Water";

(b) "Compliance Assessment" shall mean and refer to the personal charge against an Owner representing the costs incurred by the Corporation to repair any damage to the Common Property (as defined below) for which such Owner (or any member of his family, or his guests, invitees, tenants or lessees) was responsible, the costs incurred by the Corporation to bring such Owner and his Condominium into compliance with this Declaration, and/or any amount due the Corporation based upon disciplinary proceedings against an Owner in accordance with this Declaration, or any amount due the Corporation to reimburse the Corporation for administrative costs attributable to an Owner as provided herein;

(c) "Special Assessment" shall mean and refer to the charge against an Owner and his respective Condominium representing a portion of the cost of reconstructing any damaged or destroyed portion or portions of the Common Property, of constructing or installing any capital improvements to the Common Property, or of taking any extraordinary action for the benefit of the Common Property or the membership of the Corporation, pursuant to the provisions of this Declaration. In addition, Special Assessment shall mean and refer to a reasonable fine or penalty assessed by the Board, plus interest and other charges on such Special Assessment as provided for herein; and

(d) "Special Benefit Assessment" shall mean and refer to a charge levied by the Corporation, as a component of the Regular Assessment, against an Owner and his respective Condominium to cover the expenses incurred by the Corporation in the operation, maintenance, repair and/or funding of reserves for a portion of the Project designated by Declarant or the Board as a "Special Benefit Area," which expenses are

allocable only to the Owners and their Condominium within such an Area.

Section 6. "Best Management Practices" shall mean and refer to those certain structural, treatment control, and non-structural water quality management practices set forth in, or otherwise required pursuant to, the Water Quality Management Plans ("WQMP") and Storm Water Management Plan ("SWMP") approved for or applicable to the Project, including without limitation any Operations & Maintenance Plan set forth therein. The structural and treatment control Best Management Practices may include, without limitation, landscape planting, hillside planting, roof runoff controls, efficient irrigation technology, slope and channel protection measures, storm drain signage, trash storage areas, litter control requirements, in-flow based treatment control BMPs (e.g., vegetated buffer strips, vegetated swales, multiple systems, bioretention basins, and hydrodynamic separation systems), volume based treatment control BMPs (e.g., wet ponds, constructed wetlands, extended detention basins, detention pipes, water quality inlets, retention/irrigation, infiltration basins, infiltration trenches, media filters, and manufactured proprietary devices), detention basins, retention basins, debris basins, "V" ditches, bench drains, catch basins, catch basin media filters, fossil filters, inlet trash racks, drainpacs and other storm drain filtration devices, energy dissipaters, culverts, pipes, and related storm drain and water quality facilities constructed in the Project. The non-structural Best Management Practices generally require the Corporation and the Owners and other residents within the Project to be aware of the sensitive natural environment surrounding the Project and to take appropriate actions to control runoff from the Project. With respect to the Corporation, the non-structural Best Management Practices may include: (i) providing informational materials to the Owners and other residents within the Project regarding general good housekeeping practices for protection of storm water quality; (ii) restricting certain activities addressed in the informational materials to protect the quality of water entering the storm drain system; (iii) managing the landscaping on the Corporation Property, including, without limitation, using fertilizers and pesticides in accordance with the "Management Guidelines for Use of Fertilizers and Pesticides" which is included, if applicable, in the appendix to the Water Quality Management Plans; (iv) performing on a regularly scheduled basis maintenance consisting, at a minimum, of litter control, emptying of common trash receptacles and sweeping of dumpster enclosures; (v) inspecting and cleaning the catch basins located on the Corporation Property; and (vi) sweeping any on-site private paved areas on a regular basis and prior to the rainy season. With respect to the Owners and other residents within the Project, the non-structural Best Management Practices may include, among other things, restricting certain activities to protect the quality of water entering the storm drain system (e.g., prohibiting the disposal of motor oil, paint products, car detergents and other pollutants into the storm drains in the Project). The Best Manage-

ment Practices are designed and intended to control runoff and must be implemented by the Corporation, and the Owners and other residents within the Project. The Best Management Practices may be modified from time to time by the Declarant or any public agency having jurisdiction regarding water quality for runoff waters from the Project in order to control runoff as the Project develops and runoff conditions change. Compliance by the Corporation and the Owners with the Best Management Practices, as they may be modified from time to time, may be monitored and enforced by any public agency having jurisdiction regarding water quality for runoff waters from the Project, including, without limitation, the City, County, Regional Water Quality Control Board, and State Water Resources Board. Failure to maintain the Best Management Practices will subject the Corporation and Owners to potential civil penalties.

Section 7. "Board" shall mean and refer to the Board of Directors of the Corporation, elected in accordance with the By-Laws of the Corporation and this Declaration.

Section 8. "By-Laws" shall mean and refer to the By-Laws of the Corporation which have been, or will be, adopted by the Board, as such By-Laws may be amended, from time to time.

Section 9. "CalBRE" shall mean and refer to the Bureau of Real Estate of the State of California, which administers the sale of subdivided lands pursuant to Sections 11000, et seq., of the California Business and Professions Code, or any similar California statute hereinafter enacted.

Section 10. "City" shall mean and refer to the City of Santee, California and its various departments, divisions, employees and representatives.

Section 11. "Common Area" in Phase 1 shall mean and refer to that certain portion of Phase 1 described as Module B on the Condominium Plan for Phase 1, and as more particularly described hereinbelow. Portions of the Annexation Property may be designated as additional "Common Area" for a subsequent Phase in any Notice of Annexation recorded in the Office of the County Recorder, in accordance with the Article herein entitled "Annexation of Additional Property."

Section 12. "Common Expenses" shall mean and refer to the actual and estimated costs to be paid by the Corporation for the common benefit of all Owners of Condominiums in the Project. Except as otherwise provided in this Declaration, the Common Expenses shall include all costs and expenses incurred by the Corporation in connection with the following: (a) owning, maintaining, managing, operating, repairing and replacing the Corporation Property; (b) managing and administering the Corporation, including, but not limited to, compensation paid by the Corporation to managers, accountants, attorneys, budget preparers, and other

consultants and any Corporation employees; (c) all general office and administrative expenses incurred by the Architectural Review Committee; (e) providing utilities and other services to the Corporation Property, and, if not separately metered, to the Condominium Units; (f) providing insurance (and paying deductibles) as provided for herein; (g) paying that portion of any Assessment attributable to Common Expenses not paid by the Owner responsible for payment; (h) paying taxes for the Corporation; (i) paying all reasonable out-of-pocket expenses actually incurred by the members of the Board and officers of the Corporation in performing their duties as provided herein (e.g., postage and photocopying); (j) enforcing the provisions of this Declaration, the By-Law, and Rules and Regulations; and (k) paying for all other goods and services as reasonably required by the Corporation to perform its powers and duties as set forth herein. Additionally, the Common Expenses shall include adequate reserves, as the Board shall determine to be appropriate, for the repair and replacement of those elements of the Corporation Property which must be repaired or replaced on a periodic basis, rather than on a regular annual basis. The Common Expenses do not include any actual or estimated costs to be paid by the Corporation for those Improvements to the Corporation Property which constitute Special Benefit Area Improvements and which are allocable as Special Benefit Expenses to the Owners of Condominiums within a Special Benefit Area.

Section 13. "Common Property" shall mean and refer collectively to all Common Area and to all Corporation Property in the Project. Common Property shall also include any additional Corporation Property and Common Area which are designated and described as such and which are annexed into the Project pursuant to a Notice of Annexation recorded in the Office of the County Recorder, in accordance with the Article herein entitled "Annexation of Additional Property."

Section 14. "Condominium" shall mean an estate in real property, as defined in California Civil Code Sections 4125(b) and 4185(a)(2), as same may be amended from time to time, consisting of a separate interest in a Condominium Unit, an undivided fractional fee interest in the Common Area of that Phase of the Project of which the Condominium is a part, as more particularly shown and described in a Condominium Plan affecting such Phase recorded in the Office of the County Recorder, together with all exclusive and nonexclusive easements appurtenant thereto. Condominiums in Phase 1 of the Project are more particularly described in Article III of this Declaration. Condominiums in any subsequent Phase may be described in a Notice of Annexation and in the Condominium Plan which are recorded that affect such Phase.

Section 15. "Condominium Plan" shall mean and refer to each of those instruments entitled "Condominium Plan," prepared in accordance with Sections 4120 and 4285-4295 of the California Civil Code, as the same may be amended, from time to time, and recorded in the Office of the County Recorder, affecting one (1) or more

Phases of the Project, and shall consist of (a) a description or survey map of the Project, which shall refer to or show monumentation on the ground; (b) a three-dimensional description of the Project, one or more dimensions of which may extend for an indefinite distance upwards or downwards in sufficient detail to identify the Common Area, each Condominium Unit and the Corporation Property; and (c) a certificate consenting to the recordation thereof signed and acknowledged by the record owner of fee title to the property included in the Condominium Plan, and by either the trustee or the beneficiary of each recorded deed of trust and the Mortgagee of each recorded Mortgage encumbering property included in the Condominium Plan. The Condominium Plan for Phase 1 shall be recorded prior to or concurrently with this Declaration, and the Condominium Plan for each subsequent Phase of the Project shall be recorded prior to or concurrently with the Notice of Annexation for such Phase.

Section 16. "Condominium Unit" shall mean and refer to the elements of a Condominium which are not owned in common with the Owners of other Condominiums in the particular Phase in which the Condominium is located. Condominium Units in Phase 1 are more particularly described in the Article herein entitled "Description of the Condominiums" and in the Condominium Plan recorded for such Phase. Condominium Units in subsequent Phases shall be described in a Notice of Annexation and in the Condominium Plan recorded for each respective Phase of the Project. For purposes of this Declaration, the term "Condominium Unit" is deemed to be a "separate interest," as defined in Sections 4125(b) and 4185(a)(2) of the California Civil Code, as same may be amended from time to time.

Section 17. "Corporation" shall mean and refer to Mission Trails Collection Community Corporation, a California nonprofit, mutual benefit corporation, in which all Owners shall have a membership interest as more particularly described hereinbelow, provided that membership shall be limited to Owners. In the event the Corporation as a corporate entity is dissolved, a nonprofit, unincorporated association shall forthwith and without further action or notice be formed to succeed to all of the rights and duties of said Corporation, as set forth herein. The affairs of such unincorporated association shall be governed by the By-Laws and this Declaration as if they were created for the purpose of governing the affairs of an unincorporated association.

Section 18. "Corporation Property" shall mean and refer to all personal property now or hereinafter owned by the Corporation and all that real property (and all Improvements thereon) owned in fee by the Corporation or over which the Corporation has an easement for the use, care, maintenance or other purpose for the common use, benefit, and enjoyment of all members as provided herein. In this first phase of the Project, the Corporation Property is that portion of Lot 1 of City of Santee Tract No. 2014-01, shown and described as Modules "A" and "D" on the Condominium

Plan (excepting therefrom the Condominium Units) and all that certain real property over which the Corporation has an easement for irrigation, landscaping, and/or maintenance. Modules "A" and "D," excepting therefrom the Condominium Units, will be conveyed to the Corporation. If the Project is completed as currently planned and all Annexation Property is annexed into the Project, the Corporation Property shall include, without limitation, all easements to the Corporation as set forth herein, the condominium buildings (excepting therefrom the Condominium Units), together with all Improvements including awnings, bearing walls, columns, beams, roofs, slabs, foundations, fences, exterior stairs and landings, reservoirs, tanks, pumps, common mailbox structures (excluding each Owner's individual mailbox and the hinges, locks, and keys thereof, which shall be maintained by the Owner), irrigation equipment (including, without limitation, irrigation controllers), the automatic fire sprinkler system, including sprinkler heads which protrude into the airspace of the Condominium Unit, if any, fire standpipes, fire alarm systems, exterior horn/strobe for waterflow notification, fire extinguishers, fire riser enclosures, and other fire prevention equipment and/or facilities located on or servicing/protecting the Corporation Property, and other central services, pipes, ducts, flues, chutes, conduits, wires, and other utility installations wherever located (except all utility lines, installations and/or outlets thereof when located within or exclusively serving one Condominium Unit, including the internal and external telephone wiring designed to exclusively serve a Condominium Unit), common stairwells, common recreational facilities (e.g., outdoor barbecue, outdoor furniture, overhead trellis structure, open space, etc.), common trash receptacles and recycling bins (if any), poles, sump pumps, sidewalks (if any), those portions of the sound walls, retaining walls, perimeter walls, and fences described and/or depicted as maintained by the Corporation on an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., Exhibit "E" hereto), the private drives, aisles and common parking areas, and private street improvements (e.g., street signs, traffic control signs, street lights, etc.), the common private water lines and facilities (including the master meter and submeters) described and/or depicted as maintained by the Corporation on Exhibit "H" attached hereto and/or to a recorded Notice of Annexation (excluding each water line which exclusively serves a Condominium), the common private sewer lines described and/or depicted as maintained by the Corporation in Exhibit "I" attached hereto and/or a recorded Notice of Annexation (excluding each sewer lateral which exclusively serves a Condominium), those portions of the private storm drain system for the Project described and/or depicted as maintained by the Corporation in an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., bioretention basins, catch basins, etc. - see Exhibit "F" hereto), poles, signs, Project monument signs and directories, exterior lighting (e.g., landscape lighting, photocell lighting on the buildings, and other lighting not controlled by a switch within the condominium units, etc.), and landscaping and irrigation improvements located on the Corporation Property,

excepting therefrom landscaping and improvements located in the Exclusive Use Corporation Property. Not all of the Corporation Property described in the preceding sentence may be included in Phase 1. Portions of the Annexation Property may be annexed separately or as part of a subsequent Phase and shall be designated as Corporation Property in any Notice of Annexation recorded in the Office of the County Recorder, in accordance with the provisions of the Article herein entitled "Annexation of Additional Property."

Section 19. "County" shall mean and refer to the County of San Diego, California, and its various departments, divisions, employees, and representatives.

Section 20. "Declarant" shall mean and refer to City Ventures Homebuilding, LLC, a Delaware limited liability company, and its successors and assigns, if such successors and assigns acquire any or all of Declarant's interest in the Property for the purpose of purchase or sale, excluding any Owners, and Declarant has expressly transferred or assigned to such successors or assigns its rights and duties as Declarant to all or any portion of the Project. For any successor assignee of "Declarant" to be deemed a Declarant under the terms of this Declaration, Declarant shall record in the County a document so designating said successor or assignee as Declarant. A successor Declarant shall also be deemed to include the beneficiary under any deed of trust securing an obligation from a then existing Declarant encumbering all or any portion of the Property, which beneficiary has acquired any such property by foreclosure, power of sale or deed in lieu of such foreclosure or sale.

Section 21. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements, and to all amendments to this Declaration as may be recorded, from time to time, in the Office of the County Recorder, in accordance with Section 4135 and Section 4250, et seq. of the California Civil Code.

Section 22. "Dispute" shall have the meaning set forth herein below.

Section 23. "Exclusive Use Corporation Property" shall mean those portions of the Corporation Property over which exclusive easements or licenses are reserved for the benefit of certain Owners, as described herein and shown on the Condominium Plan, including, without limitation, patios, air conditioning pads, solar panels, and internal and external telephone wiring designed to serve a single Condominium Unit but located outside the boundaries of the Condominium Unit, if applicable, in accordance with California Civil Code Section 4145, as same may be amended from time to time. The location of the Exclusive Use Corporation Property air conditioning pads shall be those locations as originally constructed by Declarant.

Section 24. "FHLMC" shall mean and refer to the Federal Home Loan Mortgage Corporation (The Mortgage Corporation) created by Title III of the Emergency Home Finance Act of 1970, as same may be amended, from time to time, including any successors thereto.

Section 25. "FNMA" shall mean and refer to the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, as amended, from time to time, including any successors thereto.

Section 26. "GNMA" shall mean and refer to the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, including any successors thereto.

Section 27. "Include, Including" (whether capitalized or not) shall mean "includes without limitation" and "including without limitation," respectively.

Section 28. "Improvements" shall mean and refer to all structures and appurtenances thereto of every kind, including, but not limited to, Condominium buildings (excluding the Condominium Units), open parking areas, swimming pools, spas, cabanas, private streets, drives, and aisles, street lights, pavement, sidewalks, walls, fences, decorative or informative signs, retaining walls, mail kiosks, trellises, television and radio antenna, common trash receptacles, if any, screens, private utility line connections, poles, signs, all Corporation Property landscaping and irrigation systems. Improvements shall also mean and refer to all additions and/or modifications to the exterior of any Condominium building, including, but not limited to, (a) painting the exterior of any Condominium building or other structure, (b) changing the roofing material on any Condominium building, and/or (c) building, constructing, installing, altering or planting, as the case may be, any spas, gazebos, stairs, screening walls or fences, shades, awnings, screen doors, exterior doors, skylights, solar heating panels, air conditioning and/or water softening or refining fixtures or systems, and all landscaping which left in its natural condition will grow to a height in excess of twenty feet (20').

Section 29. "Limited Warranty" shall mean and refer to the express written limited warranty to be provided by Declarant to the initial Owners who acquire a Condominium from the Declarant and, if applicable, any other express written warranty provided by Declarant to an Owner and/or the Corporation. A sample copy of the version currently available is attached hereto as Exhibit "C" and provided for illustrative purposes only. Each Owner shall be responsible to ensure that the subsequent purchaser of such Owner's Condominium, if applicable, is aware of the Limited Warranty and the procedures and forms which must be followed and executed to transfer such Limited Warranty, if applicable, to said subsequent purchaser.

Section 30. "Local Government Agency" shall mean and refer to the City, the County, a public school district, a public water district, and any other local or municipal government entity or agency including, without limitation, any community service area, special assessment district, maintenance district or community facilities district.

Section 31. "Lot" shall mean and refer to a plot of land which is separately described and numbered or lettered on a recorded tract map or parcel map as such plot of land may be modified or otherwise adjusted by a recorded lot line adjustment or recorded certificate of compliance.

Section 32. "Maintain, Maintenance" (whether capitalized or not) shall mean "inspect, maintain, repair and replace" and "maintenance, repair and replacement," respectively; provided, however, that "maintain" or "maintenance" shall not include inspection, repair and replace(ment) where the context or specific language of this Declaration provides another meaning.

Section 33. "Maintenance Guidelines; Maintenance Manual; Maintenance Obligations" shall mean and refer to any current written guidelines, setting forth procedures and standards for the maintenance and operation of Corporation Property Improvements or Condominiums that may be provided to the Corporation or Owners by Declarant or any governmental agency or manufacturer or set forth herein for the maintenance of Corporation Property or a Condominium and other Improvements Declarant has constructed on or in the Project. Maintenance Guidelines include any Maintenance Manual initially prepared at Declarant's direction, and recommended inspections and maintenance activities for components of the Corporation Property or Condominium and any Maintenance Obligations prepared by Declarant pertaining to same.

Section 34. "Member" shall mean and refer to every person or entity who holds membership in the Corporation, as more particularly set forth in the Article herein entitled "The Corporation," and shall be synonymous with the term "Owner."

Section 35. "Module" shall mean and refer to a separate three-dimensional volume of land and/or airspace shown and designated as a "Module" on a Condominium Plan. A Module may include Condominiums within its boundaries; however, the Condominiums are not and do not constitute Modules in and of themselves.

Section 36. "Mortgage" shall mean and include any mortgage or deed of trust, or other conveyance of a Condominium (or other portion of the Project) to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance, including an installment land sales contract (as described in Sections 2985 et seq. of the California Civil Code, as same may be amended, from time to time). The term "Deed of

Trust," when used herein, shall be synonymous with the term "Mortgage."

Section 37. "Mortgagee" shall mean and refer to a person or entity to whom a Mortgage is made, and shall include the beneficiary of a Deed of Trust or the vendor under an installment land sales contract, as the case may be, and the assignees of a Mortgagee, beneficiary or vendor.

Section 38. "Mortgagor" shall mean and refer to a person or entity who mortgages his or its Condominium to another, i.e., the maker of a Mortgage, and shall include a trustor of a Deed of Trust and the vendee under an installment land sales contract.

Section 39. "Notice and Hearing" shall mean and refer to written notice and the opportunity for a hearing before the Board or the Architectural Review Committee of the Corporation, as applicable, or other tribunal appointed by the Board in the manner provided in the By-Laws, at which the affected Owner shall have an opportunity to be heard in the manner provided herein and in the By-Laws.

Section 40. "Notice of Annexation" shall mean and refer to that certain document recorded for the purpose of annexing all or a portion of the Annexation Property into the Project, in accordance with the provisions of this Declaration, thereby subjecting said subsequent Phase to the provisions of this Declaration and to the jurisdiction of the Corporation.

Section 41. "Owner" shall mean and refer to one or more persons or entities who alone or collectively are the record owner, or owners, of fee simple title to a Condominium, excluding those persons or entities having any such interest merely as security for the performance of an obligation. If a Condominium has been sold under a land sales contract (as described in Sections 2985 et seq. of the California Civil Code, as same may be amended, from time to time), 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 of ten (10) or more years, including renewal periods, and the lease or memorandum thereof is recorded, the lessee or transferee of the leasehold interest and not the Declarant shall be deemed the Owner. If fee title to a Condominium is owned other than by Declarant, the Owner of the fee title and not the lessee of such Condominium shall be deemed the Owner regardless of the term of the lease.

Section 42. "Phase" shall mean and refer to a Lot, or Lots or portions thereof, improved with Condominiums or other Improvements which is (are) annexed into the Project in accordance with this Declaration, and which is (are) subject to a separate Final Subdivision Public Report issued by the CalBRE, unless the Phase consists only of Corporation Property which does not require a Final Subdivision Public Report.

Section 43. "Project" shall mean and refer to Phase 1 (and to all Improvements, including the Condominium Units, constructed thereon), together with all Common Property and to all portions of the Annexation Property which are annexed to Phase 1 in accordance with the applicable provisions of this Declaration.

Section 44. "Rules and Regulations" shall mean and refer to the Rules and Regulations adopted by the Board pursuant to the By-Laws or this Declaration, as they may be amended, from time to time.

Section 45. "VA/FHA" shall mean and refer to the United States Department of Veterans Affairs and/or Federal Housing Administration, including the department or agency of the United States government as shall succeed to the VA and/or FHA. For purposes of the FHA's requirements, including, without limitation, the certification by an attorney required by HUD Handbook 4150.1 Rev-1 that all "condominium legal documents" meet the HUD guidelines set forth in HUD Handbook 4265.1, Appendix 24, and state and local condominium laws, the Articles, By-Laws, Declaration, and Condominium Plan shall constitute the "condominium legal documents."

Section 46. "Water Quality Management Plans" shall mean and refer to all applicable plans and requirements for the management of storm water at the Project, including, without limitation, any applicable National Pollutant Discharge Elimination System ("NPDES") permit requirements, City of Santee Storm Water Management and Discharge Control Ordinance, City of Santee Standard Urban Storm Water Mitigation Plan adopted January 12, 2011 ("SUSMP"), Operation & Maintenance Plan, Storm Water Facilities Maintenance Agreement, Storm Water Pollution Prevention Plan ("SWPPP"), Water Quality Management Plan ("WQMP"), Storm Water Management Plan ("SWMP"), including any Operations & Maintenance Plan set forth therein, Drainage Area Management Plan ("DAMP"), Local Implementation Plan ("LIP"), and other storm water quality management plans that may be prepared and approved for the Project in compliance with applicable federal, state and local laws. The Water Quality Management Plans address water runoff generated by the development Improvements within the Project and will be monitored by various public agencies (e.g., the Regional Water Quality Control Board and the City). The Water Quality Management Plans contain, among other things, certain Best Management Practices that must be followed by the Corporation, the Owners, and/or other residents within the Project. The Water Quality Management Plans and the related Best Management Practices may be modified at any time by the Declarant and/or the public agencies having jurisdiction over such matters.

Section 47. Interpretation.

(a) General Rules. This Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for subdividing, maintaining, improving,

repairing and selling the Condominiums in the Project. As used in this Declaration, the singular includes the plural and the plural the singular. The masculine, feminine and neuter each includes the other, unless the context dictates otherwise.

(b) Articles, Sections and Exhibits. The Article and Section headings are inserted for convenience only and may not be considered in resolving questions of interpretation or construction. Unless otherwise indicated, any references in this Declaration to articles, sections or exhibits are to Articles, Sections and Exhibits of this Declaration. Except as otherwise noted herein (e.g., the sample form of Limited Warranty, which is attached hereto for illustrative purposes only and is not incorporated by reference), all exhibits attached to this Declaration are incorporated in this Declaration by this reference. The locations and dimensions of any Improvements depicted on the Exhibits attached hereto and to any Notice of Annexation are approximate only, and the as-built location and dimension of any such Improvements by Declarant shall control.

(c) Priorities and Inconsistencies. If there are conflicts or inconsistencies between this Declaration and the Articles, Bylaws, or Rules and Regulations, then the provisions of this Declaration shall prevail.

(d) Severability. The provisions of this Declaration are independent and severable. A determination of invalidity, partial invalidity or unenforceability of any one (1) provision of this Declaration by a court of competent jurisdiction does not affect the validity or enforceability of any other provisions of this Declaration.

(e) Statutory References. All references made in this Declaration to statutes are to those statutes as currently in effect or to subsequently enacted replacement statutes.

Section 48. Application of Definitions. The aforesaid definitions shall be applicable throughout this Declaration, and to any supplements or amendments hereto filed or recorded pursuant to the provisions of this Declaration, and to any Notice of Annexation for a subsequent Phase, unless otherwise indicated or the context shall prohibit such application.

ARTICLE II

INTRODUCTION TO MISSION TRAILS COLLECTION

Section 1. General Plan of Development. Mission Trails Collection is presently planned as a multi-phase condominium project, as defined in Section 4125(a) of the California Civil Code. Nothing in this Declaration and/or Notice of Annexation is

intended, or shall be interpreted, to constitute an "enhanced protection agreement" as defined in Section 901 of the California Civil Code. The Project will be developed in accordance with California Civil Code, Sections 4000, et seq., and in substantial conformance with the development plan, Condominium Plan, and the architectural plans and other plans submitted to and approved by the City (which plans may set forth the architectural style and the size of the Condominium Units). As of the recordation date of this Declaration, it is anticipated that the architectural style of the Condominiums will be attached Condominiums in a residential development, and that the square footages of the residential Condominium Units may range from approximately 1,745 to 1,882 square feet.

(a) As presently planned, Phase 1 will consist of approximately thirteen (13) residential Condominiums and Common Property. Each Condominium Unit will be completed prior to the close of escrow for the sale of such Condominium. The Condominiums are more particularly described in the Article herein entitled "Description of the Condominiums." The Owners in Phase 1 will receive title to their respective Condominium Units, various easements (exclusive and nonexclusive, as set forth in this Declaration), an undivided one/thirteenth (1/13th) interest in the Common Area in this Phase of the Project, and a membership in the Corporation.

(b) As presently planned, subsequent Phases of Mission Trails Collection may be annexed as more particularly set forth in this Declaration, and the Condominium Units in such Phases may or may not be of similar construction, size, and appearance as the Condominium Units in Phase 1. The Owners in subsequent Phases will receive title to their respective Condominium Units, various easements (exclusive and non-exclusive, as set forth in this Declaration and the Notice of Annexation recorded on said Phase), an undivided interest in the Common Area of such Phase, and a membership in the Corporation.

Section 2. Membership in Corporation. As more particularly set forth in this Declaration, each Owner of a Condominium in the Project shall automatically become a Member of the Corporation, and shall be obligated for the payment of Assessments to the Corporation. In addition, except as otherwise provided herein, each Owner, his family members, lessees, tenants, guests and invitees, will be entitled to the use and enjoyment of the Corporation Property within the Project, in accordance with this Declaration, the By-Laws and Rules and Regulations adopted by the Board.

Section 3. Annexation of Subsequent Phases Into the Corporation. At such time as future Phases are developed, if ever, Declarant may annex said Phases into the Corporation pursuant to the terms and conditions set forth herein. If Declarant elects to

annex said Phases, a Notice of Annexation shall be recorded on each Phase, which shall serve to impose the Protective Covenants set forth herein upon such Phase and to subject such Phase to the jurisdiction of the Corporation. The voting rights in the Corporation and the Assessments levied by the Corporation shall be adjusted as set forth herein.

Section 4. Declarant's Use of Private Drives, Aisles, and Common Parking Areas and Utilities. Declarant hereby reserves, together with the right to grant and transfer all or a portion of the same, until the earlier of when Declarant no longer owns an interest in City of Santee Tract No. 2014-01 or the Annexation Property or five years from the recordation of this Declaration, easement rights to use the private drives and aisles and common parking areas and any private utilities within the Project for, including, but not limited to, access and connection of utilities by Declarant for purposes of developing the real property comprising City of Santee Tract No. 2014-01 and the Annexation Property.

Section 5. Post Tension Slabs. Each Owner hereby acknowledges that the concrete slab for the building in which an Owner's Condominium Unit is located MAY be reinforced with a grid of steel cables which were installed in the concrete and then tightened to create very high tension. This type of slab is commonly known as a "Post Tension Slab." Each Owner further acknowledges cutting into a Post Tension Slab for any reason (e.g., to install a floor safe, to remodel plumbing, etc.) is very hazardous and may result in serious damage to the Condominium Unit and/or personal injury. By accepting a grant deed to the Condominium, each Owner hereby specifically covenants and agrees that:

(a) He/she shall not cut into or otherwise tamper with the Post Tension Slab;

(b) He/she shall not knowingly permit any other person to cut into or tamper with the Post Tension Slab so long as Owner owns any interest in the Condominium;

(c) He/she shall disclose the existence of the Post Tension Slab to any tenant, lessee, or grantee of the Condominium; and

(d) He/she shall indemnify and hold Declarant, and its respective officers, employees, contractors and agents, free and harmless from and against any and all claims, damages, losses, or other liability (including attorneys' fees) arising from any breach of this Section.

Section 6. Development Control. Nothing in this Article or elsewhere in this Declaration shall limit, restrict, abridge or control, in any manner whatsoever, Declarant's right to complete the planning, development, grading, construction, advertising,

marketing, leasing and sales of the Condominiums, and all other property within the Project (including any property which may be annexed thereto pursuant to the provisions of this Declaration), including, without limitation, the following specific rights, which may be exercised by Declarant, or by its agents and employees, in conjunction with such development and marketing of Condominiums in the Project. Therefore, Declarant shall have the right to: (a) complete construction of any Improvements in the Project; (b) redesign or otherwise alter the style, size, color or appearance of any Improvements in any portion of the Project owned by Declarant and implement an Assessment schedule thereon consistent with such development; (c) construct additional Improvements on any portion of City of Santee Tract No. 2014-01 and/or the Annexation Property owned by Declarant; (d) subdivide, resubdivide, adjust Lot lines, grade or re-grade any portion of the Project owned by Declarant; and (e) otherwise control all aspects of designing, constructing, and phasing the Improvements in the Project, and of marketing and conveying Condominiums in the Project. In furtherance thereof, Declarant hereby reserves, unto itself and its successors and assigns for so long as Declarant owns any interest in City of Santee Tract No. 2014-01 and/or the Annexation Property, however, not to exceed five years from the recordation of this Declaration, and is entitled to annex Annexation Property to the Project:

(a) A nonexclusive easement for ingress and egress on, over and across the Project as necessary to construct the Condominium Units and all other Improvements;

(b) The exclusive right to maintain one (1) or more sales office(s), model complex(es), construction trailer, interior design and decorator center(s) within property owned by Declarant, and parking area for employees, agents and prospective buyers;

(c) The exclusive right to place reasonable signs, flags, banners, billboards or other forms of advertising on any portion of the Project owned or controlled by Declarant and/or Corporation Property (specifically including the Project entry area), as Declarant deems necessary, irrespective of size, color, shape or materials of such items as long as such use does not unreasonably interfere with the Owners' reasonable use of the Corporation Property;

(d) A nonexclusive right to utilize the Corporation Property and any unassigned open parking spaces, if any, in connection with its program for the sale or leasing of Condominiums in the Project so long as such use is consistent with the Rules and Regulations and such use does not unreasonably interfere with the Owners' reasonable use of the Corporation Property and unassigned open parking spaces;

(e) The right to install, place, replace, construct, reconstruct, modify or remove any Improvement from any

Condominium owned by Declarant, as Declarant may, in its sole discretion, deem appropriate;

(f) The right to conduct any commercial activity upon any Condominium owned by Declarant which reasonably relates to the development, marketing, leasing or sale of the Condominiums or other property in the Project; and

(g) The right to utilize the Corporation Property in the Project for marketing and promotional activities; however, if these activities could result in excluding an Owner from the reasonable use of the Corporation Property, the Declarant must first obtain approval from the Board, which approval may be withheld in the sole and absolute discretion of the Board.

Each Owner hereby grants, upon acceptance of his deed to his Condominium Unit, an irrevocable special power of attorney to Declarant, for as long as Declarant has any ownership interest in City of Santee Tract No. 2014-01 or the Annexation Property, to execute and record all documents and maps necessary to allow Declarant to exercise its rights under this Declaration or to further the development and/or maintenance of City of Santee Tract No. 2014-01 and the Annexation Property.

Section 7. Non-Liability of Declarant. Nothing in this Article or elsewhere in this Declaration shall be understood or construed to compel Declarant to construct any subsequent Phase of the Project, nor to compel Declarant to annex said Phases into the Project. The purpose of this Article is merely to describe the legal relationship between the first and any subsequent Phases of the Project in the event all or any of such Phases shall be constructed and annexed into the Project.

Section 8. Mortgage Interest and Other Encumbrances to Take Subject to Power of Attorney. The acceptance or creation of any Mortgage or other encumbrance, whether or not voluntary, created in good faith or given for value, shall be deemed to be accepted or created subject to each of the terms and conditions of the power of attorney described hereinabove.

ARTICLE III

DESCRIPTION OF THE CONDOMINIUMS

Declarant, in order to establish a plan of Condominium ownership for Phase 1, does hereby declare that it has divided, and does hereby divide, Phase 1 into the following freehold estates:

Section 1. Condominium Unit. Each Condominium Unit shall be a separate interest, as defined in Sections 4125(b) and 4185(a)(2) of the California Civil Code, as same may be amended

from time to time, consisting of a Residential Airspace Element, and the Garage Airspace Element defined below in accordance with the plans and specifications for each Condominium Unit within Phase 1, as more particularly shown and described on the Condominium Plan:

(a) Residential Airspace Element. The residential airspace element is bound by and contained within the interior unfinished surfaces of the perimeter walls, floors, ceilings, windows, and doors of said element, and the airspace encompassed thereby, identified on the Condominium Plan by the word "Unit" or the letter "U" and its respective Condominium Unit number. The lower and upper boundaries of each residential airspace element are horizontal or sloped planes, the elevations of which are indicated in the diagrams (e.g., vertical sections) and/or tables, if any, set forth in the Condominium Plan. The lateral boundaries of each residential airspace element are vertical planes at the limits of the horizontal dimensions shown in the Condominium Plan for each residential airspace element.

(b) Garage Airspace Element. If applicable, the garage airspace element is bound by and contained within the interior unfinished surfaces of the perimeter walls, floors, ceilings, and garage door of said element, and the airspace encompassed thereby, identified on the Condominium Plan by the word "Garage" or the letter "G" and its respective Condominium Unit number. The lower and upper boundaries of each garage airspace element are horizontal or sloped planes, the elevations of which are indicated in the diagrams (e.g., vertical sections) and/or tables, if any, set forth in the Condominium Plan. The lateral boundaries of each garage airspace element are vertical planes at the limits of the horizontal dimensions shown in the Condominium Plan for each garage airspace element.

Each Condominium Unit includes both the portion of the building so described and the airspace so encompassed, all windows and doors of said Condominium Unit (including all locks, handles, latches, screens, weatherstripping, exterior doors, and the garage door), the forced air heating unit, the air conditioning compressor, if any, the hot water heater (which may be a tankless water heater), all utility laterals, lines, pipes and/or outlets when located within or exclusively serving said Condominium Unit (including the internal and external telephone wiring, and water and sewer laterals designed to exclusively serve the Condominium, no matter where such are located), all built-in appliances and fixtures, the garage door opener, and the interior staircase, if any, within the airspace of the Condominium Unit, but the following are not a part of the Condominium Unit: awnings, gutters and downspouts, bearing walls, columns, beams, floors, roofs, slabs, foundations, fences, exterior stairs and landings, reservoirs, tanks, pumps, those portions of the private on-site water lines for

fire suppression systems (if any) and fire sprinkler lines not maintained by the City, common mailbox structures (excluding each Owner's individual mailbox, together with the hinges, lock, and keys thereof), irrigation equipment (including, without limitation, irrigation controllers), fire sprinklers, including sprinkler heads which protrude into the airspace of the Condominium Unit, if any, fire standpipes, fire alarm systems, exterior horn/strobe for waterflow notification, fire extinguishers, and other fire prevention equipment and/or facilities located on or servicing/protecting the Corporation Property, and other central services, pipes, ducts, flues, chutes, conduits, wires, and other utility installations wherever located (except all utility lines, installations and/or outlets thereof when located within or exclusively serving one Condominium Unit, including the internal and external telephone wiring designed to exclusively serve a Condominium Unit), common stairwells, common recreational facilities (e.g., outdoor barbecue, outdoor furniture, overhead trellis structure, open space, etc.), common trash receptacles and recycling bins (if any), poles, sump pumps, sidewalks (if any), those portions of the sound walls, retaining walls, perimeter walls, and fences described and/or depicted as maintained by the Corporation on an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., Exhibit "E" hereto), the private drives, aisles and common parking areas, and private street improvements (e.g., street signs, traffic control signs, street lights, etc.), the common private water lines and facilities (including the master meter and submeters) described and/or depicted as maintained by the Corporation on Exhibit "H" attached hereto and/or to a recorded Notice of Annexation (excluding each water line which exclusively serves a Condominium), the common private sewer lines described and/or depicted as maintained by the Corporation in Exhibit "I" attached hereto and/or a recorded Notice of Annexation (excluding each sewer lateral which exclusively serves a Condominium), those portions of the private storm drain system for the Project described and/or depicted as maintained by the Corporation in an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., bioretention basins, catch basins, etc. - see Exhibit "F" hereto), poles, signs, Project monument signs and directories, exterior lighting (e.g., landscape lighting, photocell lighting on the buildings, and other lighting not controlled by a switch within the condominium units, etc.), and landscaping and irrigation improvements located on the Corporation Property, excepting therefrom landscaping and improvements located in the Exclusive Use Corporation Property.

Section 2. Presumption of Boundaries of Condominium Units. In interpreting this Declaration, the Condominium Plan, and all instruments of conveyance, the existing physical boundaries of the Condominium Unit, or of a Condominium Unit reconstructed in substantial accordance with the original Condominium Plan thereof, shall be conclusively presumed to be its boundaries, rather than the metes and bounds (or other description) expressed in this Declaration, Condominium Plan, or instrument of conveyance,

regardless of settling or lateral movement of the condominium building and regardless of minor variances between the boundaries shown in the Condominium Plan, in the deed and/or in this Declaration, and the actual boundaries of the condominium building.

Section 3. Common Area. The Common Area in Phase 1 consists of Module "B," as depicted on the Phase 1 Condominium Plan, but does not include any of the Condominium Units or Corporation Property. The Common Area is comprised of a three-dimensional airspace volume, the dimensions of which are more particularly described in the Condominium Plan.

Section 4. Exclusive Use Corporation Property. Exclusive Use Corporation Property shall mean and refer to that portion of the Corporation Property which is reserved for the exclusive use of the Owners of particular Condominium Units. An Exclusive Use Corporation Property constitutes an exclusive easement or license appurtenant to its assigned Condominium Unit, subject to the exclusive uses and purposes set forth herein. Each Exclusive Use Corporation Property patio, air conditioning pad, solar panel, and the Condominium Unit within Phase 1 to which such items are appurtenant (as applicable - the Condominiums may not have all of the Exclusive Use Corporation Property areas described below) is identified in the Condominium Plan as follows:

(a) Patio. If applicable, the patio area bound by and contained within the exterior finished surfaces of the perimeter walls, doors and/or windows of the adjoining residential element and garage element and the interior finished surfaces of the patio perimeter walls and/or fences and doors, identified in the Condominium Plan by the letter "P" and its respective Condominium Unit number, is hereby assigned to such Condominium Unit as shown on the Condominium Plan. The upper and lower boundaries shall be as shown and depicted on the Condominium Plan for this Phase. Any storage areas located in said patio area are considered part of the patio area even if not specifically depicted on the Condominium Plan.

(b) Air Conditioning Pad. The location of the Exclusive Use Corporation Property air conditioning pads shall be those locations as originally constructed by Declarant.

(c) Solar Panels. The location of the Exclusive Use Corporation Property solar panels shall be those locations as originally constructed by Declarant.

Subject to the provisions herein, including the Article herein entitled "Repair and Maintenance," and/or in a recorded Notice of Annexation, it shall be the obligation of each and every Owner to keep his respective Exclusive Use Corporation Property in a neat, clean, safe and attractive condition at all times and to maintain all aspects of the Owner's Exclusive Use Corporation Property. Should landscaping be placed on a patio, the Owner must take

adequate steps to capture water from such plants and to prevent any damage to the Project or unsightly conditions. The Board shall have the right to restrict pots or other items from being placed on top of or attached to any fence or railing or to allow the potted plants to grow on the exterior of a patio railing, fence or all or portions of a building. Each Owner shall be responsible to pay for the repairs of any damage which may be caused by the placing of landscaping (including potted plants) in his or her patio or other Exclusive Use Corporation Property area. No Owner shall make any improvements to his or her patio or other Exclusive Use Corporation Property area unless and until the Architectural Review Committee has approved plans of such Improvements showing such detail as the Architectural Review Committee or its consultant deems appropriate. The Architectural Review Committee shall have the right to restrict or prohibit any items from being placed on or attached to a patio which are within view of other Owners and which the Architectural Review Committee deems to be unattractive or not appropriate. Each Owner assumes all risks which may result from Improvements he or she makes to his or her patio or other Exclusive Use Corporation Property area or Condominium Unit, and each Owner indemnifies and holds harmless the Corporation, the Architectural Review Committee, Declarant and each other Owner from any claims, demands, liabilities, judgments, attorney's fees and other obligations which arise out of or are incurred in connection with the installation, existence or removal of such Improvements.

Section 5. Undivided Fractional Fee Interest in Common Area. The interest in the Common Area of Phase 1 hereby established and which shall be conveyed with each respective Condominium Unit in Phase 1 is a one/thirteenth (1/13th) undivided fractional fee interest. The above respective undivided fractional fee interest established and to be conveyed with the respective Condominium Units, as indicated above, cannot be changed. Declarant, for and on behalf of itself, and its successors, assigns and grantees, covenants and agrees that neither the Condominium Unit nor the respective undivided fractional fee interest in the Common Area shall be separately conveyed or encumbered. An otherwise valid conveyance or encumbrance referring only to the Condominium Unit shall also convey or encumber the respective undivided fractional fee interest in the Common Area. Any attempt to convey or encumber the undivided fractional fee interest in the Common Area without the respective Condominium Unit shall be null and void.

Section 6. Easements Over Corporation Property. Each Owner shall have a nonexclusive easement appurtenant to his or her Condominium for ingress, egress, use, and enjoyment in, on, over, under, across, and through the Corporation Property in the Project, except those portions of the Corporation Property set aside as Exclusive Use Corporation Property, subject to the provisions in this Declaration.

Section 7. Components of Condominium Ownership. Each Condominium in Phase 1 includes: (a) a separate interest in a

Condominium Unit, as defined in Section 1 hereinabove; (b) all easements, exclusive and nonexclusive, appurtenant to the respective Condominium Unit; (c) a one/thirteenth (1/13th) undivided fractional fee interest as tenants-in-common in the Common Area in this Phase of the Project; and (d) a membership in the Corporation.

Section 8. Condominium Numbering. The thirteen (13) individual Condominium Units in the first phase of development in the Project which are hereby established and which shall be individually conveyed are described and numbered on the Condominium Plan.

Section 9. Guest Parking Areas. Guest parking spaces shall be clearly marked and designated as such and shall not be used by or assigned to residents of the Condominium Units. The guest parking spaces are part of the Corporation Property and are subject to regulation by the Corporation (e.g., as set forth in Article IX, Sections 11 and 12, of this Declaration). Except as otherwise provided in this Declaration, the Condominium Plan, or determined by the Board in the Rules and Regulations, any other unassigned open parking areas, shall be used only for guest parking. Residents are required to park in their garages.

Section 10. Reservation of Easements Over Corporation Property For Subsequent Phases. Declarant hereby reserves the right to grant nonexclusive easements over the Corporation Property in Phase 1 (except any portions of the Corporation Property set aside as Exclusive Use Corporation Property and except for any portions subject to the rights reserved by Declarant as set forth in this Declaration) in favor of each Owner of a Condominium in a subsequent Phase at such time as the annexation of such Phase becomes effective, and the Owners of the Condominiums described in this Declaration shall automatically obtain nonexclusive easements over all Corporation Property which is a part of such subsequent Phase, except any portions of the Corporation Property set aside as Exclusive Use Corporation Property or subject to rights reserved by Declarant.

ARTICLE IV

RESERVATION OF EASEMENTS AND OTHER PROPERTY RIGHTS IN THE CORPORATION PROPERTY

Section 1. Owners' Easements. Every Owner shall have a nonexclusive right and easement of access, use and enjoyment in and to the Corporation Property in the Project (including, without limitation, a perpetual, non-exclusive, reciprocal easement over the private drives and aisles within the Project for purposes of ingress, egress, and access, and utilities and drainage as originally constructed by Declarant pursuant to the plans approved by the City). Said right and easement shall be appurtenant to and

shall pass with title to every Condominium, subject to the limitations set forth in Section 2 below.

Section 2. Limitations on Owners' Easement Rights. The rights and easements of access, use and enjoyment set forth in Section 1 hereinabove shall be subject to the provisions of this Declaration, including, but not limited to, the following:

(a) The right of Declarant to designate additional Common Area and Corporation Property by recordation of one (1) or more Notices of Annexation, pursuant to the provisions of the Article herein entitled "Annexation of Additional Property";

(b) The right of the Corporation to reasonably limit the number of guests of Owners;

(c) The right of the Corporation to establish and enforce reasonable Rules and Regulations pertaining to the use of the Corporation Property and Exclusive Use Corporation Property, including all facilities located thereon and to enact uniform and reasonable Architectural Guidelines, in accordance with the Article herein entitled "Architectural Review";

(d) The right of the Corporation, in accordance with its Articles, By-Laws and this Declaration, to borrow money with the assent of sixty-seven percent (67%) of the voting power of the Corporation, excluding Declarant, and/or to Mortgage, pledge, deed in trust or otherwise hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, for the purpose of improving or repairing the Corporation Property and related facilities;

(e) The right of the Corporation to suspend the voting rights and rights and easements of any Member (and the persons deriving such rights and easements from any Member) to use and enjoy any amenities on the Corporation Property (except for reasonable rights of access to such Member's Condominium) for the period during which any Assessment against such Member's Condominium remains unpaid and delinquent; and after Notice and Hearing, to impose monetary penalties or suspend such use rights and easements for a period not to exceed thirty (30) days for any noncontinuing violation of this Declaration or Rules and Regulations, it being understood that any suspension for either nonpayment of any Assessments or breach of such Rules shall not constitute a waiver or discharge of the Member's obligations to pay Assessments as provided herein;

(f) Subject to the terms and provisions of the Article herein entitled "Mortgagee Protection," the right of the Corporation to dedicate or transfer all or any part of the

Corporation Property to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Owners. No such dedication or transfer shall be effective unless: (1) an instrument approving said dedication or transfer is signed by two authorized officers of the Corporation attesting that Owners representing at least sixty-seven percent (67%) of the voting power of the Corporation, excluding Declarant, approved such action and is recorded in the Office of the County Recorder, and (2) a written notice of the proposed dedication or transfer is sent to every Owner not less than fifteen (15) days nor more than thirty (30) days in advance; provided, however, that the dedication or transfer of easements for utilities or for other public purposes consistent with the intended use of the Corporation Property shall not require the prior approval of the Members of the Corporation;

(g) The right of Declarant (and its respective sales agents, representatives and prospective purchasers) to the nonexclusive use of the Corporation Property, and the facilities located thereon, without charge for sales, display access and exhibit purposes; provided, however, that such use shall cease upon the date that Declarant no longer owns a Condominium in the Project, nor any Annexation Property. Such use shall not unreasonably interfere with the rights of enjoyment of the Corporation Property by other Owners;

(h) The right of the Corporation to perform and exercise its duties and powers as set forth herein;

(i) The right of Declarant to designate additional Corporation Property, pursuant to the terms of the Article herein entitled "Annexation of Additional Property";

(j) The right of the Corporation to approve, which approval shall not be unreasonably withheld, and impose various conditions on access to the Corporation Property for the purpose of allowing an Owner to maintain the Exclusive Use Corporation Property designed to exclusively serve his particular Condominium Unit (e.g., the right to require that only a contractor or other person approved by the Board enters the roof or other portion of the Corporation Property [including, without limitation, the roof and other portions of the buildings containing the Condominium Units] and to condition such entry on the contractor's or other person's compliance with reasonable requirements for the protection of the Corporation Property [e.g., requirements that the contractor be appropriately licensed, maintain insurance coverage on which the Corporation is named as an additional insured, and/or execute an indemnity agreement in favor of the Corporation]). This includes, but is not limited to, the right of the Corporation, acting through the Board, to reasonably restrict or condition access to roofs, maintenance

and landscaped areas, and similar areas of the Corporation Property (e.g., require that only a contractor or other person approved by the Board enter the roof or other portion of the Corporation Property, condition such entry on the contractor's or other person's compliance with requirements that the contractor or other person be appropriately licensed, maintain insurance coverage on which the Corporation is named as an additional insured, and/or execute an indemnity agreement in favor of the Corporation, etc) and to prohibit any modification to any portion of the Corporation Property (e.g., the condominium buildings);

(k) Other rights of the Corporation, the Architectural Review Committee, the Board, the Owners and Declarant with respect to the Corporation Property as may be provided for in this Declaration; and

(l) Any limitations, restrictions or conditions affecting the use, enjoyment or maintenance of the Corporation Property imposed by Declarant, or by the City, or other governmental agency having jurisdiction to impose any such limitations, restrictions or conditions, including, but not limited to, the rights of the City or such other governmental agency having jurisdiction to use their vehicles or appropriate equipment over those portions of the Corporation Property designed for vehicular movement to perform municipal functions or emergency or essential public services.

Section 3. Delegation of Corporation Property Use Rights. Subject to the rights reserved to the Corporation as set forth herein, any Owner who resides within the Project may delegate his rights of use and enjoyment to the Corporation Property to the members of his immediate family and their guests and invitees. In the event an Owner has rented or leased his Condominium, his rights to use and enjoy common amenities on the Corporation Property shall be automatically delegated to his tenants or lessees for the duration of their tenancy, and the Owner shall forfeit any rights to use and enjoy any common amenities on the Corporation Property (except those portions reasonably necessary to access said Owner's Condominium to perform normal functions of a landlord) for the duration of such tenancy. With respect to an installment land sales contract, the seller under the contract shall be deemed to have delegated his rights to use and enjoy any common amenities on the Corporation Property to the purchaser under the contract.

Section 4. Easements for Vehicular Traffic. In addition to the general right and easements for access, use and enjoyment granted herein, there shall be, and Declarant hereby reserves unto itself, and its successors and assigns, together with the right to grant and transfer all or a portion of the same, a nonexclusive appurtenant easement for vehicular ingress, egress and access over the private drives and aisles within the Project to among other things, (i) access any portion of the Annexation Property not

annexed to the Project and (ii) provide ingress, egress and access to and from any portion of the Annexation Property not annexed into the Project.

Section 5. Easements for Air Conditioners. As to any air conditioning compressor which Declarant located on or within a portion of the Corporation Property, there is hereby created, established and granted an exclusive easement on said portion of the Corporation Property for the permanent placement of such compressor in accordance with the as-built condition by Declarant. Additionally, and subject to restrictions, conditions, and limitations which may be imposed by the Board, each such affected Owner is granted an easement for ingress, egress and access on and over the Corporation Property to maintain, repair and replace his or her respective air conditioning compressor; provided, however, that the Board shall have the right to require that only a contractor or other person approved by the Board enter or conduct any activities affecting the roof or other portion of the Corporation Property (e.g., in connection with an Owner's maintenance of the air conditioner for his Condominium, etc.) and to condition such entry on the contractor's or other person's compliance with reasonable requirements for the protection of the Corporation Property (e.g., requirements that the contractor be appropriately licensed, maintain and provide the Corporation with written evidence of insurance coverage on which the Corporation is named as an additional insured, obtain the Corporation's written permission to access the roof, and/or execute an indemnity agreement in favor of the Corporation). The locations of the air conditioner pads shall be the as-built conditions of the air conditioner pads by Declarant.

Section 6. Easements for Utilities. The rights and duties of the Owners of Condominiums within the Project with respect to mechanical systems, sanitary sewer, water, electricity, gas, television cable and telephone lines, and other facilities, shall be governed by the following:

(a) Each respective utility company shall maintain all utility facilities and connections on the Project owned by such utility company; provided, however, that if any company shall fail to do so, it shall be the obligation of each Owner to maintain those facilities and connections located upon, within or exclusively servicing such Owner's Condominium (e.g., water and sewer laterals) which may be located within Corporation Property, and it shall be the obligation of the Corporation to maintain those facilities and connections located upon the Corporation Property and/or which provide service to more than one (1) Condominium. Notwithstanding the foregoing, internal and external telephone wiring designed to serve a single Condominium Unit, but located outside the boundaries of the Condominium Unit, shall be maintained by the Owner of said Condominium Unit. Additionally, the Corporation shall maintain, repair and replace any stamped concrete, if

any, in the Corporation Property that is damaged, destroyed or altered in any manner as a result of repair or maintenance work to utility facilities or connections performed by a utility company, unless such repair or maintenance work is caused by or the result of an Owner's, his family members', guests' or invitees' negligence or intentional conduct.

(b) Wherever mechanical systems, sanitary sewer, water or gas connections, fire alarm, suppression, or protection facilities, television cables, electricity or telephone lines are installed within the Project and it becomes necessary to gain access to said mechanical systems, connections, cables and/or lines through a Condominium Unit owned by someone other than the Owner of the Condominium Unit served by said mechanical systems, connections, cables and/or lines, the Owner of the Condominium Unit served by said mechanical systems, connections, cables and/or lines shall have the right, and is hereby granted an easement to the full extent necessary therefor, to enter upon such other Condominium Unit or to have the utility companies enter upon such other Condominium Unit to repair, replace and generally maintain said mechanical systems, connections, cables and/or lines.

(c) Whenever mechanical systems, sanitary sewer, water or gas connections, fire alarm, suppression, or protection facilities, television cables, electricity or telephone lines are installed within the Project, and said mechanical systems, connections, facilities, cables and/or lines serve more than one (1) Condominium Unit, the Owner of each Condominium Unit served by said mechanical systems, connections, facilities, cables and/or lines shall be entitled to the full use and enjoyment of such portions of same as service his Condominium Unit.

(d) In the event of a dispute between Owners respecting the repair or rebuilding of the aforesaid mechanical systems, connections, facilities, cables and/or lines, or the sharing of the cost thereof, upon written request of one (1) of such Owners addressed to the Corporation, the matter shall be submitted to the Board who shall decide the dispute, and the decision of the Board shall be final and conclusive on the Owners.

(e) Easements over the Project for the installation and maintenance of mechanical systems, electric and telephone lines, water, gas, fire alarm, suppression, and protection facilities, drainage and sanitary sewer connections and facilities, and television antenna cables and facilities, all as shown on the recorded map of the Project and/or the improvement plans submitted by Declarant and approved by the City, and as may be hereafter required or needed to service

the Project, are hereby reserved by Declarant, together with the right to grant and transfer all or a portion of the same.

(f) As required by the City, all new utility lines and equipment required to serve the Project shall be placed underground to the satisfaction of the City's Director of Development Services.

Section 7. Easements for Maintenance of the Corporation Property by the Corporation. There is hereby created, granted and reserved a nonexclusive easement in favor of the Corporation for ingress, egress and access on, over and across all portions of the Project (including but not limited to the Condominiums in the Project) as reasonably required by the Corporation to perform its maintenance obligations set forth in this Declaration or adopted by the Board. In the event it becomes necessary for the Corporation to enter upon any Condominium Unit or Exclusive Use Corporation Property for purposes of: (a) performing its maintenance obligations as set forth in this Declaration and/or the Rules and Regulations; or (b) bringing an Owner and/or his Condominium into compliance with this Declaration, in accordance with the provisions set forth herein, the Corporation, and its duly authorized agents and employees, shall have the right, after reasonable notice to the Owner and at a reasonable hour of the day, to enter upon or within such Owner's Condominium Unit and/or Exclusive Use Corporation Property for the performance of such work. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by such entry, the Corporation shall repair the same at its expense. Notwithstanding the foregoing, in the event of an emergency, or for regular maintenance obligations (e.g., the inspection of the fire sprinkler heads within the Condominium Units), such right of entry shall be immediate.

Section 8. Easements for Clustered Mailboxes. In order to comply with the various requirements of the City and the United States Postal Service, clustered mailboxes may be installed within the Project. Easements are hereby created on and over the affected portions of the Project and granted in favor of all Owners and the United States Postal Service for delivery, deposit and retrieval of mail. The Corporation shall maintain mailboxes in the Project not otherwise maintained by the United States Postal Services (excluding each Owner's individual mailbox, together with the hinges, lock, and keys thereof, which shall be maintained by the Owner).

Section 9. Easements Over Sidewalks. There are hereby created and reserved non-exclusive reciprocal appurtenant easements, granted in favor of all Owners, the members of their families, their lessees and tenants and/or their respective guests and invitees, for pedestrian access, use and enjoyment on, over and across all sidewalks and walkways within the Corporation Property, if any.

Section 10. Easements for Drainage. There are hereby created, granted and reserved over the Corporation Property and Condominiums easements for drainage according to the established patterns for drainage created by the approved grading and/or building plans for the Project, as well as according to Declarant's as-built condition, and the actual, natural, and existing drainage patterns. Each Owner shall maintain his respective Condominium Unit and Exclusive Use Corporation Property in such a manner to ensure that no water collects or ponds in any location adjacent to any walls or fences, if any, of the immediately adjacent Condominium. Without limiting potential liability as a result of other activities or actions, each Owner shall be liable for any damage that occurs to the Corporation Property and/or a Condominium as a result of an Owner's modifications to such Owner's Condominium Unit or Exclusive Use Corporation Property. Each Owner covenants and agrees that he shall not obstruct or otherwise interfere with the drainage patterns of waters over the patio of his Condominium, or, in the alternative, that in the event it is necessary and essential to alter said drainage patterns, he will make adequate provisions for proper drainage and submit such plans for written approval by the Architectural Review Committee.

Section 11. Easement for Area Drains. Declarant hereby establishes, reserves, and grants to the Corporation and Owners, nonexclusive reciprocal easements over the Corporation Property for drainage purposes to accommodate the drainage system, including, but not limited to area drains and pipes, originally installed by Declarant. The Condominium Owner served by said drainage system shall be responsible to maintain and preserve said system (e.g., within his Exclusive Use Corporation Area) in an operating condition to ensure proper drainage on, over, under, across and through the patio area of his Condominium (if applicable) in accordance with the drainage patterns created by the as-built condition by Declarant for the Project, and shall bear the cost of the maintenance, repair or replacement associated with the drainage system (e.g., inlet structures, area drains, drain lines, etc.) which affects his Condominium. No Owner shall alter in any manner whatsoever, or remove the drainage system without the prior written approval of the Board. In the event any portion of the drainage system is damaged, destroyed or not properly maintained, any Condominium Owner affected by such drainage system may cause said repair, restoration or maintenance work to be completed and shall be entitled to recover the appropriate expenses from the Owner responsible for such damage, destruction or improper maintenance. Notwithstanding the foregoing, if any portion of the drainage system is damaged or destroyed as a proximate result of any act or omission of any Owner, or any member of his family, guests, tenants, lessees and/or invitees (without regard to fault), such Owner shall immediately notify the Corporation of such damage or destruction and shall bear all of the costs related thereto, including any cost and/or expense related to the repair of the drainage system and any personal injury or property damage to any person or Condominium in the Project.

Section 12. Easements for Construction and Sales. Declarant hereby reserves unto itself, and its successors and assigns, together with the right to grant and transfer all or a portion of the same, until the earlier of such time as Declarant no longer has an ownership interest in City of Santee Tract No. 2014-01 or the Annexation Property or five years from the recordation of this Declaration, nonexclusive easements for access, ingress and egress on and over the Project to carry on normal sales activity, including the operation of a models complex, sales office and parking area, and the display of promotional signs and exhibits in connection with the sale or lease of Condominiums in the Project.

Section 13. Easements for Master Antennae, Cable Television and Alarm System Cabling. There are hereby reserved for the benefit of Declarant, and its successors and assigns, together with the right to grant and transfer all or a portion of the same, nonexclusive easements of access, ingress and egress to the Project for purposes of installation, operation, maintenance, repair, inspection, replacement and removal of master antennae, cable television service lines, alarm system cabling and all related facilities and equipment. Such easements shall be freely transferable to any other person or entity for the purpose of providing such services. All such master antennae, cable television service lines and alarm system cabling shall remain the property of Declarant or its successors and assigns. The exercise of all rights reserved hereunder shall not unreasonably interfere with the reasonable use and enjoyment of the Project. Declarant, or its successors and assigns, shall be responsible for any damage in any way arising out of, or in connection with, the rights and activities reserved hereunder.

Section 14. Reservation of Construction Rights by Declarant. In addition to the rights reserved by Declarant to control development of the Project as set forth herein, including, but not limited to, in the Article entitled "Introduction to Mission Trails Collection," nothing in this Declaration shall limit the right of Declarant to maintain temporary fences, limit access by Owners to portions of the Corporation Property, establish, reserve and/or grant additional licenses, easements and rights-of-way in favor of Declarant, utility companies or others as may, from time to time, be reasonably necessary for the development of the Project and the sale of the Condominiums therein. The foregoing rights established and reserved by Declarant shall be subject only to the applicable regulations and requirements of the City and the CalBRE and shall not result in the interference with the reasonable and regular use and enjoyment of the Corporation Property by Owners.

Section 15. Easement for Public Service Uses. In addition to the foregoing easements over the Corporation Property, there are hereby created, established and granted easements for public services, including, but not limited to, the right of police, fire, ambulance and other public services to enter upon any

part of the Project for purposes of serving the health and welfare of all Owners in the Project.

Section 16. Control of Corporation Property. Control and/or title of the Corporation Property in any Phase (excluding those portions of the Corporation Property which are subject to the various rights reserved by Declarant as set forth in this Declaration) shall be turned over by Declarant to the Corporation prior to or simultaneously with the first close of escrow for the sale of a Condominium in the applicable Phase. Without limiting the generality of the foregoing, Declarant shall convey fee title to Corporation Property in each Phase to the Corporation free and clear of all encumbrances and liens, except property rights in and to the Corporation Property which are of record or created herein or in a Notice of Annexation, and any current real property taxes, which shall be prorated to the date of transfer. As more particularly set forth in the Article herein entitled "Enforcement of Bonded Obligations," in the event that Improvements proposed to be constructed within the Corporation Property in a Phase have not been completed prior to the first close of escrow in such Phase, as may be evidenced by a Notice of Completion recorded in the Official Records of the County, the completion of such Improvements shall be assured in accordance with Section 11018.5 of the California Business and Professions Code, or any similar statute hereinafter enacted, and the applicable regulations of the CalBRE. The Corporation shall be obligated to undertake all maintenance responsibilities for the Corporation Property in a Phase when the Corporation levies Assessments for the maintenance thereof, or when the City approves the Corporation Property Improvements (as evidenced by the release by the City of any bonds posted by Declarant as required by City for said Corporation Property) installed by Declarant, whichever is first to occur. Notwithstanding the foregoing, if the contractors or subcontractors of Declarant are contractually obligated to maintain or warrant the landscaping or other Improvements on the Corporation Property for a specified period in which said contractors or sub-contractors shall perform such maintenance, the Corporation shall not interfere with the performance of such warranty or other contractual maintenance obligations. Maintenance performed by such contractors or subcontractors shall not serve to postpone the commencement of Assessments pursuant to this Declaration, nor entitle an Owner to claim any offset or reduction in the amount of such Assessments. Declarant is not obligated to install any Corporation Property Improvements other than those required by the City pursuant to the Project approval requirements. The nature, design, quality and quantity of all Improvements to the Corporation Property shall be determined by Declarant in its sole discretion in accordance with the terms of the Project approvals. In the event that a dispute arises between Declarant and the Corporation with respect to the nature, design, quality or quantity of the Improvements, or the acceptance of maintenance responsibilities therefor, the Corporation shall be obligated to accept ownership and/or control of the Corporation Property and undertake maintenance responsibilities

pending resolution of the dispute. Notwithstanding anything to the contrary herein or in the By-Laws for the Board, commencing on the date of the first annual meeting of the Owners, Declarant shall relinquish control over the Corporation's ability to decide whether to initiate a construction defect claim under Division 2, Part 2, Title 7 (commencing with Section 895) of the California Civil Code. Therefore, the Declarant, current employees and agents of Declarant, Board members who are appointed by Declarant, Board members elected by a majority of votes cast by Declarant, and all other persons whose vote or written consent is inconsistent with the intent of the preceding sentence, are prohibited from participating and voting in any decision of the Corporation or Owners to initiate a defect claim.

Section 17. Easements for Encroachments. Declarant reserves for its benefit and the benefit of the Owners, and hereby creates, establishes, and grants to the Owners a reciprocal easement appurtenant to each Condominium over the Condominium Units and Common Property for the purpose of (i) accommodating any existing encroachment of any wall, eave, overhangs, and/or wing walls of any Improvement existing only as of the date the escrow initially closed for the sale of the Condominium from the Declarant to an Owner, and (ii) maintaining the same and accommodating authorized construction, reconstruction, repair, shifting, movement, or natural settling of such encroachments or Improvements. Declarant further reserves reciprocal easements for utility services and repairs, replacement and maintenance of the same over the Common Property for the benefit of the Owners. Use of the foregoing easements may not unreasonably interfere with each Owner's use and enjoyment of Owner's respective Condominium.

Section 18. Other Easements. In addition to the foregoing, the Project is subject to all easements set forth on the recorded maps of City of Santee Tract No. 2014-01, as well as any and all other easements recorded against the property comprising the Project in the Office of the County Recorder. Declarant reserves for its benefit a non-exclusive easement over the entirety of the Project as reasonably necessary to maintain, repair, and replace any Improvements (including, without limitation, storm drainage facilities and other Best Management Practices) that have not yet been conveyed to the Corporation.

ARTICLE V

THE CORPORATION

Section 1. Membership. Every person or entity who or which is an Owner, as defined hereinabove, shall be a Member of the Corporation. The foregoing is not intended to include persons or entities who hold an interest in a Condominium in the Project merely as security for the performance of an obligation.

Section 2. Voting Rights. The Corporation shall have two (2) classes of voting membership, as follows:

Class A. Class A Members shall be all Owners, with the initial exception of the Declarant until the conversion of the Class B Members to Class A Members, and shall be entitled to one (1) vote for each Condominium owned. When more than one (1) person holds an interest in any Condominium, all such persons shall be Members. The vote for such Condominium shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Condominium. The Corporation shall recognize the vote cast by a co-Owner, unless another co-Owner shall cast a conflicting vote, in which case both votes shall be null and void, and not recognized by the Corporation. The nonvoting co-Owner or co-Owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly-owned Condominium.

Class B. The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each Condominium owned in the Project upon which Declarant is then paying the appropriate monthly Assessments provided for hereinbelow. The Class B membership shall cease and be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

(a) The second anniversary of the first close of escrow for the sale of a Condominium pursuant to the original issuance by the CalBRE of the most recently issued Final Subdivision Public Report for a Phase of the Project; or

(b) The fourth anniversary of the first close of an escrow for the sale of a Condominium pursuant to the original issuance by the CalBRE of a Final Subdivision Public Report for Phase 1.

Any action by the Corporation which must have the approval of the membership of the Corporation before being undertaken shall require the vote or written assent of both a majority of the Class B membership as well as a majority of the Class A membership, so long as there are two (2) outstanding classes of membership, unless a specific provision of this Declaration or the By-Laws or Articles of the Corporation requires (i) the approval of a greater percentage of the voting membership, or (ii) a vote by Members other than Declarant, or (iii) a specific approval percentage of all the Members. Notwithstanding the foregoing, any action by the Corporation pursuant to the Article contained herein entitled "Enforcement of Bonded Obligations" shall only require a majority of the voting power of the Owners, other than Declarant.

Section 3. Special Appointment to the Board. Notwithstanding the foregoing, the Class A Members shall be

entitled to elect at least one of the members of the Board, so long as there are two (2) classes of membership outstanding in the Corporation. The requirements of this Section 3, as well as Section 2 above, of this Article V are intended and shall be construed to comply with the time frame and other requirements set forth in California law and the regulations of the California Commissioner of Real Estate (e.g., CalBRE Regulation 2792.18, 2792.19, etc.) regarding the transfer of control of the Corporation from the Declarant to the Members.

Transfer of control of the Corporation shall pass to the Owners of Condominiums no later than the latest of the following: (a) one hundred twenty (120) days after the date by which seventy-five percent (75%) of the Condominiums in the Project have been conveyed by the Declarant to the Owners; (b) three (3) years after completion of the Project, as evidenced by the first conveyance of a Condominium by Declarant to an Owner; or (c) the time frame established under California or local condominium laws if specific provisions regarding the transfer of control exist.

Section 4. Adjustment of Voting Rights. The voting rights in the Corporation shall be adjusted on the first day of the first month immediately following the first close of an escrow for the sale of a Condominium in each Phase of the Project.

Section 5. Vesting of Voting Rights. The voting rights attributable to any given Condominium in the Project, as provided for herein, shall not vest until the Assessments provided for hereinbelow have been levied by the Corporation against said Condominium.

Section 6. Suspension of Voting Rights. As more particularly set forth in the Article entitled "General Provisions," the Board shall have the authority, among other things, to suspend the voting rights of any Member to vote at any meeting of the Members for any period during which such Owner is delinquent in the payment of any Assessment, regardless of type, it being understood that any suspension for nonpayment of any Assessment shall not constitute a waiver or discharge of the Member's obligation to pay the Assessments provided for in this Declaration.

Section 7. Transfer. The Corporation membership held by any Owner of a Condominium shall not be transferred, pledged or alienated in any way, except as incidental to the sale of such Condominium. In the event of such sale, the Corporation membership may only be transferred, pledged or alienated to the bona fide purchaser or purchasers of the Condominium, or to the Mortgagee (or third party purchaser) of such Condominium upon a foreclosure sale. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Corporation. The Corporation may levy a reasonable transfer fee against new Owners and their Condominiums (which fee shall be a Compliance Assessment chargeable to such new Owner) to reimburse the Corporation for the

actual administrative cost of transferring the memberships to the new Owners on the records of the Corporation.

Section 8. Record Dates. For the purposes of determining Members entitled to notice of any meeting, to vote or to exercise any other rights in respect of any lawful action, the Board may fix in advance record dates as provided in the By-Laws.

ARTICLE VI

POWERS AND DUTIES OF THE CORPORATION

Section 1. Management Body. The Corporation is hereby designated as the management body of the Project. The Members of the Corporation shall be the Owners in the Project as provided herein, and the affairs of the Corporation shall be managed by a Board of Directors, as more particularly set forth in the By-Laws. The initial Board shall be appointed by the Declarant. Thereafter, the Directors shall be elected as provided in the By-Laws.

Section 2. Powers. The Board, for and on behalf of the Corporation, shall have the right and power to do all things necessary to conduct, manage and control the affairs and business of the Corporation. Subject to the provisions of the Articles, the By-Laws and this Declaration, the Board shall have all general powers authorized under the California Corporations Code for nonprofit, mutual benefit corporations, and shall have the following specific powers:

(a) Enforce the provisions of this Declaration (including, but not limited to, the ability to record a notice of noncompliance or violation, unless otherwise provided by common law), including any amendments thereto, and all contracts or any agreements to which the Corporation is a party;

(b) Acquire, manage, maintain, repair and replace all Corporation Property and Improvements located thereon, including all personal property, in a neat, clean, safe and attractive condition at all times, and pay for all utilities, gardening, irrigation water, and other necessary services for the Corporation Property, all as more specifically set forth herein, including the Article entitled "Repair and Maintenance", and any recorded Notice of Annexation;

(c) Maintain fire, casualty, liability and fidelity bond coverage, and other insurance coverage pursuant to the terms of that Article herein entitled "Insurance";

(d) Obtain, for the benefit of the Corporation Property, all commonly metered water (e.g., domestic and fire

water), sewer, gas and electric services, refuse collection and cable (or master antenna) television service, if any;

(e) Employ and retain a professional manager and/or management company to perform all or any portion of the duties and responsibilities of the Board and engage such other personnel (including attorneys, budget preparers, and accountants) as necessary for the operation of the Project and administration of the Corporation;

(f) Pay all taxes and special assessments which would be a lien upon the entire Project or the Corporation Property, and discharge any lien or encumbrance levied against the entire Project or the Corporation Property;

(g) Pay for reconstruction of any portion of the Corporation Property damaged or destroyed;

(h) Delegate its powers;

(i) Adopt reasonable Rules and Regulations concerning the maintenance, improvement, use and/or occupancy of the Project and election procedures in compliance with California Civil Code Section 4340-4370;

(j) Enter into any Condominium when necessary in connection with maintenance or construction for which the Corporation is responsible;

(k) Execute lot line and condominium boundary adjustments (and corresponding deeds), enter into a maintenance and/or other agreement with Declarant or a third party, subject to Civil Code Section 4600, if applicable, grant fee title to or easements over the Corporation Property to Declarant or a third party, and/or receive fee title to or an easement over real property owned by Declarant or a third party as reasonably necessary due to those conditions in the field where it is not readily apparent where Lot lines are located and the respective party's maintenance responsibilities commence and end, and such adjustments, deeds and/or agreements will promote a clearly defined and uniform maintenance plan by the respective parties or as otherwise determined appropriate by a majority vote of the Board;

(l) Grant exclusive easements or licenses over portions of the Corporation Property in accordance with California Civil Code Section 4600, as same may be amended from time to time, and (where required by law) with the assent of sixty-seven percent (67%) of the voting power of the Corporation;

(m) Levy and collect Assessments on all Condominiums in the Project for which Assessments have commenced, and

enforce payment of such Assessments in accordance with the terms and provisions set forth in the Article herein entitled "Effect of Nonpayment of Assessments: Remedies of the Corporation";

(n) Subject to compliance with Section 5925 et seq. of the California Civil Code, as same may be amended from time to time, institute, defend, settle or intervene on behalf of the Corporation in any dispute resolution proceeding in matters pertaining to (i) enforcement of the Declaration, Rules and Regulations and By-Laws; (ii) damage to the Common Property; (iii) damage to the Condominium Units which arises out of, or is integrally related to, damage to the Common Property that the Corporation is obligated to maintain or repair;

(o) Negotiate and enter into agreements for Telecommunication Services, with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%);

(p) Negotiate and enter into agreements with nonprofit corporations (e.g., governing portions of City of Santee Tract No. 2014-01 and/or the Annexation Property, including the streets and recreational amenities located thereon) or Local Government Agencies;

(q) Negotiate and enter into contracts in which the Corporation enters into litigation or any alternative dispute resolution procedure when the Corporation's obligation to pay for services is set in whole or in part on a contingency basis except (i) contracts for collection of assessment or other accounts receivable; (ii) contracts involving evaluation of services; or (iii) contracts with a total amount to be paid by the Corporation less than Forty Thousand Dollars (\$40,000.00);

(r) As applicable, comply with terms and provisions of California Civil Code Section 6000, as amended, in connection with any potential litigation based upon a claim for defects in the design or construction of the Corporation Property;

(s) Execute all necessary documents in order to effectuate the Limited Warranty;

(t) Authorize an agent, management company representative, or bookkeeper to appear and participate in a small claims court action on behalf of the Corporation in accordance with California Code of Civil Procedure Section 116.540(i), (j);

(u) Without any limitation of the foregoing powers, (i) operate, maintain, and inspect the Corporation Property and its various components in conformance with any Maintenance Guidelines and any Maintenance Manual, and (ii) review any Maintenance Manual for necessary or appropriate revisions as deemed necessary by the Board (Declarant recommends at least an annual review); and

(v) Perform any and all other acts and things that a nonprofit, mutual benefit corporation organized under the laws of the State of California is empowered to do, which may be necessary, convenient or appropriate in the administration of its affairs for the specific purposes of meeting its duties as set forth in this Declaration.

Section 3. Duties. The Board shall perform and execute the following duties for and on behalf of the Corporation:

(a) Provide or cause to be provided (e.g., by a private or public entity), water, sewer, gas, electricity, garbage and trash collection, regular periodic drainage device clearing and other necessary utility services for the Corporation Property, if any, and, if not separately metered or provided, for the Condominium Units (subject to reimbursement);

(b) Provide insurance for the Corporation and its Members in accordance with the provisions of the Article hereinbelow entitled "Insurance," and distribute notices as may be required by law;

(c) Acquire, own, maintain and repair all portions of the Corporation Property (including any Corporation Property which is annexed into the Project) in a neat, clean, safe, attractive, sanitary and orderly condition at all times. Without limiting the generality of the foregoing, if the Project is completed as currently planned and all Annexation Property is annexed into the Project, the Corporation shall be responsible for maintaining all easements to the Corporation as set forth herein, the condominium buildings (excepting therefrom the Condominium Units), together with all Improvements including awnings, bearing walls, columns, beams, roofs, slabs, foundations, fences, exterior stairs and landings, reservoirs, tanks, pumps, common mailbox structures (excluding each Owner's individual mailbox and the hinges, locks, and keys thereof, which shall be maintained by the Owner), irrigation equipment (including, without limitation, irrigation controllers), the automatic fire sprinkler system, including sprinkler heads which protrude into the airspace of the Condominium Unit, if any, fire standpipes, fire alarm systems, exterior horn/strobe for waterflow notification, fire extinguishers, fire riser enclosures, and other fire prevention equipment and/or facilities located on or servic-

ing/protecting the Corporation Property, and other central services, pipes, ducts, flues, chutes, conduits, wires, and other utility installations wherever located (except all utility lines, installations and/or outlets thereof when located within or exclusively serving one Condominium Unit, including the internal and external telephone wiring designed to exclusively serve a Condominium Unit), common stairwells, common recreational facilities (e.g., outdoor barbecue, outdoor furniture, overhead trellis structure, open space, etc.), common trash receptacles and recycling bins (if any), poles, sump pumps, sidewalks (if any), those portions of the sound walls, retaining walls, perimeter walls, and fences described and/or depicted as maintained by the Corporation on an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., Exhibit "E" hereto), the private drives, aisles and common parking areas, and private street improvements (e.g., street signs, traffic control signs, street lights, etc.), the common private water lines and facilities (including the master meter and submeters) described and/or depicted as maintained by the Corporation on Exhibit "H" attached hereto and/or to a recorded Notice of Annexation (excluding each water line which exclusively serves a Condominium), the common private sewer lines described and/or depicted as maintained by the Corporation in Exhibit "I" attached hereto and/or a recorded Notice of Annexation (excluding each sewer lateral which exclusively serves a Condominium), those portions of the private storm drain system for the Project described and/or depicted as maintained by the Corporation in an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., bioretention basins, catch basins, etc. - see Exhibit "F" hereto), poles, signs, Project monument signs and directories, exterior lighting (e.g., landscape lighting, photocell lighting on the buildings, and other lighting not controlled by a switch within the condominium units, etc.), and landscaping and irrigation improvements located on the Corporation Property, excepting therefrom landscaping and improvements located in the Exclusive Use Corporation Property, in a condition comparable to the condition initially approved by the City. Not all of the Corporation Property described in the preceding sentence may be included in Phase 1;

(d) Retain a professional property management company to manage the Corporation and the inspection, repair, and maintenance of the Corporation Property in accordance with the provisions of this Declaration;

(e) Levy and collect Assessments on all Condominiums in the Project for which Assessments have commenced, and enforce payment of such Assessments in accordance with the terms and provisions set forth in the Article herein entitled "Effect of Nonpayment of Assessments: Remedies of the Corporation;"

(f) Contract for any other material, supplies, furniture, labor, services, maintenance, repairs, structural alterations and insurance which the Corporation is required to pay for pursuant to the terms and provisions of this Declaration or by law;

(g) Pay all real and personal property taxes and Assessments which the Corporation is required to pay for pursuant to the terms and provisions of this Declaration or by law, unless separately assessed to Owners; provided, however, that it shall be the obligation of each Owner to pay his respective share of the tax assessment levied on the Project prior to separate assessments by the tax assessor pursuant to Section 2188.6 of the California Revenue and Taxation Code, as same may be amended, from time to time;

(h) Cause a yearly inspection to be made, by a licensed engineer or otherwise qualified individual, of any slope areas and drainage devices located within the Corporation Property;

(i) Accept, as part of the Project, all property included in or annexed to the Project, in accordance with the terms and provisions of this Declaration, and accept all Owners as Members of the Corporation. In addition, the Corporation shall accept all Corporation Property, conveyed, leased or otherwise transferred to it, if any, by Declarant, its successors or assigns, or an appropriate governmental agency;

(j) Cause financial statements and a reserve funding plan (e.g., consistent with the requirements of California Civil Code Sections 5300-5320 and 5500-5580 and FHLMC, FNMA, GNMA and VA/FHA) for the Corporation to be regularly prepared and copies distributed to each Member of the Corporation, regardless of the number of Members or the amount of assets of the Corporation:

(1) A pro forma operating statement (budget) for the immediately following fiscal year shall be distributed within the time period specified by statute prior to the beginning of the fiscal year (e.g., not less than 30 days nor more than 90 days prior to the beginning of the fiscal year), and shall contain the following information:

i) An itemized estimate of the Corporation's revenue and expenses (including, without limitation, adequate funding for insurance coverage and deductibles), determined on an accrual basis;

ii) A summary, printed in bold type, of the current status of the Corporation's reserves,

based upon the most recent review or study conducted pursuant to California Civil Code Sections 5300 and 5550-5570 ("Study"), as may be amended, from time to time, and prepared in accordance with all requirements of law (e.g., Civil Code Sections 5300 and 5550-5570);

iii) A statement prepared in accordance with all requirements of law (e.g., Civil Code Section 5300) as to all of the following:

(A) Whether the Board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

(B) Whether the Board, consistent with the reserve funding plan adopted pursuant to subdivision (e) of Section 5550, has determined or anticipates that the levy of one (1) or more Special Assessments will be required to repair, replace or restore any major component (e.g., Improvement to the Corporation Property) or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the Special Assessments; and

(C) The mechanism or mechanisms by which the Board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacement of repairs, or alternative mechanisms.

(D) Whether the Corporation has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

iv) A general statement prepared in accordance with all requirements of law (e.g., Civil Code Section 5300) setting forth the procedures utilized by the Corporation to calculate and establish reserves to defray the costs of future repairs, replacements or additions to the Corporation Property Improvements;

v) A statement as to whether the Board has determined or anticipates that the levy of one (1) or more Special Assessments will be required to repair, replace or restore any major Improvements to the Corporation Property, or to provide adequate reserves therefor; and

vi) A summary of the reserve funding plan adopted by the Board in accordance with Civil Code Sections 5550. The summary shall include notice to the Owners that the full reserve study plan is available upon request, and the Corporation shall provide the full reserve study plan to any Owner upon request.

Notwithstanding the foregoing, in lieu of distributing the pro forma operating budget required hereinabove, the Board may elect to distribute a summary of the pro forma budget to all Members with a written notice, in at least 10-point bold type on the front page, that the pro forma budget is available at the business office of the Corporation, or at another suitable location within the Project, and that copies will be provided upon request and at the expense of the Corporation. If any Member requests that a copy of the pro forma budget required herein be mailed to said Member, the Corporation shall mail the copy to the Member by first-class mail at the expense of the Corporation, within five (5) days of the receipt of said request;

(2) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of the close of escrow for the first sale of a Condominium, and an operating statement for the period from the date of the first close of escrow to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of Assessments received, and receivable, identified by the number of the Condominiums assessed;

(3) An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

i) A balance sheet as of the last day of the Corporation's fiscal year;

ii) An operating (income) statement for the fiscal year;

iii) A statement of changes in financial position for the fiscal year; and

iv) Any information required to be reported pursuant to Section 8322 of the California Corporations Code and Section 5300 of the California Civil Code, as each may be amended from time to time.

This annual report shall ordinarily be prepared by a licensee of the California Board of Accountancy, in accordance with generally accepted accounting principles, for any fiscal year in which the gross income of the Corporation exceeds Seventy-Five Thousand Dollars (\$75,000.00). However, if for any reason the report is not prepared by a licensee of the California Board of Accountancy, said report shall be accompanied by a certificate from an authorized officer of the Corporation that the statements were prepared without audit from the books and records of the Corporation;

(4) A statement of the Corporation's policies and practices in enforcing its remedies against Members for nonpayment of Assessments, as set forth in the Article herein entitled "Effect of Nonpayment of Assessments: Remedies of the Corporation," which shall be distributed within the time period required by statute prior to the beginning of the fiscal year (e.g., not less than 30 days nor more than 90 days prior to the beginning of the fiscal year); and

(5) A summary of the Corporation's general liability insurance policy, earthquake and flood insurance policy, if one or more has been issued, and liability coverage policy for the Board, which includes statements, a summary, and information required under California Civil Code Section 5300, as same may be amended from time to time. Currently, such items of disclosure include the following: (1) the name of the insurer; (2) the type of insurance; (3) the policy limits of the insurance; and (4) the insurance deductibles.

The Corporation shall, as soon as reasonably practical, notify its Members by first-class mail if any of the policies described in Subparagraph (i) above have lapsed, been canceled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits, or an increase in the deductible for any of those policies. If the Corporation receives any notice of nonrenewal of a policy described in the subparagraph above, the Corporation shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse. To the extent the information noted above is described within the respective insurance policies, the Corporation may distribute such information

to the Members and be in compliance with the disclosure requirements of the referenced Civil Code Section. Notification regarding cancellation or policy renewals must comply with Civil Code Section 5810, as same may be amended from time to time. Currently, the summary distributed pursuant to Subparagraph (i) shall contain, in at least 10-point boldface type, the following statement: "This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the California Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage."

(k) The Board shall review on a quarterly basis, the following:

i) A current reconciliation of the Corporation's operating accounts;

ii) A current reconciliation of amounts collected as reserves;

iii) The current year's actual amounts collected as reserves and expenses compared to the current year's budget;

iv) An income and expense statement for the Corporation's operating and reserve accounts; and

v) The most current account statements prepared by the financial institutions where the Corporation maintains its operating and reserve accounts.

Withdrawal of funds from the Corporation's reserve account shall require the signature of either: (i) two (2) members of the Board; or (ii) one (1) member of the

Board and an officer of the Corporation who is not also a member of its Board. As used in this Section, "reserve account" means moneys that the Board has identified from its annual budget for use to defray the future repair or replacement of, or additions to, those major components of the Corporation Property which the Corporation is obligated to repair or replace on a periodic basis, rather than on a regular annual basis. The Board shall not use any funds collected and budgeted as "reserve" moneys for any costs and/or expenses that are not related to repair and/or replacement costs for those elements of the Corporation Property that must be repaired and/or replaced on a periodic basis. Notwithstanding the foregoing, temporary transfer of funds may occur in compliance with Civil Code Section 5515, as may be amended from time to time. In the event reserve funds are temporarily transferred to pay for dispute resolution proceedings, the Board shall comply with the disclosure and notification requirements of Civil Code Section 5520, as may be amended from time to time.

(1) At least once every three (3) years, cause a study of the reserve account requirements of the Project to be conducted if the current replacement value of the major components which the Corporation is obligated to repair, replace, restore or maintain is equal to or greater than one-half (1/2) of the gross Corporation budget for any fiscal year of the Corporation. In connection with such study, the Board shall cause to be conducted, if required by law, a visual inspection of the accessible areas of the major components of the Corporation Property which the Corporation is obligated to repair, replace, restore, or maintain. The Board shall consider and implement the necessary adjustments to the Board's analysis of the reserve account requirements as a result of such review. The reserve study shall consider and include, at a minimum, the requirements set forth in Sections 5550-5560 of the California Civil Code, as the same may be amended, from time to time;

(m) Assume and pay out of the Assessments provided for hereinbelow all costs and expenses incurred by the Corporation in connection with the performance and execution of all of the aforesaid powers and duties, and any other powers and duties the Corporation may assume as provided for in Section 4 hereinbelow;

(n) Formulate, adopt and enforce such Rules and Regulations as it may deem proper for the operation of the Corporation Property and as necessary to establish election procedures in compliance with California Civil Code Sections 5105, as more particularly described below. Notice of adoption of any such Rules and Regulations and of any change, amendment or repeal thereof, shall be given in writing to each Member

and shall be on file in the principal office of the Corporation. In the event of any conflict between such Rules and Regulations and this Declaration, this Declaration shall prevail;

(o) Enforce and abide by all applicable provisions of this Declaration, the Articles, By-Laws, the Limited Warranty, all Rules and Regulations of the Corporation, Architectural Review Committee rules, the Water Quality Management Plan (including any Operations & Maintenance Plan included therein), all other documents pertaining to the ownership, use, management and control of the Project;

(p) Give notices in writing to FHLMC, FNMA, GNMA and VA/FHA, and other lenders and investors participating in the financing of the sale of Condominiums in the Project, as required herein;

(q) Within ten (10) days of receipt of a written request from an Owner, provide said Owner with a copy of this Declaration and the By-Laws and Articles for the Corporation, together with the pro forma operating budget, an insurance policy summary, any change in the Corporation's current Regular and Special Assessments and fees which have been approved by the Board, but are not yet implemented, a true statement in writing as to the amount of any delinquent Assessments, penalties, attorneys' fees and other charges therein as provided by this Declaration or other management documents of the Board as of the date of such request. The Board may impose a fee for providing the foregoing, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents. In addition, the Board shall make available during normal working business hours or upon request under reasonable circumstances to any prospective purchaser of a Condominium, any Owner of a Condominium, any first Mortgagee and the holder(s), insurer(s) and guarantor(s) of the first Mortgage on any Condominium, current copies of this Declaration, the Articles, the By-Laws, the Rules and Regulations, the membership register, including mailing addresses and telephone numbers, and all other books, records and financial statements of the Corporation, as required by law;

(r) Appoint the Members to the various Committees formed by the Board (e.g., the Nominating Committee, the Architectural Review Committee, etc.) as more particularly set forth herein or in the By-Laws;

(s) Periodically review and revise the maintenance guidelines, if any, as the Board may deem reasonable and prudent to adjust to the changing needs of the Project and to comply with any and all maintenance guidelines provided by the Declarant or recorded by Declarant against the Project;

(t) Cause a summary of the provisions of Section 5925-5965 of the California Civil Code, as same may be amended from time to time, regarding alternative dispute resolution pre-filing requirements and which specifically reference Section 5925-5965 of the Civil Code, to be prepared and annually distributed to each Member of the Corporation as specified in Civil Code Section 5310, as same may be amended from time to time. The summary shall include a description of the Corporation's internal dispute resolution process, as required by Section 5920 of the Civil Code;

(u) Elect the officers of the Corporation and fill any vacancies on the Board;

(v) Except as otherwise allowed under Section 6000 of the California Civil Code, as same may be amended from time to time, obtain approval from a majority of Members prior to incurring dispute resolution expenses, including without limitation attorneys' fees, where the Corporation initiates dispute resolution proceedings or is joined as a plaintiff in dispute resolution proceedings. Such approval shall not be necessary if the legal proceedings are initiated to (i) enforce use restrictions contained herein, (ii) enforce architectural control provisions contained herein; or (iii) collect any unpaid assessments levied pursuant to this Declaration;

(w) Cause a notice regarding "Assessments And Foreclosure" to be prepared and annually distributed to each Member of the Corporation in accordance with California Civil Code Sections 5730, as the same may be amended from time to time. Except as otherwise provided in California Civil Code Section 5730, as the same may be amended from time to time, the notice shall be printed in 12-point type and shall be distributed during the sixty (60) day period immediately preceding the beginning of the Corporation's fiscal year;

(x) Without any limitation of the foregoing duties, (i) operate, maintain, and inspect the Corporation Property and its various components in conformance with any Maintenance Guidelines and any Maintenance Manual, and (ii) review any Maintenance Manual for necessary or appropriate revisions as deemed necessary by the Board (Declarant recommends at least an annual review);

(y) Adopt and provide a fair, reasonable and expeditious procedure for resolving disputes between the Corporation and Members that complies with applicable law (e.g., Civil Code Section 5900 et seq.), which, if the Board so decides, may be the procedure set forth in Civil Code Section 5915; and

(z) As required by applicable law [e.g., California Civil Code Section 4765, as the same may be amended from time to time, or any successor statute], cause a notice of any requirements for Corporation approval of physical changes to Condominiums or Common Property to be prepared and annually distributed to Members. The notice shall describe the types of changes that require Corporation approval and shall include a copy of the procedure used to review and approve or disapprove a proposed change.

Section 4. Discretionary Powers. The Board, at its option, may assume, perform and execute the following powers and duties for and on behalf of the Corporation:

(a) Retain the services of such personnel, in addition to the professional property management company, as the Corporation deems necessary and proper to assist in the operation of the Corporation and/or management of the Corporation Property, regardless of whether such other personnel are employed directly by the Corporation or otherwise;

(b) Remove or replace any Improvement that extends into the Corporation Property under authority of an easement when access to a utility line underneath such Improvement is requested by any utility company; provided, however, that the cost shall be assessed against the Owner of the Condominium involved as a Compliance Assessment if said Owner caused the Improvement to be so placed in the Corporation Property without legal right to do so;

(c) Incur any liability or pay any costs or expenses for a single Condominium or Owner thereof; provided, however, that in the event the Corporation does incur any such liability or pay any such costs or expenses, the amount thereof shall be specially assessed against the Owner of such Condominium as a Compliance Assessment; provided further, however, that nothing herein shall permit the Corporation to assess the Owners for any new Improvements to the Corporation Property except as otherwise provided in this Declaration;

(d) Subject to the limitations set forth in this Article, contract for any other material, furniture, labor, services, maintenance, repairs, structural alterations or insurance, or pay any taxes or Assessments which, in the opinion of the Board, shall be necessary or proper for the operation of the Common Property for the benefit of the Owners or for the enforcement of this Declaration; and

(e) Enter into a maintenance or subsidy agreement with Declarant, at Declarant's sole discretion, to temporarily reduce the financial obligations of the Owners for Assessment.

Section 5. Notification by Corporation of Defects. The Board agrees that in the event of any alleged defect in any improved Corporation Property for which the Corporation believes the Declarant may be responsible, the Board will provide Declarant with written notice of such defect in accordance with Civil Code Section 6000, as the same may be amended. Declarant shall have a reasonable opportunity to inspect such alleged defect, and if Declarant agrees with the Board (or otherwise elects to perform the work) to repair, replace or otherwise cure any defect in workmanship and/or material. The Corporation acknowledges and agrees that Declarant (or its authorized agents) shall be entitled at its sole discretion to determine the material and methods to be used in effecting such repair, replacement or cure.

Section 6. Awards Rendered in Construction Defects Disputes. Any recovery by the Corporation or any Owner for any damage, to or defect in, the Corporation Property shall be utilized solely for the purpose of correcting such damage or defect.

Section 7. Special Meeting of the Corporation for Construction Defect Disputes. In the event the Board decides to commence binding arbitration proceedings under the Limited Warranty or decides to commence any other legal proceedings against any of the Declarant Parties (as defined in Section 16, below, of this Declaration) relating to construction defect Disputes, the Secretary shall call a special meeting of the Corporation. In addition to the information required by Section 6000 to be specified in the notice of such meeting, the notice shall also specify the following: (a) the estimated costs to repair the defects; (b) how the necessary repairs will be funded; (c) the name of the attorney whom the Corporation is contemplating retaining and an estimate of the attorney's fees, consultant's fees and any other costs to be incurred to prosecute such proceedings; (d) how such fees and costs will be funded; (e) each Member's duty to disclose to prospective purchasers the alleged defects; and (f) the potential impact the proceedings may have on the marketability and availability of financing for Condominiums in the Project. Such notice shall be sent to all Members of the Corporation. The decision of the Board to commence any other legal proceedings against any of the Declarant Parties relating to a construction defect Dispute must be approved by not less than fifty-one percent (51%) of the voting power of the Corporation residing in Members other than the Declarant.

Section 8. Delegations of Duties. In the event that the Corporation shall delegate any or all of its duties, powers or functions to any person, corporation or firm to act as manager, neither the Corporation nor the members of its Board shall be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated.

Section 9. Right of Entry for Emergency. The Board, any person authorized by the Board or any Owner may enter any Condomin-

ium in the event of any emergency involving illness or potential danger to life or property. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the Corporation shall repair the same at its expense.

Section 10. Right of Entry for Repairs. The Board, or any person authorized by the Board, shall have the right to enter, upon reasonable notice, any Condominium to effect necessary repairs which the Owner has failed to perform or which are necessary in connection with the repairs to the Corporation Property or an adjoining Condominium. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the Corporation shall repair the same at its expense.

Section 11. Limitations on Board Action. The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the Members, other than the Declarant, constituting a quorum consisting of more than fifty percent of the voting power of the Corporation residing in the Members, other than the Declarant:

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

(1) A management contract, the terms of which have been approved by the VA/FHA and are consistent with provisions herein;

(2) 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;

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

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

(5) 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) Incurring aggregate expenditures for capital improvements to the Corporation Property in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year;

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

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

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

(f) Except as otherwise allowed under Section 6000 of the California Civil Code, as same may be amended from time to time, incurring dispute resolution expenses, including without limitation attorneys' fees, where the Corporation initiates dispute resolution proceedings or is joined as a plaintiff in dispute resolution proceedings. Such approval shall not be necessary if the legal proceedings are initiated to (i) enforce the use restrictions contained herein, (ii) enforce the architectural control provisions contained herein; or (iii) collect any unpaid assessments levied pursuant to this Declaration; and

(g) Amending or limiting the Corporation's duties and obligations (and benefits) with respect to the Limited Warranty.

Section 12. Licenses, Easements and Rights-of-Way. The Board, for and on behalf of the Corporation, is authorized and empowered to grant such licenses, easements and rights-of-way for sewer lines, water lines, underground conduits, storm drains, roadways, and other public utility purposes over those portions of the Corporation Property upon which no building or other structure has been erected as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Corporation Property or for the preservation of the health, safety, convenience and welfare of the Owners. Such licenses, easements and rights-of-way may be granted at any time prior to twenty-one (21) years after the death of the individuals who have signed this Declaration and their issue who are in being as of the date hereof, and the right

to grant such licenses, easements and rights-of-way is hereby expressly reserved.

Section 13. New Improvements. Except as otherwise provided in this Declaration, the Corporation may construct new Improvements or additions to the Common Property, or demolish existing Improvements, provided that in the case of any Improvement, addition or demolition involving a total expenditure in excess of five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year, the written consent or vote of a majority of the Owners (other than the Declarant) in the Project as to the maximum total cost therefor shall first be obtained, and provided that no Condominium shall be altered or damaged by any such demolition or construction without the consent of the Owner thereof. The Board shall levy a Special Assessment against all Owners in the Project for the cost of such work.

Section 14. Corporation Rules and Regulations. The Board shall also have the power to adopt, amend and repeal Rules and Regulations, as it deems reasonable, which may include the establishment of a system of fines and penalties enforceable as Compliance Assessments. The Rules and Regulations shall govern such matters in furtherance of the purposes of the Corporation, including, without limitation, the use of the Common Property, the Exclusive Use Corporation Property (e.g., air conditioning pads, patios, etc. - e.g., what type, if any, of plants or furniture is acceptable on the patios, requirements for accessing the roof and other Corporation Property, etc.), signs, parking restrictions and enforcement, trash collection, minimum standards for maintenance of Condominiums consistent with such standards as may be set forth in this Declaration or adopted by the Architectural Review Committee, election procedures in compliance with California Civil Code Sections 5100-5130, and any other matter which is within the jurisdiction of the Corporation; provided, however, that the Rules and Regulations may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles or By-Laws. A copy of the Rules and Regulations 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 Rules and Regulations, shall be delivered to each Owner and may be placed on file in the principal office of the Corporation. The Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Declaration, and shall be binding on the Owners and their successors in interest, whether or not actually received thereby. The Rules and Regulations, as adopted, amended or repealed, shall be available at the principal office of the Corporation to each Owner upon request. In the event of any conflict between any such Rules and Regulations and any other provisions of this Declaration, or the Articles or By-Laws, the provisions of the Rules and Regulations shall be deemed to be superseded.

Section 15. Nonliability and Indemnification.

(a) General Limitation. Except as specifically provided in this Declaration, or as required by law, no right, power or responsibility conferred on the Board or the Architectural Review Committee by this Declaration, the Articles or the By-Laws, shall be construed as a duty or obligation charged upon the Board, the Architectural Review Committee, any member of the Board or the Architectural Review Committee, or any other officer, employee or agent of the Corporation. No such person shall be liable to any party (other than the Corporation or a party claiming in the name of the Corporation) for injuries or damage resulting from such person's acts or omissions within what such person reasonably believed to be the scope of his Corporation duties ("Official Acts"), except to the extent that such injuries or damage result from such person's willful or malicious misconduct. No such person shall be liable to the Corporation (or to any party claiming in the name of the Corporation) for injuries or damage resulting from such person's Official Acts, except to the extent that such injuries or damage result from such person's negligence or willful or malicious misconduct;

(b) Personal Liability Limitation. To the maximum extent permissible under the law, no person who suffers injury, including, but not limited to, bodily injury (including, without limitation, emotional distress or wrongful death) or property damage or loss as a result of the tortious act or omission of a volunteer Board member or volunteer Corporation officer shall recover damages from such Board member or officer if all the following conditions are satisfied:

(1) At the time the act or omission occurred, the Board member or officer resided in the Project as either a tenant or an Owner of two (2) or fewer Condominiums;

(2) The act or omission was performed within the scope of the Board member's or officer's Corporation duties, which shall include, but shall not be limited to, whether to conduct an investigation of the Corporation Property for latent deficiencies prior to the expiration of the applicable statute of limitations and whether to commence a civil action against the Declarant for defects in design or construction;

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

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

(5) The Corporation maintained and had in effect at the time the act or omission occurred, and at the time a claim was made, one (1) or more policies of insurance which included coverage for general liability for the Corporation and individual liability of officers and Directors of the Corporation for negligent acts or omissions in such capacity, and both types of coverage were in the amount of at least Five Hundred Thousand Dollars (\$500,000.00).

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

(1) The Board determines that such person acted in good faith and in the manner such person reasonably believed to be in the best interests of the Corporation; and

(2) In the case of an action or threatened action by or in the right of the Corporation, the Board determines that such person acted with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances.

Any determination of the Board required under this Section must be approved by a majority vote of a quorum consisting of Directors who are not parties to the action or threatened action giving rise to the indemnification. If the Board fails or refuses to make any such determination, such determination may be made by the vote or written consent of a majority of a quorum of the Members of the Corporation, provided that the person to be indemnified shall not be entitled to vote. The entitlement to indemnification hereunder shall inure to the benefit of the estate, executor, administrator, heirs or devisees of any person entitled to such indemnification.

Section 16. Arbitration of Disputes. Unless otherwise required by the Limited Warranty for "Disputes" (defined below) covered thereunder or otherwise resolved by the non-adversarial pre-litigation procedures set forth in California Civil Code Sections 910 through 938 with respect to construction defect claims or the non-adversarial procedures set forth in subparagraphs (a) and (b) below, any and all claims, controversies, breaches or disputes (each a "Dispute") between or among the Declarant, or any director, officer, partner, attorney, member, employee or agent of Declarant, or any contractor, subcontractor, design professional, engineer or supplier who provided labor, services or materials to the Project (collectively, the "Declarant Parties"), the Corporation, and/or any Owner, relating to or arising out of the Project,

this Declaration or any other agreements between the Declarant Parties, the Corporation, and/or an Owner, whether such Dispute is based on contract, tort, or statute, including, without limitation, any Dispute over (1) breach of contract, (2) negligent or intentional misrepresentation or fraud, (3) nondisclosure, (4) breach of any alleged duty of good faith and fair dealing, (5) allegations of latent or patent construction defects, or (6) any other matter arising from or related to the interpretation of any term or provision of this Declaration, or any defense going to the validity of this Declaration, or any provision of this Declaration, shall be resolved amicably and without the necessity of time consuming and costly litigation through arbitration pursuant to the Federal Arbitration Act and subject to the procedures set forth in this Section 16. Any Dispute concerning the interpretation or the enforceability of this Section 16, including, without limitation, its revocability or voidability for any cause, any challenges to the enforcement or the validity of this Declaration, or this Section 16, or the scope of arbitrable issues under this Section 16, and any defense relating to the enforcement of this Section 16, including, without limitation, waiver, estoppel, or laches, or any dispute concerning any arbitration award made pursuant to this Section 16, shall be decided by an arbitrator in accordance with this Section 16 and not by a court of law. The non-adversarial pre-litigation procedures set forth in California Civil Code Sections 910 through 938 shall apply with respect to construction defect claims. The nonadversarial procedure for the resolution of all other Disputes and those construction defect claims which remain unresolved after completion or termination of statutory pre-litigation procedures set forth in Civil Code Sections 910 through 938, shall be as set forth in subparagraphs (a) and (b) below or as otherwise determined by Declarant.

(a) Notice. Any person with a claim regarding a Dispute shall notify the Declarant in writing of the claim, which writing (i.e., by personal or mail service as authorized by Code of Civil Procedure Sections 415.10, 415.20, 415.21, 415.30 or 415.40 to the party to whom the Dispute is directed) shall describe the nature of the claim and any proposed remedy (the "Claim Notice").

(b) Right to Inspect and Right to Corrective Action. Commencing on the date the Claim Notice is delivered and continuing until the Dispute is resolved, the Declarant and its representatives shall have the right to (i) meet with the party alleging the Dispute at a reasonable time and place to discuss the Dispute, (ii) enter the Project to inspect any areas that are subject to the Dispute, and (iii) conduct inspections and testing (including destructive or invasive testing) in a manner deemed appropriate by the Declarant. Within a reasonable period after receipt of the Claim Notice, which period shall not exceed sixty (60) days, the Declarant and the claimant shall meet at a mutually acceptable place within or near the Project to discuss the Dispute. At such meeting or at such other mutually agreeable time, the Declarant and the Declarant's representatives, as noted above, shall have full

access to the property that is subject to the Dispute claim and shall have the right to conduct inspections, testing and/or destructive or invasive testing of the same in a manner deemed appropriate by Declarant, which rights shall continue until such time as the Dispute is resolved as set forth herein. The parties to the Dispute shall negotiate in good faith in an attempt to resolve the claim. If the Declarant elects to take any corrective action, Declarant and Declarant's representatives and agents shall be provided full access to the Project to take and complete corrective action. Nothing set forth in this Section 16 imposes any obligation on Declarant to inspect, repair or replace any items or alleged defects for which Declarant is not otherwise obligated under applicable State and federal law or the Limited Warranty in connection with the sale of the Condominiums.

(c) Binding Arbitration. In the event that a Dispute is raised and not resolved pursuant to the nonadversarial procedures set forth above or, with respect to Disputes subject to the Limited Warranty, the procedures set forth in the Limited Warranty, such Dispute shall be submitted to binding Arbitration.

If the Dispute is subject to the Limited Warranty, the Dispute shall be submitted to binding arbitration by and pursuant to any arbitration provisions set forth in the Limited Warranty. If the Dispute is not subject to the Limited Warranty, or the Limited Warranty does not contain any arbitration provisions, the Dispute shall be submitted to binding arbitration by and pursuant to the rules of a neutral, independent arbitration service agreed upon by the parties to the arbitration. If the parties to the Dispute are unable to agree upon a neutral, independent arbitration service, then any party may, pursuant to the provisions of the Federal Arbitration Act (9 U.S.C. §1 et seq.), apply to a court of competent jurisdiction to designate an arbitration service, which designation shall be binding on the parties.

The rules and procedures of the designated arbitration service in effect at the time the request for arbitration is submitted shall be followed; otherwise, the parties agree to the provisions set forth below.

(d) General Arbitration Provisions.

(i) Declarant, each Owner, by acceptance of a deed to a Condominium, and the Corporation, by acceptance of a deed to the Corporation Property, acknowledge that this Declaration involves and concerns interstate commerce and is governed by the provisions of the Federal Arbitration Act (9 U.S.C. §1, et seq.) now in effect and as the same may from time to time be amended, to the exclusion of any different or inconsistent state or local law, ordinance, regulation, or judicial rule. Accordingly, any and all disputes shall be arbitrated, which arbitration shall be mandatory and binding pursuant to the Federal Arbitration Act.

(ii) This Section 16 shall inure to the benefit of, and be enforceable by, Declarant's subcontractors, agents, vendors, suppliers, design professionals, warranty administrator, insurers and any other persons whom any Owner or the Corporation contends is responsible for any alleged defect in or to the Project or such Owner's Condominium or any improvement or appurtenance thereto.

(iii) Each party shall bear its own attorneys' fees and costs (including expert costs) for the arbitration.

(iv) Except as otherwise provided in the Limited Warranty with respect to Disputes subject thereto, the parties shall be entitled to conduct all discovery as otherwise provided in the California Code of Civil Procedure, and the arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge, with rights to regulate discovery and to issue and/or enforce subpoenas, protective orders or other limitations on discovery available under California law. In the context of construction defect disputes, all parties shall be entitled to reasonable site inspections, visual inspections, destructive testing, and other discovery mechanisms commonly employed in such disputes (e.g., depositions).

(v) The arbitrator shall decide all issues of fact and law, and the decision of the arbitrator shall be final and binding. Declarant, the Corporation (by acceptance of a deed to the Corporation Property), and each Owner (by acceptance of a deed to a Condominium) acknowledges that an application to confirm, vacate, modify or correct an award rendered by the arbitrator shall be filed in any court of competent jurisdiction in the county where the Project is located.

(vi) The participation by any party in any judicial proceeding concerning this Section 16 or any matter arbitrable hereunder shall not be deemed a waiver of the right to enforce this Section 16 notwithstanding any provision of law to the contrary, and shall not be asserted or accepted as a reason to delay, to refuse to participate in arbitration, or to refuse to enforce this Section 16.

(vii) Except as otherwise provided by the Limited Warranty for Disputes subject thereto, or as required by applicable law, the administrative fees to initiate the arbitration shall be advanced by Declarant and the subsequent fees and costs of the arbitrator and/or the arbitration service shall be borne equally by the parties to the arbitration; provided, however, the administration and arbitration fees and any other fees and costs of the arbitration ultimately shall be borne as determined by the arbitrator (including, but not limited to, the fee to initiate the arbitration).

(viii) The arbitrator appointed to serve shall be a neutral and impartial individual and shall be authorized to provide all recognized remedies available in law or equity for any cause of action that is the basis for arbitration.

(ix) The venue of the arbitration shall be in the County unless the parties to the arbitration agree in writing to another location.

(x) If any provision of this Section 16 shall be determined to be unenforceable or to have been waived, the remaining provisions shall be deemed to be severable therefrom and enforceable according to their terms.

(xi) Declarant, the Corporation, and each Owner are giving up their respective judicial rights to discovery and appeal, unless those rights are specifically included in this Section 16. If Declarant, the Corporation or any Owner refuses to submit to arbitration, such Owner, the Corporation or Declarant may be compelled to arbitrate under the Federal Arbitration Act and the California Arbitration Act, to the extent the California Arbitration Act is consistent with the Federal Arbitration Act.

(xii) In the event the foregoing arbitration provision or the arbitration provision in the Limited Warranty is held not to apply or is held invalid, void or unenforceable in its entirety for any reason, Declarant, each Owner, by acceptance of a deed to a Condominium, and the Corporation, by acceptance of a deed to the Corporation Property, agree that all Disputes shall be resolved in a lawsuit before a judge in a court of competent jurisdiction; provided that such lawsuit must be resolved by general judicial reference pursuant to California Code of Civil Procedure Sections 638 and 641 through 645, or any successor statutes thereto, and as modified by this paragraph. Declarant, each Owner (by acceptance of a deed to a Condominium), and the Corporation (by acceptance of a deed to the Corporation Property) acknowledge, understand and agree that both the arbitration and judicial reference procedures noted herein, as applicable, involve a process whereby resolution of the Dispute does not involve a jury trial and specifically excludes a jury from any involvement in resolution of the Dispute. The parties to the Dispute shall cooperate in the judicial reference proceeding. Declarant, each Owner (by acceptance of a deed to a Condominium), and the Corporation (by acceptance of a deed to the Corporation Property) grant the general referee authority to decide all issues, whether of fact or law, including without limitation, the validity, scope and enforceability of this dispute resolution provision, and to report a statement of decision to the court. All parties shall use the procedures adopted by any entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the

parties, provided that the following rules and procedures shall apply in all cases unless the parties agree otherwise in writing:

(1) The general referee must be a neutral and impartial retired judge with substantial experience in real estate development and residential construction matters. Any dispute regarding the selection of the referee shall be resolved by the entity providing the reference services, or, if no entity is involved, by the court with appropriate jurisdiction.

(2) The general reference proceeding shall proceed without a jury. Declarant, each Owner (by acceptance of a deed to a Condominium), and the Corporation (by acceptance of a deed to the Corporation Property) each hereby acknowledge, understand, and agree that this procedure does not involve a jury trial and that this procedure and the lack of a jury trial shall be binding upon their respective successors and assigns and upon all persons and entities asserting rights or claims or otherwise acting on behalf of them or their successors and assigns.

(3) The parties shall be entitled to conduct all discovery as otherwise provided in the California Code of Civil Procedure, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge, with rights to regulate discovery and to issue and/or enforce subpoenas, protective orders or other limitations on discovery available under California law. In the context of construction defect disputes, all parties shall be entitled to reasonable site inspections, visual inspections, destructive testing, and other discovery mechanisms commonly employed in such disputes (e.g., depositions).

(4) The reference proceeding shall be conducted in accordance with California law (including the rules of evidence), and in all regards the general referee shall follow California law as applicable at the time of the general reference proceeding. The general referee may issue any remedy or relief which the courts of the State of California could issue if presented the same circumstances, and the general referee shall follow and otherwise employ the standards for issuing such relief as defined by California law. The general referee may require one or more pre-hearing conferences. A stenograph-

ic record of the trial shall be made, provided that the record shall remain confidential except as may be necessary for post-hearing motions and any appeals. The general referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable. The general referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge. The statement of decision of the general referee upon all of the issues considered by the general referee shall be binding upon the parties, and upon filing the statement of decision with the clerk of any court of the State of California having jurisdiction thereof, or with the judge if there is no clerk, judgment may be entered thereon. The judgment and decision of the general referee shall be appealable in the same manner and subject to the same rules as if rendered by the court.

(5) Any dispute involving third parties (i.e., a person or entity other than Declarant, or Owner or the Corporation) shall be included in the general reference procedure prescribed herein to the extent permitted by law. All parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceeding.

(6) The exclusive venue for all general reference proceedings shall be in the County where the Project is located;

(7) Except where attorneys' fees are awarded as an element of sanctions, the parties shall bear their own attorneys' fees in any proceeding conducted under this paragraph. Declarant shall initially advance all fees and costs necessary to initiate the general reference proceeding; however, the general referee may, in his or her discretion, reallocate such fees and costs among the parties as the interests of justice dictate. The general referee may award litigation costs to the prevailing party. This provision does not modify any provision of a contract between Declarant and any other entity other than an Owner requiring indemnification or establishing a different allocation of costs between Declarant and such entity.

(8) If any provision of this paragraph shall be determined to be unenforceable or to have been waived, the remaining provisions shall be deemed to be severable therefrom and enforceable according to their terms.

(e) Inspection Easements. The Declarant reserves easements to enter any Condominium, including the interior of the residence and the Exclusive Use Corporation Property, to inspect those areas and to conduct destructive testing referred to in California Civil Code Section 6000. However, the Declarant shall notify the Owner of the Condominium of at least three (3) alternative dates and times when such inspection can take place (the earliest of which shall not be less than ten (10) days after the notification is given) and the Declarant shall give the Owner the opportunity to specify which date and time is acceptable to the Owner. Should the Owner not respond affirmatively with respect to one of the dates and times within five (5) days, then the Declarant may decide which of the dates and times the inspection and testing shall take place and so notify the Owner. Alternatively, the Declarant may seek a judicial order allowing such inspection and testing to take place. Declarant shall be entitled to its reasonably incurred attorneys' fees and be deemed the "prevailing party" should such a court order be sought and obtained. Declarant shall be obligated to fully repair any damage caused by any such destructive testing.

(f) Miscellaneous. Any and all communications by and between the parties, whether written or oral, which are delivered by the parties or their attorneys or other representatives in an effort to settle the matter shall be considered communications undertaken in the course of effecting a settlement or compromise, as such shall not be admissible as an admission on the part of any party or any representative or agent of that party to be utilized for any such purpose in any action or proceeding.

Nothing herein shall be considered to reduce or extend any applicable statute of limitation. If at any time an action would be barred by a statute of limitation if not filed within sixty (60) days, then such action may be filed notwithstanding any other provision of this Section 16.

(g) Manufactured Products Maintenance and Limited Warranty Information. Each Owner, as to his respective Condominium, and the Corporation, as to the Corporation Property, acknowledge that Declarant has provided such Owner and the Corporation with manufactured product maintenance, preventative maintenance and limited warranty information pertaining to such Owner's Condominium and to the Corporation Property. Declarant reserves the right, by written notice to each Owner and/or to the Corporation, to supplement and/or amend such manufactured product maintenance, preventative maintenance and limited warranty information from time to time. Each Owner and the Corporation also acknowledge that by law, such Owner and such Corporation is obligated to follow all reasonable maintenance and preventative maintenance schedules and obligations communicated in writing from

Declarant as well as commonly accepted maintenance practices. Each Owner and the Corporation covenant to faithfully follow all such maintenance and preventative maintenance schedules and obligations contained in all such manufactured product maintenance, preventative maintenance and limited warranty information (and each Owner shall require and cause any tenant or lessee of such Owner's Condominium to follow all such schedules and obligations).

(h) Indemnification. Each Owner of a Condominium in the Project and the Corporation covenant to indemnify, defend and hold Declarant harmless from any loss, costs or damages arising from such Owner's or such Corporation's failure or refusal to perform its respective obligations.

DECLARANT, THE CORPORATION AND EACH OWNER SHALL USE THE PROCEDURES ESTABLISHED IN THIS SECTION 16 TO RESOLVE ALL DISPUTES AND SHALL BE DEEMED TO WAIVE THEIR RIGHTS TO RESOLVE DISPUTES IN ANY OTHER MANNER. PURSUANT TO THIS SECTION, DECLARANT, THE CORPORATION (BY ACCEPTANCE OF A DEED TO THE CORPORATION PROPERTY), AND EACH OWNER (BY ACCEPTANCE OF A DEED TO A CONDOMINIUM) ACKNOWLEDGE, UNDERSTAND, AND AGREE THAT THEY SHALL HAVE NO RIGHT TO HAVE ANY DISPUTE TRIED BEFORE A JURY.

THIS SECTION MAY NOT BE AMENDED WITHOUT DECLARANT'S PRIOR WRITTEN CONSENT, WHICH CONSENT MAY BE WITHHELD IN DECLARANT'S SOLE AND ABSOLUTE DISCRETION.

Section 17. Power of Attorney to Correct Errors. Upon acceptance of a deed to a Condominium in the Project, each Owner, on behalf of himself and his or her Mortgagees, hereby grants to the Corporation a special power of attorney to correct any errors in a Condominium Plan by executing on behalf of the affected Owners and Mortgagees an amendment to the Condominium Plan and an instrument to effect any conveyances or partial reconveyances necessary to correct such errors. Unless broader provisions are provided in this Declaration, the power hereby given to the Corporation is limited as follows:

(a) The power may be exercised only to correct errors in a Condominium Plan as evidenced by a written statement which describes the error(s) and which is signed by the engineer who prepared the Condominium Plan or by Declarant.

(b) The power may not be exercised on behalf of an Owner or his or her Mortgagee if the Owner's Condominium or Exclusive Use Corporation Property, if applicable, would be reduced in size by reason of the correction, unless written approval is obtained from the affected Owner and Mortgagee.

The power hereby given is coupled with an interest and may not be revoked by an Owner, but may be revoked by a Mortgagee. Any such revocation by a Mortgagee shall be by means of its signed

statement of revocation recorded in the official records of the County.

ARTICLE VII

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessment. The Declarant, for each Condominium owned within the Project, hereby covenants, and each Owner of any Condominium, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Corporation: (a) Regular Assessments; (b) Special Assessments; (c) Compliance Assessments; (d) Special Benefit Assessments; and (e) such other assessments as the Corporation may periodically establish. Except as otherwise provided by law, the Regular, Special, and Special Benefit Assessments, together with a reasonable late charge as may, from time to time, be established by the Board in accordance with California law, interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge against and a continuing lien upon the Condominium against which each such Assessment is levied, and shall also be the personal obligation of the Owner of such property at the time when the Assessment came due. Each Compliance Assessment levied against a Condominium, together with interest, costs, reasonable late charges and reasonable attorneys' fees for the collection thereof, shall be the personal obligation of the Owner of the property at the time of the Assessment. The personal obligation for delinquent Assessments shall not pass to the successors in title unless expressly assumed by them.

Section 2. Purpose of Regular Assessments: Levy and Collection. The Regular Assessments levied by the Corporation shall be used exclusively to promote the health, safety and welfare of the residents in the Project and, except as otherwise provided in this Declaration, to maintain, repair, replace and improve the Corporation Property, and any other Improvements or areas which the Corporation is obligated to maintain, as provided herein. The Corporation, by and through its Board, shall levy and collect Assessments from the Owner of each Condominium in the Project in an amount sufficient to cover all of the Common Expenses incurred by the Corporation in connection with the performance and execution of the powers and duties set forth in this Declaration, the By-Laws and Articles. In connection therewith, the Corporation shall not impose or collect Assessments, penalties or fees that exceed the amount reasonably necessary for the purpose or purposes for which they were levied. Nothing in this Declaration shall be construed in such a way as to prohibit the use of Corporation Assessments or funds to abate any annoyance or nuisance emanating from outside the boundaries of the Project. The percentage rate for the Assessments levied by the Corporation shall be adjusted at such time as the

annexation of an additional Phase becomes effective. Regular Assessments may be collected on a monthly installment basis.

Section 3. Regular Assessments - Basis. Regular Assessments payable to the Corporation shall be assessed equally against all Owners of Condominiums. Each Owner's proportionate share of the Common Expenses for any fiscal year of the Corporation shall be a fraction, the numerator of which shall be the number of Condominiums owned by such Owner, and the denominator of which shall be the total number of Condominiums in the Project which are subject to Assessment. Until the first day of the fiscal year of the Corporation immediately following the first close of an escrow for the sale of a Condominium in the Project to an Owner, the Regular Assessment shall be as set forth in the Phase 1 budget reviewed by the CalBRE. Notwithstanding the commencement for payment of Regular Assessments, or any other provisions of this Declaration, Declarant and any other Owner of a Condominium which does not include a structural Improvement for human occupancy shall be exempt from the payment of that portion of any Assessment (e.g., Regular Assessment) which is for the purpose of defraying operating expenses and reserves directly attributable to the existence and/or use of such structural Improvements. This exemption shall include, but shall not necessarily be limited to, that portion of any Assessment attributable to roof replacement, exterior maintenance, exterior walkway and carport lighting, refuse disposal, cable television and domestic water, if any, supplied to Condominiums. This exemption shall be in effect only until the earliest to occur of: (a) the recordation of a notice of completion for the structural Improvements; (b) the occupation or use of the Condominium; or (c) the completion of all elements of the condominium building which the Corporation is obligated to maintain, if any. Declarant and any Owner shall also be exempted from the payment of that portion of any Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of any Corporation Property facilities that are not complete at the time Assessments commence. This latter exemption shall only be in effect as to a particular Corporation Property facility until the earlier of: (a) the recordation of a notice of completion for such Corporation Property facility; or (b) the placement into use of the particular Corporation Property facility. Subject to the limitations of California Civil Code Sections 5600-5650, as same may be amended, from time to time, from and after the first day of the fiscal year immediately following the conveyance of the first Condominium to an Owner, the Regular Assessment may be increased subject to the following limitations:

(a) Increases in Regular Assessments for any fiscal year which are less than or equal to twenty percent (20%) above the Regular Assessment for the immediately preceding fiscal year may be approved by the Board, provided that the Board shall: (1) comply with the provisions set forth in Sections 5300 and 5605 of the California Civil Code, as same may be amended from time to time, with respect to the

distribution of the pro forma operating budget of the Corporation for the forthcoming fiscal year; or (2) obtain the approval of Members, constituting a quorum, casting a majority of affirmative votes at a meeting or an election of the Corporation conducted in accordance with California Civil Code Section 5100 et seq. and, to the extent applicable, California Corporations Code Sections 7510, et seq., and Sections 7613, et seq. For purposes of this entire Section 3, a quorum means more than fifty percent (50%) of the Members of the Corporation;

(b) Notwithstanding more restrictive limitations placed on the Board by this Declaration or other governing documents, increases in Regular Assessments for any fiscal year which are more than twenty percent (20%) above Regular Assessments for the immediately preceding fiscal year may only be approved by the Board after the Board obtains the approval of a majority of a quorum of Members pursuant to Section 4070 of the California Civil Code;

(c) The Assessment increase limitation set forth in Subsection (b) above does not apply to increases in Assessments related to emergency situations, which shall be deemed to include the following:

(1) Extraordinary expenses required by an order by a court of competent jurisdiction;

(2) Extraordinary expenses for the maintenance or repair of Corporation Property that is necessary to remedy any dangerous condition in the Project that represents a threat of damage or injury to any person or property; and

(3) Extraordinary expenses necessary to repair or maintain the Corporation Property that could not have been reasonably anticipated by the Board at the time the most recent Corporation budget was prepared. Notwithstanding the foregoing, in the event that the Board increases the Regular Assessment above twenty percent (20%) pursuant to this Subparagraph (3), the Board shall distribute written notice concerning said increase to all Owners and a copy of a resolution adopted by the Board setting forth: (i) the necessity of the extraordinary expenses; and (ii) the justification why said expenses were not reasonably foreseeable at the time the most recent budget was prepared. For the purpose of calculating whether an increase to Regular Assessments exceeds twenty percent (20%), the term "Regular Assessments" shall be deemed to include the amount assessed against each Condominium by the Corporation as a Regular Assessment, plus any amount paid by the Declarant as a subsidy or pursuant to any subsidy or maintenance agreements, to the

extent such subsidy payments offset an amount which would otherwise be paid by Owners as Regular Assessments.

Section 4. Special Assessments for Capital Improve-
ments.

(a) In addition to the Regular Assessments authorized above, and notwithstanding more restrictive limitations placed on the Board by this Declaration or other governing documents, the Board may not impose Special Assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year without the approval of a majority of a quorum of Members pursuant to Section 4070 of the California Civil Code. The five percent (5%) limitation shall not apply to increases in Special Assessments related to an emergency situation which shall be deemed to include the following:

(1) Extraordinary expenses required by an order by a court of competent jurisdiction;

(2) Extraordinary expenses for the maintenance or repair of Corporation Property that is necessary to remedy any dangerous condition in the Project that represents a threat of damage or injury to any person or property; and

(3) Extraordinary expenses necessary to repair or maintain the Corporation Property that could not have been reasonably anticipated by the Board at the time the most recent Corporation budget was prepared. Notwithstanding the foregoing, in the event the Board levies any Special Assessment that exceeds the five percent (5%) limitation pursuant to this Subparagraph (3), the Board shall distribute written notice concerning said Special Assessment to all Owners and a copy of a resolution adopted by the Board setting forth: (i) the necessity of said Special Assessment; and (ii) the justification why said Special Assessment was not reasonably foreseeable at the time the most recent budget was prepared. Except as provided in Subsection (b) below, every Special Assessment shall be levied upon the same basis as that prescribed for the levying of Regular Assessments.

(b) A Special Assessment levied against Owners to raise funds for the reconstruction or major repair of the Condominium Units, if applicable, in the Project shall be levied on the basis of the ratio of the square footage of the floor area of the Condominium Unit to be assessed, to the square footage of the floor area of all Condominium Units to be assessed.

Section 5. Compliance Assessments. A Compliance Assessment may not be characterized nor treated as an assessment which may become a lien against the Owner's Condominium enforceable by a sale in accordance with the provisions of Sections 2924 et seq. of the Civil Code; provided, however, at such time as the sale of Condominiums is not governed by the CalBRE, and only to the extent consistent with applicable law, the foregoing shall not apply to any Compliance Assessment imposed against an Owner consisting of a reasonable late payment penalty for delinquent Assessments and/or charges to reimburse the Corporation for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent Assessments or imposed for costs incurred by the Corporation in the repair of damage to Common Property and facilities for which the Member or the Member's guests or tenants were responsible.

Section 6. Notice of Increase in Assessments. The Board shall provide to the Owners, by first class mail to the address on file with the Corporation, notice of any increase in Regular, Special and/or Special Benefit Assessments not less than thirty (30) nor more than sixty (60) days prior to such increase becoming due.

Section 7. Special Benefit Assessments. Special Benefit Assessments shall mean and refer to a charge levied by the Corporation against an Owner and his respective Condominium, as a component of Regular Assessments, to cover the expenses incurred by the Corporation in the operation, maintenance, repair, and/or funding of reserves as to a portion of the Project designated herein or in a Notice of Annexation or by the Declarant or by the Board as a "Special Benefit Area" or which is identified or referred to as an area or facility benefitting only the Owners within such an Area. These expenses are only chargeable to Owners in a Special Benefit Area, and may include, without limitation, the following:

(a) Maintenance, management, operation, repair and replacement of particular Improvements within the Special Benefit Area;

(b) Utilities or services for the benefit of Owners within the Special Benefit Area;

(c) Reasonable reserves, as deemed appropriate by the Board, for repair and replacement of any Improvements maintained by the Corporation within a Special Benefit Area; and

(d) Unpaid Special Benefit Assessments.

The Corporation shall distribute to Owners within any Special Benefit Area a pro forma operating statement and budget for the upcoming fiscal year which shall estimate the expenses attributable

to the Special Benefit Area, the allocation of such expenses among the affected Owners, and shall set forth the amount and payment schedule of the Special Benefit Assessments. Increases in Special Benefit Area Assessments for any fiscal year which are less than or equal to twenty percent (20%) above the Special Benefit Area Assessment for the immediately preceding fiscal year may be approved by the Board, provided that the Board shall obtain the approval of Members affected by such Assessment, constituting a quorum, casting a majority of affirmative votes. For purposes of this Section, a quorum means more than fifty percent (50%) of the Members of the Corporation affected by the Special Benefit Area Assessment. The Assessment increase limitation set forth hereinabove does not apply to increases in Special Benefit Area Assessments related to emergency situations that could not have been reasonably anticipated by the Board at the time the most recent Corporation budget was prepared which determined the amount of the Special Benefit Area Assessments.

Section 8. Date of Commencement of Regular Assessments: Due Dates. The Regular Assessments provided for herein shall commence in each Phase on the first day of the first month following the first close of escrow for the sale of a Condominium in such Phase, or on the first day of the month following the first occupancy of a Condominium in such Phase pursuant to a rental or lease agreement with the Declarant, or its authorized agent, whichever occurs first. The first Regular Assessments shall be adjusted according to the number of months remaining in the fiscal year, as set forth in the By-Laws. The Board shall fix the amount of the Regular Assessment against each Condominium at least thirty (30) days in advance of each Regular Assessment period. Written notice of the Regular Assessment shall be sent to every Owner subject to the provisions hereinabove. Notwithstanding any other provisions of this Declaration and as set forth hereinabove, until the earlier to occur of: (a) the recordation of a Notice of Completion of an Improvement to the Corporation Property in a Phase; or (b) the placement into use of the Corporation Property in a Phase, each Owner (including Declarant) may be declared by the Board to be exempt from paying that portion of the Regular Assessment which is directly attributable to expenses and reserves to be incurred by the Corporation in the maintenance, operation and repair of such Corporation Property in the Phase.

Section 9. Collection of Assessments. Except as otherwise provided in this Declaration or in any subsequent Notice of Annexation, Regular and Special Assessments shall be levied at a uniform rate for all Condominiums and may be collected on a monthly basis. If any installment of a Regular Assessment is less than the amount assessed and the payment does not specify the Corporation funds or fund into which it should be deposited, the receipt thereof by the Corporation from that Member shall be credited in order of priority, first to the operating fund, until that portion of the Regular Assessment has been satisfied, and second to the reserve fund. Compliance and Special Benefit Assessments shall be

due thirty (30) days after such Assessment has been levied unless otherwise determined by the Board in a manner consistent with Civil Code Sections 5600-5650, as may be amended from time to time.

Section 10. Certification of Payment. The Corporation shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer or agent of the Corporation setting forth whether the Assessments on a specified Condominium have been paid. If a certificate states that Assessments have been paid, such certificate shall be conclusive evidence of such payment.

Section 11. Delivery by Owner. Each Owner of a Condominium shall, as soon as practicable prior to the transfer of title to the Condominium or the execution of a real property sales contract, as defined in California Civil Code, Section 2985, or as may be amended, from time to time, give to the prospective purchaser a copy of this Declaration and copies of the By-Laws and Articles of the Corporation, and a true statement, in writing, from the Board as to the amount of the Corporation's current Regular and Special Assessments and fees, as well as any delinquent Assessments and information relating to penalties, attorneys' fees and other charges authorized by this Declaration on the Condominium as of the date the statement is issued, and any change in the Corporation's current Assessments and fees which have been approved by the Board but have not become due and payable as of the date disclosure is provided pursuant to this Section.

Section 12. Delivery of Statement. Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, respectively, provide the Owner of a Condominium with a copy of this Declaration, and copies of the By-Laws and Articles of the Corporation, together with the pro forma budget, an insurance policy summary, a true statement in writing as to the amount of any delinquent Assessments, penalties, attorneys' fees and other charges authorized by this Declaration on the Condominium as of the date of the request, the most recent financial statement, the Corporation's current Regular and Special Assessments, and any change in the Corporation's current Assessments and fees which have been approved by the Board but have not become due and payable as of the date disclosure is provided pursuant to this Section. The Board may impose a fee for providing such documents and statements, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents.

Section 13. Delivery by Declarant. In accordance with applicable legal requirements, within ninety (90) days following the first close of escrow for the sale of a Condominium in the Project, or as soon as reasonably obtainable, the Declarant shall provide the Corporation with copies of the (1) the recorded map of City of Santee Tract No. 2014-01; (2) recorded Condominium Plans for the Project and all amendments thereto; (3) Corporation Property grant and/or easement deeds; (4) this Declaration; (5) filed Articles of Incorporation and all amendments thereto; (6) the

Corporation's By-Laws and all amendments thereto; (7) Rules and Regulations and/or Architectural Guidelines adopted by the Board (if any); (8) the plans approved by the City for the construction or improvement of facilities that the Corporation is obligated to maintain or repair (provided, however, that the plans need not be as-built plans and may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy); (9) notice of completion certificates for Corporation Property, if any; (10) any bond or other security device in which the Corporation is named as a beneficiary, if any; (11) warranties for Corporation Property equipment or, fixtures, or Improvements, if any; (12) insurance policies obtained for the benefit of the Corporation, the Board, or the Corporation Property; (13) any lease or contract to which the Corporation is a party; (14) the membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members, Board, and any committees of the Corporation; and (15) any instrument referred to in Section 11018.6(d) of the California Business & Professions Code but not described above which establishes or defines the common, mutual or reciprocal rights or responsibilities of Members of the Corporation.

Section 14. Reserves. The Regular Assessments shall include reasonable amounts, as determined by the Board, collected as reserves for the future periodic maintenance, repair and replacement of all or a portion of the Corporation Property, or any such other purpose determined by the Board. All amounts collected as reserves shall be deposited by the Board in a separate bank account for the purposes for which they were collected, and are to be segregated from and not commingled with any other funds of the Corporation. The expenditure of such funds shall be limited to the repair and replacement of those elements of the Corporation Property which must be repaired or replaced according to a reserve study as permitted by Sections 4177, 4178, and 5510-5560 of the California Civil Code, as same may be amended from time to time.

Section 15. Offsets and Waiver Prohibited. No Owner may waive or otherwise avoid liability for the Assessments provided for herein for any reason whatsoever, including, but not limited to, non-use of the Corporation Property or abandonment of his Condominium, nor shall any Owner be entitled to any offset against any Assessment provided for herein for any reason whatsoever, including, but not limited to, any expenditure made by such Owner for or on behalf of the Corporation.

Section 16. Exempt Property. The following property subject to this Declaration shall be exempt from the Assessments herein:

- (a) All property dedicated to and accepted by a local public authority;

(b) All property owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of California; however, no land or Improvements devoted to dwelling use shall be exempt from said Assessment; and

(c) Any Corporation Property owned in fee by the Corporation.

Section 17. Sub-Metering of Water. It is currently anticipated that domestic water will be supplied to the Condominiums through one or more master water meters installed within the Project, that water and sewer services will be billed to the Corporation based on readings from the master meter, and that submeters will be installed to measure the amount of water used by each Condominium. Each Owner of a Condominium will be obligated to reimburse the Corporation in the amounts reasonably billed by the Corporation, or any private meter reading service retained by the Corporation, for the cost of the water and/or sewer services supplied to the Owner's Condominium Unit and Exclusive Use Corporation Property based on the reading from the submeter which monitors water consumption from the Owner's Condominium Unit and Exclusive Use Corporation Property. In billing each Owner, the Corporation or private meter reading service shall utilize water consumption information from the submeter and the billing information which is provided by the supplier of water and sewer services. Should the supplier of such services charge penalties for excessive water consumption or should the supplier otherwise charge different rates for different levels of consumption, the Corporation may in any reasonable manner utilize such information in its allocation and determination of reimbursement amounts pursuant to this Section.

The Corporation shall have the right to enter into an agreement with a private meter reading service to (a) read the sub-meter, (b) prepare and send the bills and (c) collect sums billed to each Owner on behalf of the Corporation. Alternatively, the Corporation may itself do any such billing activities for its reimbursement of amounts applicable to each Condominium. The reimbursement amounts so billed (whether billed by the Corporation or a private water metering service) shall be the personal obligation of the person(s) who owned the Condominium during the period of time the water being billed for was supplied to the Condominium. No Owner shall interfere with the reading of such submeter nor in any manner change or disconnect such sub-meter. The Corporation is hereby granted an easement for it or its agents and contractors to read, repair, realign or replace such submeter, wherever located.

The Corporation shall have the right to require each Owner to establish an impound account with the Corporation or with the private meter reading service in order to provide a deposit from which the Owner's water bill can be paid. The amount of such impound account shall not exceed the Board's good faith estimate of

the sums to be billed to the Owner for two (2) months' service; however, the Board shall have the right to require an Owner to increase the deposit up to a sum equal to the Board's good faith estimate of the sums to be billed to the Owner for six (6) month's service in the event Board reasonably determines the increased deposit would be prudent given the Owner's past payment history.

Section 18. Capitalization of Corporation. Each initial purchaser of a Condominium from the Declarant in the Project shall contribute to the working capital of the Corporation an amount equal to \$_____. Said amount shall be deposited by each initial purchaser into his respective escrow for the purchase of his Condominium from Declarant and shall be disbursed by the escrow holder to the Corporation at the close of escrow for the sale of the Condominium. This capital contribution shall in no way be deemed to be a prepayment of any portion of the Regular Assessment obligation of the Owners.

ARTICLE VIII

EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE CORPORATION

Section 1. Effect of Nonpayment of Assessments: Remedies of the Corporation. Any Regular, Special, or Compliance Assessment not paid within fifteen (15) days after the due date shall be deemed delinquent and the Owner shall be required to pay: (a) reasonable costs of collection, including reasonable attorneys' fees; (b) a reasonable late charge not exceeding ten percent (10%) of the delinquent Assessment or Ten Dollars (\$10.00), whichever is greater, or as may, from time to time, be established by the Board in accordance with California law; and (c) interest on all sums imposed under this Section at an annual percentage rate not to exceed twelve percent (12%) commencing thirty (30) days after the Assessment was due. The Board, for and on behalf of the Corporation, may commence legal action against the Owner personally obligated to pay the same, or, in the case of a Regular, Special Assessment, may foreclose the lien against his Condominium. Such lien may also be foreclosed by a power of sale or other nonjudicial procedure provided for by the laws of the State of California. In furtherance thereof, each Owner hereby vests in the Corporation, its successors or assigns, the right and power to bring all actions at law or to pursue lien foreclosure against any Owner for purposes of collecting such delinquent Assessments. To the extent permitted by law, each Owner waives, with respect to the extent of any liens created pursuant to this Article, the benefit of any homestead or exemption laws of California in effect at the time any Assessment, or installment thereof becomes delinquent or any lien is imposed. The Corporation's acceptance of any tender of a partial payment of an installment of an Assessment or any costs and attorney's fees attributable thereto shall not be deemed to be a waiver of the Corporation's right to demand and receive full payments thereafter.

Payments for Assessments shall first be applied to the principal owed for the Assessments and only after such principal amount is paid in full, shall such payments be applied to interest or collection expenses for such Assessments. If requested by an Owner, the Corporation shall provide the Owner with a receipt of payment of Assessments, indicating the date of the Owner's payment of Assessments and the person who received such payment on behalf of the Corporation. The Corporation shall establish a mailing address for the overnight payment of Assessments.

Section 2. Notice of Delinquent Assessments. No action shall be brought to foreclose a lien for delinquent Assessments, or to proceed under the power of sale herein, unless the Corporation complies with all applicable provisions of law [e.g., California Civil Code Sections 5650-5660, as the same may be amended from time to time, and provisions of California Civil Code Section 2924, 2924(b), and 2924(c), as may be amended from time to time].

Section 3. Foreclosure Sale. Any foreclosure sale provided for above is to be conducted by the Board, its attorney or other persons authorized by the Board, in accordance with the provisions of Sections 2924, et seq. of the California Civil Code applicable to the exercise of powers of sale in Mortgages and deeds of trust, as same may be amended, from time to time, or in any other manner permitted by law. The Corporation, through duly authorized agents, shall have the power to bid on the Condominium at a foreclosure sale and to acquire, hold, lease, mortgage and convey the same.

Section 4. Curing of Default. Upon the timely curing of any default for which a Notice of Delinquent Assessments or lien was filed by the Corporation, the officers thereof are hereby authorized to file or record, as the case may be, an appropriate release of such Notice upon receipt of payment from the defaulting Owner of a reasonable fee to be determined by the Corporation to cover the costs of preparing and filing or recording such release.

Section 5. Cumulative Remedies. The Corporation's remedies for nonpayment of Assessments, including, but not limited to, an action to recover a money judgment, Assessment lien and right of foreclosure and sale, are cumulative and in addition to and not in substitution of any other rights and remedies which the Corporation and its assigns may have hereunder or at law.

Section 6. Mortgagee Protection. Notwithstanding all other provisions hereof, no lien created hereunder nor any breach of the terms and provisions of this Declaration, nor the enforcement of any term or provision hereof, shall defeat or render invalid the rights of any Mortgagee under any recorded first Mortgage or deed of trust upon a Condominium made in good faith and for value; provided, that after such Mortgagee or other person or entity obtains title to such Condominium by judicial or nonjudicial foreclosure, such Condominium shall remain subject to this

Declaration and the payment of Assessments which fall due subsequent to the date of taking title.

ARTICLE IX

USE RESTRICTIONS

Except as otherwise expressly provided in this Declaration, the Condominium Units and Common Property shall be occupied and used only as set forth hereinbelow.

Section 1. Private Dwelling. Except as otherwise provided in this Declaration, each Condominium (as depicted on the Condominium Plan) shall be used for residential purposes (i.e., single family dwelling purposes only), except such temporary uses as shall be permitted by Declarant while the Project is being developed and Condominiums are being sold by Declarant; provided, however, that Declarant reserves unto itself, and its successors and assigns, together with the right to grant and transfer all or a portion of the same, for so long as Declarant owns any interest in City of Santee Tract No. 2014-01 and/or the Annexation Property, and is entitled to annex Annexation Property to the Project, the right to carry on normal sales activity on the Project, including the operation of models, sales office, design center and parking area, provided Declarant shall not unreasonably interfere with any other Owner's use of the Common Property.

Section 2. Common Property Use. Use of the Common Property shall be subject to the provisions of this Declaration, the Rules and Regulations and to any additional limitations imposed by any of the other Corporation management documents, and to any additional limitations imposed by the Corporation or Board.

Section 3. Conduct Affecting Insurance. Nothing shall be done or kept in any Condominium Unit or in the Common Property which will increase the rate of insurance on the Common Property without the approval of the Corporation. No Owner shall permit anything to be done or kept in his Condominium Unit or in the Common Property which will result in the cancellation of insurance on the Common Property or which would be in violation of any law. If, by reason of the occupancy or use of said premises by the Owner, the rate of insurance to the Common Property shall be increased, the Owner shall become personally liable for the additional insurance premiums.

Section 4. Liability for Damage to the Common Property. Each Owner shall be liable to the Corporation, pursuant to the laws of the State of California, for any and all costs and expenses which may be incurred by the Corporation to repair any damage to the Common Property which may be sustained by reason of the negligent acts or omissions or the willful misconduct of said Owner or any member of his family, his guests, tenants, lessees, or their

respective guests or invitees, whether minor or adult. Subject to Notice and Hearing and approval by a majority of the Board, any such costs and expenses shall be levied by the Board as either a Special or Compliance Assessment against such Owner. The Corporation may, after notice and hearing as provided in the By-Laws, levy a Special or Compliance Assessment against said Owner equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Owner or person for whom the owner may be responsible.

Section 5. Signs. Subject to Civil Code Sections 712, 713, 4705 and 4710, and California Government Code Section 434.5, as same may be amended from time to time, and the Rules and Regulations and Architectural Review Committee rules, no sign, advertising device or other display of any kind shall be displayed in the Project or on any public street in or abutting the Project except for the following signs (all of which must comply with the City's Sign Ordinance and, if required by such ordinance, be approved by the City's Planning Director prior to installation):

(a) entry monuments, community identification signs, and traffic or parking control signs maintained by the Corporation;

(b) for each Condominium Unit, one (1) nameplate or similar Owner name or address identification sign which complies with the Architectural Review Committee rules;

(c) for each Condominium Unit, one (1) sign advising of the existence of security services protecting a Condominium which complies with the Architectural Review Committee rules;

(d) for each Condominium Unit, one (1) sign advertising the Condominium Unit for sale or lease that complies with the following requirements:

(1) the sign is not larger than such signs commonly utilized for similar purposes by a real estate company licensed to conduct business in the State of California;

(2) the sign is attached to the ground by a conventional, single vertical stake which does not exceed normal size standards for signs commonly utilized for similar purposes by a real estate company licensed to conduct business in the State of California (i.e., not affixed to the Condominium building or Exclusive Use Corporation Property);

(3) the top of the sign is not taller than such signs commonly utilized for similar purposes by a

real estate company licensed to conduct business in the State of California; and

(4) other signs or displays authorized by the Architectural Review Committee rules and regulations and the City;

Section 6. Maintenance of Animals. No animals of any kind shall be raised, bred or kept in any Condominium Unit or in the Common Property, except that common domesticated dogs, cats, birds or other household pets (other than small household pets such as fish), may be kept in each Condominium Unit in reasonable numbers as determined by the Board; provided, however, that no animal shall be kept, bred or maintained for any commercial purpose and shall not exceed any weight limitations, if any, established by the Board. As used in this Declaration, "reasonable numbers" shall ordinarily mean two (2) total pets (excluding small household pets such as birds and fish) per Condominium; however, the Board may determine that a reasonable number in any instance may be more or less than two (2). Each Owner shall be responsible for cleaning up any excrement or other unclean or unsanitary condition caused by said animal in the Project. While walking or exercising an animal in the Project, the owner thereof shall, at all times, have readily available means to clean up any excrement or other unclean or unsanitary conditions caused by said animal. All permissible pets belonging to Owners, tenants, lessees or guests must be kept within an enclosed area, or on a leash being held by a person capable of controlling the animal. The Corporation, upon the approval of two-thirds (2/3) of the Board, shall have the right to prohibit maintenance of any animal within the Project which constitutes a private nuisance to any other person. Every person bringing an animal upon or keeping an animal in the Project shall be liable pursuant to the laws of the State of California to each and all persons for any injury or damage to persons or property caused by such animal.

Section 7. Quiet Enjoyment. No Owner shall permit or suffer anything to be done in the Project or kept upon such Owner's Condominium which will obstruct or interfere with the rights of quiet enjoyment of the other occupants, or annoy them by unreasonable noises (e.g., inappropriate use of horns) or otherwise, nor will any Owner commit or permit any nuisance on the premises or commit or suffer any immoral or illegal act to be committed thereon. Notwithstanding the foregoing, for as long as Declarant owns any interest in City of Santee Tract No. 2014-01 and is entitled to annex Annexation Property to the Project, the Declarant's efforts in selling the Condominiums may interfere with the Owners' quiet enjoyment of the Condominiums. Each Owner acknowledges the foregoing and waives any claims against the Declarant for nuisance due to any activity related to constructing, selling or marketing the Condominiums. Each Owner shall comply with all of the requirements of the Board of Health and of all other governmental authorities with respect to said premises, and shall remove all rubbish, trash and garbage from his Condominium

Unit. All clotheslines, refuse containers, woodpiles, storage boxes, tools and equipment shall be prohibited from any Condominium unless obscured from view by a fence or appropriate screen approved by the Architectural Review Committee provided for hereinbelow.

Section 8. Structural Changes. There shall be no structural alteration, modification or construction to the exterior of a Condominium Unit, fence or other structure whatsoever in the Project without the prior written approval of the Board or its designated Architectural Review Committee and the City, as required herein, except such works of construction by Declarant during the development of the Project. If required by the City, each Condominium Unit shall contain pre-plumbing and a storage space for a solar water heater pursuant to the requirements of the City's Energy Code. As also required by the City, the landscaping and fencing in the Project shall comply with the approved Landscaping and Fencing Plan approved by the City pursuant to Development Review Permit DR2014-5, and no revisions to the perimeter fence plan shall be made unless the prior written approval of the City's Director of Development Services is obtained.

Section 9. Improvements. There shall be no construction, alteration or removal of any Improvement in the Project (other than those repairs or rebuilding permitted under the Article entitled "Damage or Destruction to the Corporation Property") without the approval of the Architectural Review Committee and the City, as set forth hereinbelow. No Improvement shall be constructed upon any portion of any Corporation Property, other than such Improvements as shall be constructed: (a) by the Declarant (or a person or entity to whom Declarant assigns its rights as developer) or (b) by the Corporation as provided herein, as may be permitted by the Architectural Review Committee in accordance with the Article herein entitled "Architectural Review - Approval." Each Owner assumes all risks which may result from Improvements he makes to his Condominium Unit, and each Owner indemnifies and holds harmless the Corporation, Declarant and each other Owner from any claim, demands, liabilities, judgments, attorneys' fees and other obligations which arise out of or are incurred in connection with the installation, existence or removal of such Improvements.

Section 10. Window Coverings. Temporary window coverings ("Temporary Window Coverings") in a design and color that does not conflict with the surrounding Improvements (but excluding aluminum foil, newspaper, plywood or any other contrasting material) are permitted for a maximum period of sixty (60) days after the Condominium is conveyed by Declarant to an Owner. Except as specifically provided in the preceding sentence, no Temporary Window Coverings shall be used to cover any door or window of any Condominium. All window coverings (including Temporary Window Coverings) shall be of a neutral color harmonious with and not in conflict with the color scheme of the exterior wall surface of the Condominium buildings.

Section 11. Parking and Vehicular Restrictions.

(a) Authorized Vehicles. The following vehicles are "Authorized Vehicles": standard passenger vehicles including automobiles, passenger vans designed to accommodate ten (10) or fewer people, motorcycles (provided they are operated at levels not exceeding 45 decibels), and pick-up trucks having a manufacturer's rating or payload capacity of one (1) ton or less; provided, however, the dimensions of each of such foregoing vehicles may not exceed the following:

- (1) seven feet (7.0') in width from farthest point to point, including mirrors and tires;
- (2) eighteen feet (18') in length, including bumper attachments and hitches; and
- (3) six feet, four inches (6'4") in height, including roof racks or other projections.

Authorized Vehicles shall also include those automobiles, passenger vans and pick-up trucks which are used for personal use. The Corporation has the power to identify additional vehicles as Authorized Vehicles in the Rules and Regulations and to adapt this restriction to other types of vehicles.

(b) Restricted Vehicles. The following vehicles are "Restricted Vehicles:" recreational vehicles, motor homes, travel trailers, camper vans, boats and the like.

(c) Prohibited Vehicles. The following vehicles are "Prohibited Vehicles": (a) commercial-type vehicles (e.g., stakebed trucks, tank trucks, dump trucks, step vans, concrete trucks and limousines); (b) buses or vans designed to accommodate more than ten (10) people, (c) vehicles having more than two (2) axles, (d) trailers, (e) inoperable vehicles or parts of vehicles, (f) aircraft, (g) any vehicle or vehicular equipment deemed a nuisance by the Board, and (h) any other vehicle not classified as an Authorized Vehicle or Restricted Vehicle. If a vehicle qualifies as both an Authorized Vehicle and a Prohibited Vehicle, then the vehicle is presumed to be a Prohibited Vehicle, unless the vehicle is expressly classified as an Authorized Vehicle in writing by the Board.

(d) Temporary Parking. "Temporary Parking" shall mean the parking of delivery trucks, service vehicles and other commercial vehicles for purposes relating to the furnishing of services to the Corporation, an Owner or tenant, and/or for loading and unloading only; provided, further, that

no such temporarily parked vehicle may remain within the Project overnight.

(e) Parking in Project. The drives and aisles and guest parking areas within the Project are subject to the Protective Covenants of this Declaration, as well as all applicable laws, ordinances and regulations of all governmental agencies having jurisdiction over the Project. Except for purposes of Temporary Parking in areas other than fire lanes, if any, Owners and their tenants shall park their Authorized Vehicles only in their garages. Restricted Vehicles and Prohibited Vehicles may also be parked in an Owner's garage, provided that the garage door is kept shut (except when the vehicles are entering or exiting the garage) and the Owner's garage has sufficient space remaining for the parking of the Owner's Authorized Vehicles. There shall be no parking of any vehicles on unpaved surfaces, such as lawns or dirt surfaces. Guest parking spaces shall be used only by guests and visitors on a first-come, first-served basis. No vehicle shall block or impede access of fire fighting equipment to or through the drives and aisles or fire hydrants in the Project. No parking is permitted in any of the areas depicted on Exhibit "D" attached hereto and incorporated by this reference. As required by the City, all fire lanes shall be identified by painting curbs red with white-stenciled letters indicating "NO PARKING - FIRE LANE" every 30 feet along all portions of the fire lane. Red stripes with white stenciled letters shall be painted on the curb or asphalt in front of garages along fire lanes as well. Additionally, signs shall be maintained every 75 feet (or as authorized by the City's Fire Department) on the edge of the curb of the fire lanes. No building elements, balconies, drains, projections, or any other object shall be permitted to encroach into a fire lane. The Board may, from time to time, establish such Rules and Regulations for the operating and parking of vehicles in the Project as it may deem necessary or desirable, including the use of any Corporation Property parking by guests and other invitees. Any permission from the Board for the use of Corporation Property for Temporary Parking, if any, will create only a license to use such area, which license is revocable by the Board at any time.

(f) Reporting of Parking Violations. Each Owner is authorized to report parking violations to the Corporation Board of Directors. Any enforcement action taken to correct violations of the parking rules and regulations shall be in accordance with the provisions set forth herein.

(g) Parking Availability in Garages. Each Owner of a Condominium shall, at all times, keep his garage readily available for the parking of the number of vehicles for which the garage was constructed (e.g., 2 vehicles), and shall not store any Restricted Vehicles, Prohibited Vehicles, goods or

materials therein, nor use any portion thereof for a workshop or other use, if such storage or use would prevent, prohibit, and/or impede said Owner from parking the number of four wheel vehicles therein for which said garage was originally designed and constructed by Declarant to accommodate. Each Owner shall ensure that all parking spaces in the garage are at all times available for parking and shall use such space for parking his or her vehicles therein when said vehicles are in the Project; tandem parking within the garage may be required. Garage doors shall remain closed at all times, except as reasonably required for entry to and exit from the garage. Each Owner shall ensure that his garage door opener is in proper working order at all times.

(h) Vehicle Repair and Maintenance. No Owner shall conduct any repairs to any motor vehicle of any kind whatsoever in or upon any portion of the Project, except for emergency repairs thereto and then only to the extent necessary to enable the vehicle to be moved to a proper repair facility. In addition, no Owner's garage shall be used for any purpose other than parking of an Owner's vehicle and storage (only so long as such storage does not interfere with the parking of Owner's vehicles therein). **NO WASHING OR POLISHING OF ANY VEHICLE IN THE PROJECT IS PERMITTED, UNLESS EXPRESSLY AUTHORIZED BY THE BOARD IN WRITING.**

(i) Use of Power Tools in Garages. Unless expressly authorized by the Board in writing or in the event of an emergency, no power equipment (other than hand-held power tools) or other similar apparatus may be used in the garages or Project.

Section 12. Regulation of Parking; Towing. Subject to the rights of the Corporation, through its officers, committees and agents, the Board is hereby empowered to establish "parking" and "no parking" areas within the Corporation Property (e.g., on private drives and aisles, etc.), including any fire lanes, in accordance with Section 22658 of the California Vehicle Code, as the same may be amended from time to time, or any similar statute hereafter enacted, as well as to enforce these parking limitations by all means lawful for such enforcement, including, but not limited to, the levying of fines and the citing and towing of vehicles. The Board shall have the authority to tow away and store any vehicle or similar equipment parked in violation of the above limitations whether the same shall belong to any Owner or a member of his family or to any tenant, lessee, guest or invitee of any Owner. Charges for such towing and storing shall be assessed against the Owner of the Condominium who is responsible for or associated with the violation of such restrictions, and such assessment may be enforced as a Compliance Assessment.

Section 13. Compliance With Management Documents. All Owners shall comply with all of the Protective Covenants as set

forth herein, with the provisions of the Articles and the By-Laws, with all Rules and Regulations of the Corporation.

Section 14. Solar. Each Owner shall have the right to place and maintain equipment and facilities related to the installation and maintenance of individual solar systems within his Condominium Unit and Exclusive Use Corporation Property. The installation and maintenance of any solar system by an individual Owner shall be subject to all applicable zoning regulations, the Uniform Building Code and City associated ordinances, and reasonable review by the Architectural Review Committee for compliance with the architectural standards adopted by the Corporation, based on reasonable standards consistent with Section 714 of the California Civil Code, as same may be amended from time to time.

Section 15. Antenna Restriction. No Person may install any antenna or over-the-air receiving device except for an "Authorized Antenna" if allowed hereunder. An Authorized Antenna is (i) an antenna designed to receive direct broadcast satellite service, including direct-to-home satellite service, that is one meter or less in diameter, or (ii) an antenna designed to receive video programming service, including multichannel multipoint distribution service, instructional television fixed service, and local multipoint distribution service, and is one meter or less in diameter or diagonal measurement, (iii) an antenna designed to receive television broadcast signals, or (iv) an antenna used to receive and transmit fixed wireless signals. An Authorized Antenna may be mounted on a mast to reach the height needed to receive an acceptable quality signal, subject to local governmental agency permitting requirements for safety purposes.

(a) Restrictions on Installation. The Architectural Review Committee may adopt reasonable restrictions on installation and use of an Authorized Antenna as part of its design guidelines in order to minimize visibility of the Authorized Antenna from others Condominiums. Such restrictions may designate one or more preferred installation locations, or require camouflage such as paint (subject to the antenna manufacturer's recommendations) or screening vegetation or other Improvements. However, no restriction imposed by the Committee may (i) unreasonably delay or prevent the installation, maintenance or use of an Authorized Antenna, (ii) unreasonably increase the cost of installation, maintenance or use of an Authorized Antenna, or (iii) preclude acceptable quality reception.

(b) Prohibitions on Installation. The Architectural Review Committee may prohibit the installation of an Authorized Antenna in a particular location if, in the Architectural Review Committee's opinion, the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of the Owners or any other Person, or for any other safety-related reason established by the

Committee, or impacts the Condominium Building (i.e., no attachment to the exterior or roof of the Condominium Building). The Architectural Review Committee may also prohibit an Owner from installing an Authorized Antenna on any real property which such Owner does not own or is not entitled to exclusively use or control under this Declaration (e.g., an Owner shall have no right to install anything on the exterior of the Condominium buildings). The Architectural Review Committee also has the power to prohibit or restrict the installation of any antenna or other over-the-air receiving device that does not meet the definition of an Authorized Antenna above.

(c) Review after Installation. The Architectural Review Committee may review the location and installation of an Authorized Antenna after it is installed. After its review, the Architectural Review Committee may require that the Authorized Antenna be moved to a preferred location (if one has been designated) for safety reasons or to comply with reasonable restrictions subject to this Section and applicable law.

(d) Restatement of Applicable Law. This Section is intended to be a restatement of the authority granted to the Architectural Review Committee under the law. All amendments, modifications, restatements and interpretations of the law applicable to the installation, use or maintenance of an antenna or other over-the-air receiving device shall be interpreted to amend, modify, restate or interpret this Section.

Section 16. Other Improvements. No basketball backboard or other fixed or portable sports apparatus may be constructed or maintained in the Project without the Architectural Review Committee's prior approval. No fence or wall may be erected, altered or maintained on any Condominium except with the Architectural Review Committee's prior approval. No wiring of any kind or air conditioning fixture, water softener or other devices may be installed on the exterior of the condominium building or in a Condominium or be allowed to protrude through the walls or roof of the condominium building, except one (1) or more vents or air conditioning units installed, if at all, by Declarant, in a Condominium (with the exception of those items installed during the original construction of a Condominium by Declarant) unless the Architectural Review Committee's prior written approval is obtained.

Section 17. Water Softeners. No Owner shall install any on-site regenerative water softener within any portion of the Project, unless approved in writing by the Board and applicable Local Governmental Agency.

Section 18. Leasing. Unless otherwise prohibited by FNMA, GNMA, FHLMC, or VA/FA, no Owner shall be permitted to rent or lease any portion of his Condominium for transient or hotel purposes or for a period of less than thirty (30) days. All rental and lease agreements shall be in writing, and shall provide that the terms of such agreement shall be subject in all respects to the provisions of this Declaration, By-Laws, Articles, Rules and Regulations and that any failure by the tenant or lessee to comply with the terms of such documents shall constitute a default under such agreement. Notwithstanding the foregoing, Declarant may require each Owner to comply with an initial Owner occupancy or resale requirements imposed by Declarant.

Section 19. Drilling. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted within the Project, nor shall oil wells, tanks, tunnels or mineral excavations be permitted within the Project. No derrick or other structure designed for use in boring for oil, water or natural gas shall be erected, maintained or permitted within the Project.

Section 20. Trash. Each Owner shall place all rubbish, trash, garbage or other waste material in garbage cans, garbage bags or other closed containers approved by the City or other trash collection service provider. All such garbage cans and other containers shall be stored in the Owner's garage and shall be obscured from view from the Corporation Property, and each Owner shall use his best efforts to assure that no odor shall arise therefrom so as to be unreasonably offensive to any adjacent Condominium or other portion of the Project, or to otherwise be unsanitary, unsightly, offensive or detrimental to any other residents in the Project. Trash may not be stored overnight in any patio or other Exclusive Use Corporation Property areas (if any). The lids on all garbage cans and other containers must remain closed at all times other than when garbage is being placed in or removed from such garbage cans and other containers. Each Owner's garbage cans and other containers approved by the City or other trash collection service provider shall be placed in front of each Owner's garage for collection no earlier than 5:00 p.m. on the night prior to trash collection day and shall be removed inside the Owner's garage within twelve (12) hours after collection, or as otherwise deemed appropriate by the Board. If common trash or recycling receptacles are provided in the Project, all Owners shall utilize those common receptacles in accordance with the Rules and Regulations and all applicable laws. No toxic or hazardous materials (other than household cleansers) may be disposed of within trash containers within the Project. The Board may adopt additional Rules and Regulations regarding disposal of trash and recycling materials as the Board may deem reasonable and necessary.

Section 21. Exemption of Declarant. Nothing in this Article or elsewhere in this Declaration shall limit, restrict, abridge or control, in any manner whatsoever, the rights of De-

clarant to complete the planning, development, grading, construction, advertising, marketing, leasing and sales of the Condominiums, and all other property within the Project (including any property which may be annexed thereto pursuant to the provisions of this Declaration), including, without limitation, the following specific rights, which may be exercised by Declarant, and their successors and assigns, or by their agents and employees, in conjunction with such development and marketing, until the earlier of (1) when Declarant no longer owns an interest in City of Santee Tract No. 2014-01 or the Annexation Property, or (2) five (5) years from the recordation of this Declaration:

(a) The right to maintain and operate one (1) or more advertising, sales or leasing office(s), construction trailer, portable restrooms, located upon any Property owned by Declarant, or Corporation Property;

(b) The right to post and display from any Corporation Property any sign, flag, banner, billboard or other advertising which Declarant may, in its sole discretion, deem appropriate, irrespective of size, color, shape or materials of such items, so long as such use does not unreasonably interfere with the Owner's normal use and enjoyment of the Corporation Property;

(c) The right to install, place, replace, construct, reconstruct, modify or remove any Improvement from any Corporation Property, as Declarant may, in its sole discretion, deem appropriate; provided that in the event Declarant removes any Corporation owned Improvement from any Corporation Property without the express prior written consent of the Board, Declarant shall replace such Improvement with an Improvement of substantially similar value, appearance and utility within a reasonable period following completion of any work necessitating the removal of the Improvement;

(d) The right to conduct any commercial activity upon any Corporation Property which reasonably relates to the development, marketing, leasing or sales of the Condominiums in the Project;

(e) The right to park vehicles upon any Corporation Property; and

(f) The right to use all drives and aisles within the Project, which right shall also extend to prospective purchasers or lessees of the Condominiums or of other property within the Project.

All or any portion of the rights of Declarant herein and elsewhere in this Declaration may be assigned by Declarant to any successor-in-interest in the Project, including the Annexation

Property, by an express written assignment recorded in the Office of the County Recorder.

Section 22. No Easements For View Purposes; Disclaimer. Neither the City, the Declarant nor the Architectural Review Committee, nor the members, representatives, employees or consultants of any of the foregoing, have made any representations whatsoever concerning the view, if any, that a particular Condominium or other Improvement thereon will enjoy. There are no rights, express or implied easements whatsoever appurtenant to any Condominium for view purposes or for the passage of light and air across any other Condominium or any property not within the Project, regardless of whether such Condominium is owned by Declarant. Each Owner accepting a deed to a Condominium hereby expressly acknowledges and agrees that the Condominiums, walls and fences constructed by Declarant, and further construction, both within the Project and in the immediate vicinity of the Project, may impair the view from such Owner's Condominium, and each Owner hereby expressly consents to any such impairment. Each Owner further acknowledges and understands that property surrounding the Project may be developed or redeveloped in accordance with applicable City standards. Concerns pertaining to the future development of surrounding property should be addressed with the City.

Section 23. Screen Doors. No Owner shall install any screen door in any portion of the Condominium Unit unless such Owner has written approval from the Architectural Review Committee.

Section 24. Pollutant Control. The Corporation and each Owner shall comply with any NPDES requirements, Water Quality Management Plans, and the BMP guidelines (as defined below), as such requirements, plans, and guidelines apply to the Project.

A. NPDES Requirements. The Project is subject to all Federal, State and local requirements of the National Pollutant Discharge Elimination System ("NPDES") adopted pursuant to the Federal Clean Water Act. Pursuant to a NPDES General Permit, including the San Diego County Municipal Stormwater, State General Industrial and State General Construction Permits adopted by the State Water Resources Control Board and the San Diego County NPDES Storm Water Permit Program, SQUIMP, and Drainage Area Management Plan ("DAMP"), and Stormwater Treatment Device Access and Maintenance Agreement the City may have adopted or approved a Storm Water Management Plan for the Project ("SWMP") which identifies certain Best Management Practices ("BMP") to reduce the discharge of pollutants to storm water facilities (e.g., appropriate stormwater pollution control related to the Project's structural, treatment control, and non-structural facilities in order to prevent all pollutants from contacting storm water and keeping all products of erosion from moving off site into receiving waters, as required by the State Water Resources Control Board [SWRCB] and the National Pollutant Discharge Elimination System [NPDES]), before,

during and after construction on the Project is completed. The Corporation and the Owners shall comply with all applicable BMPs and perform all maintenance imposed by DAMP, SWMP, and the WQMP (if applicable), as amended, and the Corporation shall obtain any certifications and permits or accept an assignment from Declarant of any such certifications and permits as are required by the DAMP, SWMP and the WQMP. The costs of the Corporation's portion of such maintenance, if any, shall be treated as Common Expenses.

B. Specific BMPs. The Corporation shall ensure that all Corporation Property, consisting of private drives and aisles, sidewalks, parking areas, and the like, is kept free of litter and debris and swept in accordance with the requirements of the Water Quality Management Plans. As required by the City, the Corporation shall maintain, repair and replace all structural BMPs for the Project pursuant to the requirements of the Operations & Maintenance Plan contained in the SWMP, which shall be binding on all land within the Project throughout the life of the Project.

C. Guidelines. The Corporation shall ensure that all Corporation Property landscape irrigation is implemented in accordance with the BMPs, including without limitation (a) the provision for water sensors and programmable irrigation times allowing for short cycles, (b) the use of planting material similar to that installed by Declarant, as applicable, and with similar water requirements in order to reduce excess irrigation runoff and to promote surface filtration, and (c) the maintenance of all permanent slopes with required landscaping with native or other drought tolerant planting materials.

Nothing other than natural rain water or potable water may be discharged into the storm drains and storm drainage system located on private or public property. Toxic chemicals or hydrocarbon compounds such as gasoline, motor oil, antifreeze, solvents, paints, paint thinners, wood preservative and other such fluids shall not be discharged into any street, public or private, or into storm drains or storm water conveyance systems. Use and disposal of pesticides, fungicides, herbicides, insecticides, fertilizers and other such chemical treatments shall meet Federal, State, County and City requirements as prescribed on their respective containers. All Owners within the Project and the Corporation are required to comply with such restrictions.

Section 25. Corporation Property. No Owner shall take any action which will detract from the maintenance of the Corporation Property in a neat, clean, safe, sanitary, attractive and orderly condition at all times. No Owner shall use or permit the area outside of the front door to his Condominium Unit or his or her Exclusive Use Corporation Property patio area to be used in any manner which will obstruct or interfere with the rights of quiet enjoyment of other occupants. Without limiting the generality of the foregoing, except as may be allowed by the Rules and Regulations, no Owner shall install, place, keep or store any storage

units, boxes, refuse, recyclable materials, storage, refuse, or recycling containers, woodpiles, personal effects, clothing, shoes, clotheslines, clothes drying racks, or other equipment, bicycles, or any children's toys or equipment (including, without limitation, tricycles, wagons, strollers, skateboards, scooters, slides, and playhouses) in the area outside of the front door of his Condominium Unit or within his or her Exclusive Use Corporation Property patio area; maintain any plants or planter boxes on top of or attached to the fence or railing enclosing his or her patio area; or water any plants located within his patio area in such a manner so that excess water drains into the patio area of another Condominium Unit or any other Exclusive Use Corporation Property area. The Board may adopt additional Rules and Regulations regarding the Corporation Property (including all Exclusive Use Corporation Property areas) as the Board may deem reasonable and necessary.

Section 26. Rights of Disabled. Subject to the provisions of this Declaration, Civil Code Section 4760, State and Federal Laws regarding accommodations for the handicapped, and approval by the Architectural Review Committee, each Owner may modify his Condominium Unit and the route leading to the front door of his Condominium Unit, at his sole expense, in order to facilitate access to his Condominium Unit by persons who are blind, visually impaired, deaf or physically disabled, or to alter conditions which could be hazardous to such Persons.

Section 27. Water Beds. Each Owner hereby acknowledges that no water beds are allowed in the Project. Any Owner who breaches this Section shall indemnify and hold the Declarant, Corporation, and Members harmless from any claims, damages, losses or other liability arising from such breach.

Section 28. Fire Prevention. As required by the City, each building in the Project shall be equipped with an automatic fire sprinkler system, fire alarm system, exterior horn/strobe waterflow notification device (installed at near the address placement for the building), and fire extinguishers (in locations approved by the City's Fire Department). In addition, each building shall have a fire sprinkler riser enclosure accessible from the outside of the building, which shall contain the fire sprinkler riser for the building, pressure gauges for the system, applicable valves, sprinkler head box, and any required diagrams or documentation for the fire sprinkler system. The enclosure shall have exterior locking hardware and a Knox box located at an approved location near the room for easy Fire Department access, and the exterior side of the riser enclosure door shall have labeling or signage approved by the Fire Department indicating "FIRE RISER INSIDE." No Owner or other resident of the Project shall paint, alter, modify, disable, remove or take any other action which might impair the operation, or interfere with the Corporation's maintenance or the City Fire Department's testing of, the automatic fire sprinkler system (including the fire sprinkler

riser enclosure and associated labeling or signage), fire alarm system, exterior horn/strobe waterflow notification device, or fire extinguishers in the Project, including, without limitation, any fire sprinkler heads within the Owner's Condominium Unit. By acceptance of a deed to a Condominium Unit, each Owner acknowledges that a fire in his Condominium will trigger the release of water from the automatic fire sprinkler system and that water damage to the Condominium Unit and personal property therein may occur. Owners are prohibited from hanging any items from, or otherwise damaging, any exposed pipes or sprinkler heads in their Condominium Units. Except as authorized in the Rules and Regulations (e.g., use of fire extinguishers in the event of a fire), no Owner may alter, modify, disable, or remove any fire standpipes, fire extinguishers, or other fire prevention equipment in the Project. As noted above, no parking is permitted in any fire lane described and/or depicted on Exhibit "D" attached hereto. Chimneys serving barbecues or decorative heating appliances in which solid or liquid fuel devices are used shall have a spark arrester of woven or welded wire screening of 12-gauge standard wire having openings not exceeding 1/2 inch. Firewood and combustible materials shall not be stored in unenclosed spaces beneath buildings or structures or under eaves, canopies or other projections or overhangs and shall be stored at least 20 feet from structures and separated from the crown of trees by a minimum horizontal distance of 15 feet.

Section 29. No Use of Hazardous Materials. No Owner or other occupant of the Project shall use or allow any portion of the Project to be used for the generation, manufacture, storage, disposal, or release of Hazardous Materials. For purposes of this Declaration, the term "Hazardous Materials" shall mean any substances that are toxic, corrosive, inflammable, and/or ignitable, petroleum and petroleum byproducts, lead, asbestos, any hazardous wastes, and any other substances that have been defined as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or other terms intended to convey such meaning, including those so defined in any of the following federal statutes, beginning at 15 U.S.C. section 2601 et seq., 22 U.S.C. section 1251 et seq., 42 U.S.C. section 6901 et seq. (RCRA), 42 U.S.C. section 7401 et seq., 42 U.S.C. section 9601 et seq. (CERCLA), 49 U.S.C. section 1801 et seq. (HMTA); or California statutes beginning at California Health and Safety Code Section 25100 et seq., Section 25249.5 et seq., and 25300, et seq., and California Water Code Section 13000, et seq., the regulations and publications adopted and promulgated pursuant to such statutes and any similar statutes and regulations adopted hereafter. Hazardous Materials shall not include substances that are stored on the Property as part of the normal construction and operation of residential housing.

Section 30. Noise. The Project consists of attached Condominiums in a residential development. Each Owner will experience bright lights, noise, odors, fumes, and other adverse impacts associated with, but not limited to, the use of the

Condominium Units and Corporation Property and as a result of living in close proximity to neighbors. These adverse impacts include, without limitation, noise generated by plumbing fixtures and appliances that use water (e.g., toilets, sinks, bathtubs, showers, dishwashers, washing machines), televisions, radios, stereo systems, computers, human voices, walking on hard surfaces, the movement of furniture and people, children crying and playing, animal noises (e.g., dogs barking), the use and maintenance of landscaping and recreational facilities, air conditioners, exhaust systems and vents, electrical transformers, air conditioning condensers, maintenance and repair activities, and other activities, and odors and fumes generated by the smoking of cigarettes, cigars, pipes, barbecues, cooking, cleaning, and other activities. Each Owner understands and acknowledges that the Project is located in an urban environment. Living in an attached Condominium within a densely populated residential community entails living in close proximity to persons, with limitations on solitude. Notwithstanding whether or not floors, walls, and ceilings have been constructed and designed to meet applicable building codes, the Condominium buildings and individual Condominiums therein are not sound and/or odor proof, and noise and/or odors from adjacent Condominiums and the Corporation Property will be heard and smelled. Each Owner should expect to hear and feel sounds, vibrations and noises emanating from within, outside, above and below his/her Condominium Unit, including, without limitation, sounds and vibrations from footfall and other movements of people; use of plumbing, fans, closing and opening of doors and cabinets; televisions, phones, computers, stereos and other electronic equipment and activities conducted in the Condominiums and Corporation Property. Residents may hear the sound of garage doors opening at all hours of the day and night, including, without limitation, the mornings and early evenings when residents leave and return. Residents of the Project may not engage in behavior or activities in their Condominiums which impair other residents' quiet enjoyment of their Condominiums. The Project is currently located in an area in which considerable noise from traffic, businesses, air traffic, construction activities, truck deliveries, trash pick-up, commercial uses, and other activities will also be generated.

Each Owner hereby acknowledges and agrees that no alteration, repair or replacement of wall coverings in Condominiums which may diminish the effectiveness of the sound control engineering in the buildings in the Project may be made. As noted above, except for flooring installed by Seller, no Owner shall install any hard flooring within a Condominium (including without limitation carpet, pad, vinyl, stone tile or hardwood floors), replace any flooring or make any modifications to the floor, wall or ceiling of a Condominium except in accordance with the requirements of the Corporation and as set forth herein which shall include, but not be limited to:

(a) COMMON FLOOR/CEILING SYSTEMS (IF ANY)

(1) Unless the prior written approval of the Architectural Review Committee is obtained, the Condominium Unit common floors or ceilings shall not be modified in any manner which would increase the noise levels in any other Condominium Unit or the Corporation Property.

(2) Unless otherwise approved by the Board, Condominium Unit floor or ceilings shall not be modified in any manner that includes installation of any mechanical or electrical system, sound system components (including but not limited to music systems, televisions, DVD/CD players, radios, tape decks, speakers, home theaters, etc.), or device within the floor or ceiling or directly attached to the floor or ceiling.

(b) COMMON WALL SYSTEMS

(1) Condominium Unit common walls (e.g., party walls) shall not be modified in any manner which would increase the noise levels in any other Condominium Unit or the Corporation Property without the prior written approval of the Architectural Review Committee. The Owner may be required to provide written evidence prepared by a qualified acoustical consultant and acceptable to the Architectural Review Committee that the proposed modifications will not increase the noise levels in any other Condominium Unit or the Corporation Property.

(2) Condominium Unit common walls (e.g., party walls) shall not be modified in any way which would compromise the acoustical performance of the as-built by Declarant common wall assembly.

(c) PLUMBING SYSTEM

(1) The plumbing systems (excluding faucets) shall not be modified in any manner without the prior written approval of the Architectural Review Committee. The Owner shall comply with any Rules and Regulations which may require written evidence that the modifications will not increase the noise levels generated by the as-built plumbing system in any other Condominium Unit. Examples of such modifications include, but are not limited to, the installation of spa tubs. If required by the Board, each Owner must use a licensed and approved contractor who has met any insurance obligations required by the Board.

(d) ALLOWED NOISE LEVELS

(1) No Condominium Unit owner or occupant, or Condominium Unit mechanical, plumbing or electrical system, shall produce sound levels within any other Condominium Unit that exceed the interior noise limits of the local governing jurisdiction in any other Condominium Unit. If there is no local noise limit that applies, the applicable limit shall be a maximum level of 50 dBA from 7:00 A.M. to 10:00 P.M. and 45 dBA from 10:00 P.M. to 7:00 A.M. as measured inside any other Condominium Unit with all windows and doors of the affected Condominium Unit in a fully closed position.

(e) OTHER REQUIREMENTS

(1) To minimize the noise transmission from a Condominium Unit, each Owner (other than Declarant) shall comply with the requirements noted above, and the following:

(a) No modifications shall be made to any Condominium Unit which would result in a reduction in the minimum impact insulation class of the Condominium Unit.

(b) Pianos shall have at least 1/2 inch neoprene pads under the supports to minimize vibration transmission into the structure.

Section 31. Exterior Lighting. As required by the City, all external light fixtures shall be designed to reflect light downward, away from any road or street, and away from any adjoining premises, and shall otherwise conform to the requirements of the City's Municipal Code.

Section 32. Landscaping and Irrigation Systems. As required by the City, all landscaping shall be adequately watered and maintained in a healthy and thriving condition, free from weeds, trash and debris; all irrigation systems shall be designed to minimize water usage; all permanent irrigation shall be installed underground and shall be automatically controlled; all irrigation lines serving landscaping shall be installed underground; and all new trees in and within 10 feet of the public right-of-way shall be planted with root control barriers.

Section 33. Illuminated Directory Map. As required by the City, an illuminated directory map showing the layout of the buildings, building addresses, fire hydrant locations, and FDC locations shall be installed and maintained at the entrance of the Project. The size and location of the illuminated directory shall be approved by the Fire Department prior to installation.

Section 34. Addresses. As required by the City, building numbers shall be visible from any public or private street. Address numbers shall be placed near the front door of each Condominium Unit and shall also be visible from any public or private street. Address numbers shall be block style, 4" in height minimum, black in color (or other approved color), and contrast with their background. Address numbers shall also be placed at an approved location on the garage side of each Condominium Unit. All building and address numbers shall comply with the requirements of the City's Fire Department.

Section 35. No Warranty of Enforceability. While Declarant has no reason to believe that the restrictive covenants contained in this Article or elsewhere in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Condominium in the Project in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof, and, by acquiring the Condominium, agrees to hold Declarant harmless from any injury or damage therefrom.

ARTICLE X

REPAIR AND MAINTENANCE

Section 1. Repair and Maintenance by Corporation. Without limiting the generality of the provisions herein, including the Article entitled "Powers and Duties of the Corporation," and except as otherwise provided in this Declaration, the Corporation shall have the duty to maintain the Corporation Property in a neat, clean, safe, sanitary, attractive, healthy, orderly, and aesthetically pleasing condition at all times. Without limiting the generality of the foregoing, such maintenance shall include, but not be limited to, painting, maintaining, repairing, restoring, replacing, removing graffiti, and landscaping (as the case may be) the following:

(a) The exterior surfaces of all buildings in the Project, including exterior walls and roofs, doors (only if agreed to by the Board; all repairs to exterior doors and garage doors to individual Condominiums, including the structural maintenance thereof, shall be at the sole expense of the respective Owner unless otherwise agreed to by the Board), the walls, fences, and/or railings on the perimeter of the Project and/or enclosing the patio areas (each Owner shall be responsible for the routine maintenance of the interior of his patio area, including sweeping and cleaning, and changing lightbulbs, if any, and the structural integrity of the patio), the exterior stairways (if any), any air conditioner pads or forced air heating unit pads, only if such pads are

located outside the Condominium Unit and originally included in the Corporation budget reviewed by the CalBRE or subsequently approved by the Board (if such pads are located on with Exclusive Use Corporation Property, the maintenance shall be that of the Owner thereof), awnings, photocell lights and other exterior lights on the Condominium buildings which are not controlled by a switch within the Condominium, shutters, and gutters and downspouts;

(b) All private drives and aisles (together with any private common street lights and/or other common exterior lights and other Improvements thereon), decorative paving, common parking areas, and common walkways and sidewalks (if any) originally constructed by Declarant within the Corporation Property on Lot 1 of City of Santee Tract No. 2014-01 (collectively, "Private Street Improvements"), over which each Owner shall have a perpetual, non-exclusive, reciprocal easement for purposes of ingress, egress, and access, and utilities and drainage as originally constructed by Declarant pursuant to the plans approved by the City. All expenses incurred by the Corporation in connection with the performance of its obligations to maintain the Private Street Improvements shall be Common Expenses, which each Owner shall be obligated to pay, and the Corporation shall be authorized to collect from each Owner, as part of the Owner's Assessments in accordance with the provisions of this Declaration. The Corporation shall be responsible for any injuries to third parties arising out of the Corporation's maintenance or repair of the Private Street Improvements and shall procure and maintain general liability insurance coverage therefor as specified in the Article of this Declaration entitled "Insurance." Notwithstanding the foregoing, each Owner shall be liable for any damages or personal injuries which may be incurred by the Corporation or third parties arising out of or relating to the negligent acts or omissions or the willful misconduct of said Owner or any member of his family, his guests, tenants, lessees, or their respective guests or invitees, whether minor or adult. The Corporation shall indemnify and hold each Owner harmless from liability for personal injury or damage to property including the easement area which results from the actions of the Corporation in connection with any use, maintenance, or repair work within the easement. Each Owner shall indemnify and hold the Corporation harmless for personal injury or damage to property including the easement area which results from the actions of said Owner or any member of his family, his guests, tenants, lessees, or their respective guests or invitees, whether minor or adult, in connection with any use, maintenance, or repair work within the easement. The obligations of the Corporation and each Owner under this subparagraph shall constitute a covenant running with all of the land in the Project and shall be effective as long as the Project exists;

(c) As required by the City, all fire lanes shall be identified by painting curbs red with white-stenciled letters indicating "NO PARKING - FIRE LANE" every 30 feet along all portions of the fire lane. Red stripes with white stenciled letters shall be painted on the curb or asphalt in front of garages along fire lanes as well. Additionally, signs shall be maintained every 75 feet (or as authorized by the City's Fire Department) on the edge of the curb of the fire lanes. No building elements, balconies, drains, projections, or any other object shall be permitted to encroach into a fire lane;

(d) Sound walls, retaining walls and other Project fences and walls (the structural integrity, top and exterior) described and/or depicted as maintained by the Corporation on an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., see Exhibit "E" attached hereto). Project fences and walls shall mean and refer to those certain walls and fences which were originally constructed by Declarant on the Corporation Property or other portion of the Project, which are designated by Declarant or Board to constitute Project fences and walls and which will be maintained (e.g., in a clean and attractive condition) by the Corporation as provided herein;

(e) Those portions of the private common private water lines and facilities (including the master meter and submeters) described and/or depicted as maintained by the Corporation on Exhibit "H" attached hereto and/or to a recorded Notice of Annexation (excluding each water line which exclusively serves a Condominium);

(f) Those portions of the private common private sewer lines described and/or depicted as maintained by the Corporation in Exhibit "I" attached hereto and/or a recorded Notice of Annexation (excluding each sewer lateral which exclusively serves a Condominium);

(g) Those portions of the private storm drainage system for the Project described and/or depicted as maintained by the Corporation on an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., generally, see Exhibit "F" attached hereto), including all BMPs, bio-retention basins, catch basins, and other devices originally required by the City, in accordance with the Water Quality Management Plans approved for the Project (including the Storm Water Management Plan and any Operations & Maintenance Plan set forth therein);

(h) All common amenities, exterior landscape lighting, mailbox structures servicing multiple Condominiums (excluding the individual mailboxes, together with the hinges, lock, and keys thereof, which shall be maintained by the

Owners), common trash and recycling receptacles (if any), Project signs and monumentation (including the illuminated directory required by the City), recreational facilities (e.g., outdoor barbecue, outdoor furniture, overhead trellis structure, open space, etc.), and common trees and other landscaping and irrigation improvements, excepting therefrom any landscaping or other Improvements located in Exclusive Use Corporation Property;

(i) A program for the inspection and the maintenance of, all fire sprinklers, fire standpipes, fire alarm systems, exterior horn/strobe for waterflow notification, fire extinguishers, fire riser enclosures, and other fire prevention equipment and/or facilities, if any, originally installed by Declarant in the condominium buildings in a condition comparable to the condition originally approved by the City;

(j) An inspection and preventive program for the prevention and eradication of infestation by wood destroying pests and organisms in the Corporation Property. In connection with the inspection and prevention program for the prevention and eradication of infestation by wood destroying pests and organisms, the Corporation, upon reasonable notice (which shall be given no less than fifteen [15] days nor more than thirty [30] days before the date of temporary relocation) to each Owner and the occupants of his/her Condominium Unit, may require such Owner and occupants to temporarily relocate from such Condominium Unit in order to accommodate efforts by the Corporation to eradicate such infestation. The notice shall state the reason for the temporary relocation, the date and time of 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. Any damage caused to a Condominium Unit by such entry by the Board or by any person authorized by the Board shall be repaired by the Board as a Common Expense of the Corporation. All costs involved in maintaining the inspection and preventive program as well as repairing and replacing the Corporation Property and Improvements thereon when the need for such maintenance, repair or replacement is the result of wood destroying pests or organisms shall be a Common Expense subject to the restrictions applicable to Special Assessments;

(k) All amenities and all furnishings, equipment and other personal property owned by the Corporation;

(l) Maintaining everything that the Corporation is obligated to maintain in a clean, sanitary and attractive condition reasonably consistent with the level of maintenance reflected in the most current budget of the Corporation, and in conformance with any Maintenance Guidelines. Unless specifically provided in any Maintenance Guidelines, or as

commonly accepted maintenance practices may govern, the Board shall determine, in its sole discretion, the level and frequency of maintenance of the Corporation Property and Improvements thereon (as set forth below, each Owner shall maintain everything that Owner is obligated to maintain in a clean, sanitary and attractive condition and in conformance with any Maintenance Guidelines and Maintenance Recommendations, as well as commonly accepted maintenance practices and the product manufacturer's maintenance recommendations); and

(m) All other areas, facilities, furnishings and Improvements of whatever nature as may, from time to time, be requested by the vote or written consent of three-fourths (3/4) of the voting power of the Members.

Except as otherwise provided in this Declaration, all costs and expenses for such maintenance above shall be a Common Expense, and shall be paid out of the general operating fund of the Corporation. The Board shall have the right to require that only a contractor or other person approved by the Board enter the roof or other portion of the Corporation Property and to condition such entry on the contractor's or other person's compliance with reasonable requirements for the protection of the Corporation Property (e.g., requirements that the contractor be appropriately licensed, maintain insurance coverage on which the Corporation is named as an additional insured, and/or execute an indemnity agreement in favor of the Corporation). A maintenance matrix is attached hereto as Exhibit "G" and incorporated by reference.

Section 2. Maintenance Manual. The Declarant may deliver to the Board a "Maintenance Manual" which sets forth the Declarant's and its consultants' recommended frequency of inspections and maintenance of various components of the Corporation Property. The Board shall, during its meetings, determine whether the recommended inspections and maintenance activities have been followed, and, if any such recommendations have not been followed, what corrective steps need to be taken to assure proper inspection and maintenance of the Corporation Property. The Board shall keep a record of such determinations in the Board's minutes. The Board shall, from time to time, make appropriate revisions to the Maintenance Manual. The Board shall review the Maintenance Manual for appropriate revisions at least on an annual basis after the Board has prepared the annual pro forma budget and reserve study required by the By-Laws.

In addition to the requirements of any Maintenance Manual, the Board may have the Corporation Property inspected at least once every three (3) years to (a) determine whether the Corporation Property is being maintained adequately in accordance with applicable standards of maintenance, (b) identify the condition of the Corporation Property and any Improvements thereon, including the existence of any hazards or defects, and the need for performing additional maintenance, refurbishment, replacement or

repair, and (c) recommend preventative actions which may be taken to reduce potential maintenance costs to be incurred in the future. The Board may employ such experts and consultants as are necessary to perform such inspection. The Board may have a report of the results of the inspection prepared. The report should include at least the following:

(a) A description of the condition of the Corporation Property, including a list of items inspected and the status of maintenance, repair and need for replacement of all such items;

(b) A description of all maintenance, repair and replacement planned for the ensuing fiscal year and included in the budget;

(c) If any maintenance, repair or replacement is to be deferred, the reason for such deferral;

(d) A summary of all reports of inspections performed by any expert or consultant employed by the Board to perform inspections;

(e) A report of the status of compliance with the maintenance, replacement and repair needs set forth in the inspection report for preceding years; and

(f) Such other matters as the Board deems appropriate.

Section 3. Project Inspections. The Board shall require strict compliance with all provisions of this Declaration and shall periodically cause a compliance inspection of the Project to be conducted by the Architectural Review Committee to report any violations thereof. The Board shall also cause inspections of the Corporation Property and all Improvements thereon to be conducted in conformance with the applicable Maintenance Guidelines, and in the absence of inspection frequency recommendations in any applicable Maintenance Guidelines at least once every three (3) years, in conjunction with the inspection required for the reserve study to be conducted as required herein, in the By-Laws or by State law, to (a) determine whether the Corporation Property is being maintained adequately in accordance with commonly accepted standards of maintenance, (b) identify the condition of the Corporation Property and any Improvements thereon, including the existence of any hazards or defects, and the need for performing additional maintenance, refurbishment, replacement, or repair, and (c) recommend preventive actions which may be taken to reduce potential maintenance costs to be incurred in the future. The Board shall during its meetings, regularly determine whether the recommended inspections and maintenance activities set forth in any applicable Maintenance Guidelines have been followed and, if not followed, what corrective steps need to be taken to assure proper

inspections and maintenance of the Corporation Property and all Improvements thereon. The Board shall keep a record of such determinations in the Board's minutes. The Board shall keep Declarant fully informed of the Board's activities under this Section. The Board shall employ, consistent with reasonable cost management, such experts, contractors and consultants as are necessary to perform the inspections and make the reports required by this Section.

The Board shall prepare a report of the results of each of the inspections required by this Section, which shall comply with Section 2 above, including: For a period of ten (10) years after the date of the last close of escrow for a Condominium in the Project, the Board shall also furnish to Declarant (a) the report of each condition inspection performed for the Board, whenever such inspection is performed and for whatever portion of the Corporation Property that is inspected, within thirty (30) days after the completion of such inspection, and (b) the most recent condition inspection report prepared for any portion of the Corporation Property, within ten (10) days after the Corporation's receipt of a written request therefor from Declarant.

Section 4. Maintenance of Phases Subject to Construction Easement. Notwithstanding anything stated to the contrary in this Declaration, the Corporation shall have no obligation to maintain or repair any portion of a Phase until commencement of the Corporation's Assessments against the Condominiums within such Phase. Should any Improvements overlap between Phases, the Corporation shall only be responsible to maintain that portion of such Improvements which lie in the Phase(s) in which the Corporation's maintenance obligations have commenced.

Section 5. Repair and Maintenance by Owner. Except as otherwise provided elsewhere in this Declaration (e.g., in Section 1 above, etc.) regarding the Corporation's maintenance obligations affecting an Owner's Condominium, every Owner shall have the duty to maintain, repair and replace, at his sole cost and expense, all Improvements within such Owner's Condominium or which represent an integral part thereof (e.g., pipes and utility lines and outlets which provide service to only the Owner's Condominium, including the internal and external telephone wiring and the private water and sewer laterals designed to exclusively serve the Owner's Condominium, no matter where such are located), in a neat, clean, safe, sanitary, attractive and orderly condition at all times. Each Owner shall keep his respective Exclusive Use Corporation Property in a neat and clean condition in accordance with the Corporation Rules and Regulations. Without limiting the generality of the foregoing, and by way of example only, and except as may otherwise be provided in this Declaration (e.g., Section 1 above) regarding the Corporation's maintenance obligations, every Owner shall:

(a) Paint, maintain, repair, replace, restore, decorate, tile, finish, plaster, and/or landscape or cause to so

maintained, repaired, replaced, restored, decorated, tiled, finished, plaster, and/or landscaped (as the case may be) the following:

(1) The interior surfaces of the walls, ceilings, and floors of his Condominium Unit. However, no bearing walls, ceilings, slab, floors or other structural or utility bearing portions of the buildings housing the Condominium Units shall be pierced or otherwise altered or repaired, without the prior written approval of the plans for the alteration or repair by the Architectural Review Committee, which may approve or disapprove such in its sole and absolute discretion. Each Owner shall have the right to substitute new finished surfaces in place of those existing on the ceiling, floors, walls and doors of his or her Condominium Unit as purchased from Declarant.

(2) Each Owner of a Condominium shall be responsible for the maintenance and repair of:

i) The windows and the interior surfaces of doors enclosing the Condominium Unit, including the metal frames, tracks and exterior screens of glass doors and windows; provided, however:

(A) The Corporation may contract for the replacement of windows, in which event the Owner will reimburse the Corporation for its costs so incurred;

(3) Except as may otherwise be provided above or approved by a unanimous vote of the Board and applied in a non-discriminatory manner, all window glass, screens, if any, and all interior doors and the structural integrity of the exterior doors and garage doors (including locks, latches, weatherstripping, and thresholds);

(4) All interior lighting fixtures, all exterior light bulbs controlled by a switch inside the Condominium Unit and all interior plumbing fixtures, including back flow prevention devices, bathtubs, shower stalls, toilets, and sinks, heating, cooling, Cable television, water heating systems, heating systems, and electric equipment/system, and other utilities which are located within or which exclusively serve said Owner's Condominium (e.g., natural gas line up to the natural gas meter, water line up to the water meter, sewer lateral up to the point of connection to the common sewer main, etc.). In the event it is necessary to access the Corporation Property to maintain, repair, and/or replace any utility laterals or lines servicing a Condominium, such Owner shall comply with all requirements and

restrictions imposed by the Board in order to complete such work (e.g., requirements that the Owner's contractor be appropriately licensed, maintain insurance coverage on which the Corporation is named as an additional insured, and/or execute an indemnity agreement in favor of the Corporation);

(5) All internal and external telephone wiring designed to serve his Condominium Unit;

(6) All kitchen appliances, forced air heating units, the air conditioning unit, the hot water heater (which may be a tankless water heater), and the garage door opener which are located within or service his Condominium Unit;

(7) The Exclusive Use Corporation Property (e.g., patio, air conditioning pad, solar panel, as applicable), and any landscaping located therein, including both routine maintenance (e.g., watering landscaping, sweeping and cleaning and replacing light bulbs, etc.) and structural maintenance;

(8) Those portions of the fences and/or walls described and/or depicted as maintained by the Owners on an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., see Exhibit "E" attached hereto);

(9) In the event it is necessary to access the Corporation Property to maintain, repair, and/or replace any utility laterals or lines exclusively serving a Condominium (e.g., water lateral, sewer lateral, etc.) or any Exclusive Use Corporation Property (e.g., air conditioning unit, etc.), such Owner shall comply with all conditions, requirements and restrictions imposed by the Board in order to access the Corporation Property and complete such work (e.g., requirements that the contractor be appropriately licensed, maintain and provide the Corporation with written evidence of insurance coverage on which the Corporation is named as an additional insured, obtain the Corporation's written permission to access the roof or other Corporation Property, and/or execute an indemnity agreement in favor of the Corporation, etc.).

(10) Each Owner shall, within One Hundred Twenty (120) days after the close of escrow for the original sale of the Condominium to the Owner from Declarant (i.e., the date of recordation of the grant deed conveying the Condominium from the Declarant to the Owner), install the landscaping in said Owner's Exclusive Use Corporation Property patio area (if any);

(11) Each Owner shall maintain everything that the Owner is obligated to maintain in a clean, sanitary and attractive condition and in conformance with any Maintenance Guidelines and Maintenance Recommendations, as well as product manufacturer recommendations and commonly accepted maintenance practices.

(b) In the event any Owner shall fail to perform his/her maintenance obligations as set forth herein, the Corporation shall have the right, but not the duty, to cause such maintenance to be performed. If the Board elects to cause such maintenance work to be performed, the cost thereof (including a reasonable administrative fee) shall be assessed against said Owner as a Compliance Assessment. Each Owner shall reimburse the Corporation for those costs incurred which result from the Condominium occupants' excessive or neglectful use of the Exclusive Use Corporation Property or other portions of the Project.

Section 6. Damage and Destruction Affecting a Condominium.

(a) Duty to Rebuild. In the event any Condominium is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner to repair or reconstruct the Condominium (e.g., including, without limitation, all interior walls, lighting fixtures, plumbing fixtures, cabinets, furniture and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings), at the individual expense of the Owner of the Condominium Unit, unless covered by insurance maintained by the Corporation for the benefit of such Owner as determined by the Board, in a manner which will restore it to its condition and appearance immediately prior in time to such damage or destruction, or as otherwise approved by the Architectural Review Committee. Notwithstanding the foregoing, the structural elements thereof shall be restored as determined by the Board. The affected Owner shall be obligated to proceed with all due diligence hereunder, and shall promptly commence reconstruction within a reasonable time after the damage occurs, and shall complete such reconstruction as soon as reasonably possible thereafter.

(b) Approval of Restoration Plans; Design and Variance. In connection with the restoration and repair of any Condominium, the Owner thereof may apply for approval to the Architectural Review Committee to reconstruct and rebuild in a manner which will provide for an exterior appearance and design different from that which existed prior to the date of the casualty. Application for such approval shall be made in writing, together with full and complete plans and specifications, working drawings and elevations showing the proposed reconstructions and the end result thereof. The Architectural Review Committee shall grant such approval only if the design

proposed by the Owner would result in a finished Condominium in harmony of exterior design with the other Condominiums in the Project. Failure of the Architectural Review Committee to act within sixty (60) days after receipt of such a request in writing, coupled with full and complete plans and specifications, drawings and elevations shall constitute approval thereof. The Owner shall also obtain approval from the City of the proposed Condominium.

Section 7. Levy of Compliance Assessments. In the event the Corporation shall incur any costs or expenses due to the failure of any Owner to perform his maintenance obligations as set forth herein, or in order to repair any damage to the Corporation Property due to any negligent acts or omissions or willful misconduct on the part of an Owner, or any member of his family, his guests, invitees, tenants or lessees, or their guests or invitees, the Corporation shall have the right, but not the duty, to cause such maintenance or repairs to be performed. If the Board elects to cause such maintenance or repair work to be performed, after Notice and Hearing as provided in the By-Laws, the cost thereof shall be assessed against said Owner as a Compliance Assessment.

Section 8. Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Corporation to maintain, replace or restore the underground facilities or public utilities which are located within easements in the Common Property owned by such public utilities. However, the Corporation shall take such steps as are necessary or convenient to ensure that such facilities are properly maintained, replaced or restored by such public utilities.

ARTICLE XI

ENVIRONMENTAL AND OTHER DISCLOSURES AND REQUIREMENTS

Section 1. Environmental Requirements.

(a) Duties and Obligations of the Owners. To reduce and/or eliminate negative effects on the environment, and to comply with all Best Management Practices and NPDES requirements, all Owners shall:

(1) Dispose of waste materials properly, eliminate littering, and participate in the City's recycling program;

(2) Use fertilizers, herbicides, pesticides and other harmful chemicals properly and in compliance with all applicable laws;

(3) Take all necessary steps to insure that NO oil, antifreeze, paints and similar chemicals enter the storm drain systems;

(4) Take all necessary steps to prevent excessive erosion and sedimentation; and

(5) Use proper landscaping methods to eliminate non-storm water runoff to avoid adverse impacts on the environment.

(b) Duties and Obligations of the Corporation. Notwithstanding anything to the contrary set forth herein, the Corporation shall:

(1) Contract with a contractor to perform the following activities, subject to the following limitations, periodically to minimize the pollution of storm drain water:

i) Either mechanically or manually remove all large size urban debris from catch basins and storm drains periodically (i.e., at least twice a year, once immediately before October 1, the beginning of the rainy season, and once in January, and at such additional times as may be required by the City Engineer);

ii) If applicable, maintain stenciling on storm drains saying "NO DUMPING, DRAINS TO OCEAN, CREEK, CHANNEL," as appropriate;

iii) Minimize irrigation runoff by using controllers to provide several short watering cycles;

iv) Immediately correct any irrigation design or maintenance deficiencies which cause excessive runoff; and

v) Follow all fertilizer applications with light irrigation to permit fertilizer to soak into the landscaped area.

(2) Be responsible for the maintenance and repair (except to the extent such maintenance or repair obligation has been accepted by a public agency) of the following:

i) All storm drain facilities located within the Project described and/or depicted on an Exhibit to this Declaration or a recorded Notice of Annexation (e.g., Exhibit "F") as being maintained

by the Corporation, except those draining public streets, if any; and

ii) All other property or facilities, the maintenance of which is required of the Corporation hereunder, including, without limitation, landscaping, concrete walkways and perimeter walls on Project boundaries.

The Corporation and all Owners, as applicable, shall comply with all NPDES requirements and enforce all applicable structural and non-structural Best Management Practices as outlined and defined in the specific City-approved Storm Water Management Plan for the Project (including any Operations & Maintenance Plan set forth therein) in order to prevent the discharge of pollutants and contaminants into the storm drain system.

ARTICLE XII

ARCHITECTURAL REVIEW - APPROVAL

Section 1. Exemptions From Architectural Review. Except as otherwise provided herein or approved by the Board, all Improvements shall be subject to architectural approval by the Corporation in accordance with the provisions of this Declaration. Notwithstanding the foregoing, Declarant shall be exempt from compliance with any of the provisions of this Article as they may relate to the original construction and development of the Project by Declarant in accordance with the plans approved by the City; provided, however, if Declarant shall desire to construct any Improvements to the exterior of the building housing the Condominium Unit (e.g., windows, doors, the Exclusive Use Corporation Property areas appurtenant to the Condominium Unit, etc.) after such Condominium Unit has been completed and approved by the City, Declarant shall obtain approval for such Improvements from the City, and provided further, if Declarant shall retain a Condominium for personal use, any Improvements to such Condominium shall be subject to architectural approval pursuant to this Article.

Section 2. Architectural Review. Except for the purposes of proper maintenance and repair, and except as otherwise permitted hereunder, no person shall build, construct, erect or install any Improvement, or modify the exterior appearance of his Condominium Unit or Exclusive Use Corporation Property, until all conditions which may be imposed by the City have been satisfied and until any and all plans and specifications required pursuant to this Article shall have been submitted to and approved in writing by the Architectural Review Committee. For the purposes of this Section, the term "exterior" shall mean any outside wall, outside surface, roof, outside door, patio, air conditioning unit, solar panel, or other outside structure which is visible to others in the Project and/or to the public.

Section 3. Architectural Review Committee. The Architectural Review Committee is hereby authorized with the rights and powers set forth in this Article. Said Committee may consist of three (3) members, and each initial member shall serve until the first election of the Board. In the event of the failure or inability of any member of the Architectural Review Committee to act, the remaining members shall designate a successor who shall serve for the remainder of the term of the member he replaces. The Declarant shall appoint all of the original members of the Architectural Review Committee, and replacements thereto. Further, Declarant reserves the power to appoint a majority of the members of the Architectural Review Committee until ninety percent (90%) of the Condominiums in the proposed development of the Project (i.e., Phase 1 and the Annexation Property) have been sold and escrows closed or until the fifth (5th) anniversary of the issuance of the Final Subdivision Public Report for the first Phase of the Project. After one (1) year from the date of the issuance of the Final Subdivision Public Report for the first Phase of the Project, the Board shall have the power to appoint one (1) member to the Architectural Review Committee until ninety percent (90%) of the Condominium Units in the Project have been sold, or until the fifth anniversary date of the first close of escrow for the sale of a Condominium Unit pursuant to the Final Subdivision Public Report for the first Phase of the Project, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Review Committee. All members appointed to the Architectural Review Committee by the Board shall be from the membership of the Corporation. Members appointed to the Architectural Review Committee by the Declarant, however, need not be members of the Corporation. No member of the Architectural Review Committee shall be liable to any person for his decisions or failure to act in making decisions as a member of the Architectural Review Committee. Declarant may, in its discretion and at any time, assign to the Corporation by written assignment its powers of removal and appointment with respect to the Architectural Review Committee, subject to such terms and conditions regarding the exercise thereof as Declarant may impose.

Section 4. Meetings of the Architectural Review Committee. The Architectural Review Committee shall meet, from time to time, as necessary to perform its duties hereunder. The Architectural Review Committee may, by a majority vote of the members thereof and the Board, delegate any or all of the Committee's rights and responsibilities hereunder to one (1) or more duly licensed architects, who shall have full authority to act on behalf of the Architectural Review Committee on all matters so delegated.

Section 5. Architectural Approval - Review of Plans and Specifications. The Architectural Review Committee shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article (e.g., to ensure that the proposed plans are in conformance with and are harmonious to the exterior design and existing materials of the Condominium

Units in the Project). The Architectural Review Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration, and perform such other duties as, from time to time, shall be assigned to it by the Board, including the inspection of construction and progress to ensure its conformance with the plans approved by the Architectural Review Committee. No construction, alteration, grading, addition, excavation, demolition, modification, decoration, redecoration or reconstruction of an Improvement shall be commenced or maintained by any Owner until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the Architectural Review Committee and approved in writing by the Architectural Review Committee. The initial address for submission of such plans and specifications shall be provided to the Owners by the Board. The Architectural Review Committee shall approve the plans and specifications submitted for its approval only if it deems that: (a) the construction, alterations or additions contemplated thereby and the locations indicated will not be detrimental to the appearance of the surrounding area of the Project as a whole; (b) the appearance of any structure affected thereby will be in harmony with surrounding structures; (c) the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Corporation Property, or the enjoyment thereof by the Owners; (d) the upkeep and maintenance thereof will not become a burden on the Corporation; and (e) the proposed Improvements are in substantial compliance with the adopted Architectural Guidelines, if any. In addition to the foregoing, in its review of plans and specifications, the Architectural Review Committee may take into consideration, among other things, the scale of site dimensions; conformity and harmony of external design with neighboring Improvements; effect of location and use of Improvements (including landscaping) on neighboring Condominium Units; relation of topography, grade and finish grade elevation to neighboring Condominium Units; proper facing of all elevations; aesthetic beauty; and conformity of the plans and specifications to the purpose and general plan and intent of the Protective Covenants of this Declaration. The Architectural Review Committee may withhold approval of the plans and specifications for any proposed Improvement because of noncompliance with any of the specific Protective Covenants set forth in this Declaration; because of the dissatisfaction of the Architectural Review Committee with the proposed nature, kind, plan, design, shape, height, dimensions, proportions, architectural style, color, finish or materials to be used therein, the pitch or type of any proposed roof, or the size, type or location of any proposed trees or the landscaping to be planted; or because of the dissatisfaction of the Architectural Review Committee with any aspect of the proposed Improvement which could cause the proposed Improvement to be inappropriate, inharmonious or out-of-keeping with the general plan of improvement for the Project, or with the Improvements on or topography of the surrounding property.

The Architectural Review Committee may condition its approval of proposals or plans and specifications for any Improvement: (a) on such changes therein as it deems appropriate, (b) upon the agreement by the person submitting the same to grant appropriate easements to the Corporation for the maintenance of the Improvement, or (c) upon the agreement of the person submitting the same to reimburse the Corporation for the cost of such maintenance, or all of the above, and may require submission of additional plans and specifications or other information prior to approving or disapproving the submission.

The Architectural Review Committee may also issue rules or guidelines setting forth procedures for submission of plans for approval, requiring a payment of a fee to the Corporation to accompany each submission of plans and specifications, or additional factors which it will take into consideration in reviewing submissions.

The Architectural Review Committee may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings, landscape plans and description or samples of exterior material and colors.

Each Owner acknowledges and understands that he or she has absolutely no right or ability to modify the Condominium Buildings in any manner, unless otherwise provided by the Board.

Section 6. Decisions of the Architectural Review Committee. Until receipt by the Architectural Review Committee of any required plans and specifications, and such other information as may be required in Section 5 above, the Architectural Review Committee may postpone review of any plans submitted for approval. Decisions of the Architectural Review Committee and the reasons therefor should be transmitted by the Architectural Review Committee to the applicant, at the address set forth in the application for approval, within forty-five (45) days after receipt by the Architectural Review Committee of all plans, specifications and materials required. Any application submitted pursuant to the provisions of Section 5 above shall be deemed approved, unless written disapproval or a request for additional information or materials by the Architectural Review Committee shall have been transmitted to the applicant within forty-five (45) days after the receipt by the Architectural Review Committee of all required materials.

Section 7. Submittal to Public Agencies - Right of Architectural Review Committee to Review. Upon obtaining the written approval of the Architectural Review Committee for the proposed Improvement, if such Improvement requires a building permit, the Owner shall thereafter submit the plans and specifications to all appropriate governmental agencies in accordance with their respective requirements. In the event that all approvals by

the governmental agencies necessary for the issuance of a building permit are not obtained within six (6) months after the date of approval by the Architectural Review Committee, the Architectural Review Committee shall have the right, but not the obligation, to review all previously approved plans and specifications. In addition, in the event that the governmental agencies require modifications to the plans and specifications previously approved by the Architectural Review Committee, the Owner shall submit to the Architectural Review Committee all modifications to the plans and specifications previously approved by the Architectural Review Committee, which shall have the right to review and to impose further conditions on any such modifications.

Section 8. Conflicts Between Governmental Agencies and Architectural Review Committee. In the event of any conflict in the conditions of approval of any proposed Improvement imposed by the Local Governmental Agencies and the Architectural Review Committee, the more restrictive of such conditions shall be controlling. Further, nothing herein shall limit the Architectural Review Committee from imposing conditions of approval of any proposed Improvements which are more restrictive than conditions that may be imposed by the appropriate Local Governmental Agencies.

Section 9. No Waiver of Future Approvals. The approval of the Architectural Review Committee to any submissions for any work done, or proposed to be done, or in connection with any other matter requiring the approval or consent of the Architectural Review Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent of any similar proposals, plans and specifications, drawings or other matters subsequently or additionally submitted for approval.

Section 10. Compensation of Members. The members of the Architectural Review Committee shall receive no compensation for services rendered, other than reimbursement by the Corporation, pursuant to Board approval, for expenses incurred in the performance of such members' duties hereunder. This Section shall not be interpreted or construed to prohibit the Corporation from compensating any duly licensed Architect who has been delegated rights and duties as provided in this Article.

Section 11. Variances. Where circumstances such as topography, location of buildings, location of landscaping or other matters require, the Architectural Review Committee, by the vote or written assent of a majority of the members thereof and the Board, may allow reasonable variances as to any of the Protective Covenants contained in this Declaration or provisions under the rules and regulations promulgated by the Architectural Review Committee, on such terms and conditions as it shall require. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose, except as to the particular Condominium and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's

obligation to comply with all governmental laws and regulations affecting the Owner's use of his Condominium, including, but not limited to, zoning ordinances, lot setback lines or requirements imposed by the City or other governmental authority.

Section 12. Inspection of Work. Upon consent of the Owner, which consent shall not be unreasonably withheld, any member or authorized representative of the Architectural Review Committee may, at any reasonable hour and upon reasonable notice, enter and inspect any Condominium which has been the subject matter of an approval of a submission for an Improvement to his Condominium. Such entry shall be made with as little inconvenience to the Owner as reasonably possible, and any damage caused thereby shall be repaired by the Corporation. If the Architectural Review Committee finds that such work was not done in substantial compliance with the approved plans and specifications, it shall notify the Owner in writing of such noncompliance, specifying the particulars of noncompliance and shall require the Owner to remedy the same within thirty (30) days from the date of notification of such noncompliance. If a noncompliance exists, the Board, after Notice and Hearing, may levy a Compliance Assessment against such Owner for the costs of removing or remedying such noncompliance.

Section 13. Non-Liability of Architectural Review Committee Members. Neither Declarant, the Corporation, the Board or the Architectural Review Committee, or the members or designated representatives thereof, shall be liable for damages to any Owner submitting plans or specifications to them for approval, or to any Owner in the Project affected by this Declaration by reason of mistake in judgment, negligence or nonfeasance, unless due to willful misconduct or bad faith of the Architectural Review Committee. The Architectural Review Committee's approval or disapproval of a submission shall be based solely on the considerations set forth in this Article, and in such rules and regulations as may be promulgated by the Architectural Review Committee, and the Architectural Review Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plans or design from the standpoint of structural safety and conformance with building or other codes or requests of any Local Governmental Agency.

Section 14. Appeal. In the event plans and specifications submitted to the Architectural Review Committee are disapproved, the party making such submission may appeal in writing to the Board. The written request must be received by the Board not more than thirty (30) days following the final decision of the Architectural Review Committee. The Board may request the written recommendations of the Architectural Review Committee for review. Within sixty (60) days following receipt of the request for appeal, the Board shall consider the appeal at an open meeting and render its written decision. The failure by the Board to render a decision within said sixty (60) day period shall be deemed a decision in favor of the party making such submission.

Section 15. Approval of City. Each Owner is solely responsible for ensuring that all plans and specifications submitted by such Owner to the Architectural Review Committee comply with, and do not violate, any applicable provision of law, including, without limitation, the Fair Employment and Housing Act (California Government Code Section 12900 et seq.), the City's Municipal Code, all applicable building and construction codes, and all other applicable laws, regulations, and ordinances governing land use and public safety. Approval of any proposed or existing Improvement by the Architectural Review Committee or the Board, or the completion of any Improvement, shall not be construed to warrant or represent in any way that the Improvement was approved by or complies with the minimum standards of the City or any other provision of law. Similarly, approval of any proposed or existing Improvement by the City shall not be construed to constitute approval of such Improvement by the Architectural Review Committee or the Board.

ARTICLE XIII

DAMAGE OR DESTRUCTION TO THE CORPORATION PROPERTY

Section 1. Election to Restore Corporation Property. Except as otherwise provided in Section 2 hereinbelow, damage to or destruction of all or any portion of the Corporation Property shall be handled in the following manner:

(a) In the event of damage to or destruction of the Corporation Property and the insurance proceeds are sufficient to effect total restoration, the Corporation shall, as promptly as is practical, cause the Corporation Property to be repaired and reconstructed in a good and workmanlike manner to its condition prior to such damage or destruction.

(b) If the insurance proceeds available are at least ninety percent (90%) of the estimated cost of total repair and reconstruction to the Corporation Property, the Corporation shall, as promptly as practical, cause such Corporation Property to be repaired and reconstructed in a good workmanlike manner to its condition prior to the damage or destruction, and the difference between the insurance proceeds and the actual cost shall be levied by the Corporation as a Special Assessment against each Condominium on an equal basis.

(c) If the insurance proceeds available are less than ninety percent (90%) of the estimated cost of total repair and reconstruction to the Corporation Property, the Owners shall, by the written consent or vote of a majority of the Owners, determine whether (1) to restore the Corporation Property as promptly as practical to its condition prior to

the damage or destruction, and to raise the necessary funds over and above the insurance proceeds available by levying assessments against each Condominium on an equal basis; or (2) to restore the Corporation Property in a way which utilizes all available proceeds and an additional amount not in excess of ten percent (10%) of the estimated cost of total reconstruction and repair to the Corporation Property, and which is assessable as provided above to all Condominiums, but which is less expensive than restoring the Corporation Property to its condition prior to the damage or destruction.

Section 2. Election Not to Restore Corporation Property.

(a) Notwithstanding the provisions set forth in Section 1 hereinabove, in the event sixty-seven percent (67%) of the Owners, other than the Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) have given their prior written approval, the Owners may elect not to rebuild or restore the Corporation Property and to disburse the available insurance proceeds to the general fund to the Corporation.

(b) In the event the Owners shall have so voted not to rebuild the Corporation Property, the Corporation Property shall be cleared and landscaped and the cost thereof shall be paid for out of the available insurance proceeds prior to their distribution to the general fund of the Corporation.

(c) In the event the Owners shall have so voted not to rebuild the Corporation Property, unless the City shall agree to the contrary, it shall be the obligation of the Corporation and each of the Owners to rebuild the private drives and aisles, if any, and the utilities and open spaces, which comprise the Corporation Property, if any, at least to the extent said streets, utilities and open spaces were accepted initially by the City in lieu of payment of fees due pursuant to law.

Section 3. Excess Insurance Proceeds. All insurance proceeds shall be payable to the Corporation for the benefit of the Owners and their respective Mortgagees. In the event any excess insurance proceeds remain after restoring the destroyed Corporation Property pursuant to this Article, the Board of Directors shall retain such sums in the general fund of the Corporation. Any distribution of funds in connection with the termination of the Project shall be allocated equally among all of the Condominiums in the Project. Any such distribution shall be subject to the prior rights of Mortgagees.

ARTICLE XIV

CONDEMNATION

Section 1. Distribution of Awards. Subject to the limitations set forth in the Article herein entitled "Mortgagee Protection," a condemnation award affecting all or any portion of the Corporation Property of the Project which is not apportioned among the Owners by court judgment shall be distributed to the Corporation and deposited in the general fund of the Corporation.

Section 2. Board of Directors as Attorney-in-Fact. All Owners, to the extent applicable, if at all, hereby appoint the Board of the Corporation as their special attorney-in-fact to handle the negotiations, settlements and agreements pertaining to any condemnation affecting only the Corporation Property. The special power of attorney shall not apply to the Secretary of the Department of Veterans Affairs, an Officer of the United States of America. No Owner may participate as a party, or otherwise, in any proceedings related to such condemnation.

ARTICLE XV

COVENANT AGAINST PARTITION

Section 1. General Covenant Against Partition. Except as otherwise provided in this Section, the Common Area shall remain undivided, and there shall be no judicial partitions of the Common Area. Nothing herein shall be deemed to prevent partition of a cotenancy in a Condominium.

Section 2. Judicial Partition of the Project. The Owner of a Condominium in the Project may maintain a partition action as to the entire Project as if the Owners of all the Condominiums in the Project were tenants-in-common in the entire Project in the same proportion as their interests in the Common Area. The court shall order partition under this Article only by sale of the entire Project and only upon the showing of one (1) of the following:

(a) More than three (3) years before the filing of the action, the Project was damaged or destroyed so that a material part was rendered unfit for its prior use, and the Project has not been rebuilt or repaired substantially to its state prior to the damage or destruction;

(b) Three-fourths (3/4) or more of the Project is destroyed or substantially damaged, and at least sixty-seven percent (67%) of the Owners (other than Declarant) and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) oppose repair or restoration of the Project; or

(c) The Project has been in existence more than fifty (50) years, is obsolete and uneconomical, and at least sixty-seven percent (67%) of the Owners (other than Declarant) and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) oppose repair or restoration of the Project.

Section 3. Board of Directors' Power of Sale in Event of Judicial Partition. Declarant, for itself and on behalf of each and every present and subsequent Owner of one (1) or more Condominiums within the Project, hereby appoints the Board as its and their attorney-in-fact to sell the entire Project for the benefit of all of the Owners thereof when partition of the Project may be had pursuant to this Declaration, which power shall: (a) be binding upon all of the Owners, whether they assume the obligations of these restrictions or not; (b) be exercisable by a vote of at least seventy-five percent (75%) of the voting power of the Board; and (c) be exercisable only after recordation of a certificate by the Board, which shall provide that said power is properly exercisable hereunder, and which certificate shall be conclusive evidence thereof in favor of any person relying thereon in good faith; provided, however, said power of attorney shall not apply to the Secretary of the Department of Veterans Affairs, an Officer of the United States of America.

ARTICLE XVI

INSURANCE

Section 1. Insurance Coverage Required To Be Maintained By Corporation. The Corporation, acting by and through the Board, shall obtain for the Corporation, and shall maintain and pay the premiums for the following insurance coverage:

(a) Casualty and Fire Insurance. A master policy or policies of casualty and fire insurance, with an extended coverage endorsement in an amount equal to as near as possible one hundred percent (100%) of the current replacement cost (without deduction for depreciation or co-insurance) of the Corporation Property, together with all Improvements located therein (except Improvements made by an Owner to the Exclusive Use Corporation Property) and including those portions of the Condominium Units consisting of fixtures, built-in or set-in appliances, cabinets and initial basic floor coverings as initially installed thereof in accordance with the original plans and specifications for the Project submitted by Declarant and approved by the City (excluding upgrades to any of the foregoing). Alternatively, if approved by the Board, a master policy or policies of casualty and fire insurance, with an extended coverage endorsement in an amount equal to as near as possible one hundred percent (100%) of the current replacement cost (without deduction for depreciation or co-

insurance of the Corporation Property, together with all Improvements located therein, except Improvements made by an Owner to the Exclusive Use Corporation Property), but specifically excluding interior Condominium Unit coverage (including, without limitation, interior walls and floor coverings); in the event the Board elects to obtain such master policy(ies), each Owner shall procure and maintain, at the Owner's sole cost and expense, an insurance policy of casualty and fire insurance covering the interior of his Condominium Unit, including replacement of interior improvements and betterment coverage to insure improvements that the borrower may have made to the interior of the Condominium Unit (e.g., a HO-6 policy) sufficient, as reasonably determined by the insurer, to repair the Condominium Unit to its condition which existed immediately prior to a loss claim event. Said policies shall be primary and maintained for the benefit of the Corporation, the Owners and the Mortgagees, as their interests shall appear, and shall waive the right of subrogation against Owners, if obtainable. If reasonably obtainable, the deductible shall be the lesser of Ten Thousand Dollars (\$10,000) or one percent (1%) of the policy face amount. Such policy must be written by an insurance carrier that meets the requirements of FNMA, FHLMC, and/or VA/FHA as applicable. The coverage does not need to include land, foundations, excavations, or other items normally excluded from such coverage. Such policy or policies must contain, if required and if obtainable:

- (1) An Agreed Amount and Inflation Guard Endorsement;
- (2) Construction Code Endorsements (such as Demolition Cost Endorsement);
- (3) Contingent Liability From Operation of Building Laws Endorsement;
- (4) Increased Construction Endorsement if there is a construction code provision which would become operative and require changes to undamaged portions of the Corporation Property; and
- (5) Any other special Condominium Endorsements that may be available or required.

(b) General Liability Insurance. A policy or policies of comprehensive general liability insurance (with cross-liability endorsement, if obtainable) insuring the Corporation, the Board, the Owners, the City and the Declarant, and the agents and employees of each of the foregoing, against any liability to the public or to any Owner, his family, tenants, lessees and their respective guests and invitees, arising from or incident to the ownership, occupation, use, maintenance

and/or repair of the Corporation Property, and from lawsuits related to employment contracts in which the Corporation is a party. The limits of liability under this Section shall be set by the Board and shall be reviewed at least annually by the Board, and increased or decreased at the discretion of the Board; provided, however, that said limits shall not be less than Two Million Dollars (\$2,000,000.00) for bodily injury, including deaths of persons and property damage arising out of a single occurrence (unless approved by a vote of sixty-seven percent [67%] of the Members); provided further, if FHLMC, FNMA, and/or VA/FHA participate in the financing of Condominiums in the Project, said limits shall not be less than the minimum limits required under the then current FHLMC, FNMA, and/or VA/FHA regulations.

(c) Worker's Compensation Insurance. Worker's compensation insurance to the extent necessary to comply with any applicable laws.

(d) Fidelity Bonds. Officers' and Directors' errors and omissions insurance, and fidelity bonds naming all persons signing checks or otherwise possessing fiscal responsibilities on behalf of the Corporation, including, but not limited to, officers, directors, the Board, trustees and employees of the Corporation, and officers, employees and agents of any management company employed by the Corporation who handle or are responsible for the administration of Corporation funds, if obtainable. Such coverage shall be in an amount deemed reasonably appropriate by the Corporation, but shall not be less than the estimated maximum funds in custody of the Corporation (or its management company), or twenty-five percent (25%) of the estimated annual operating expenses of the Project, plus reserves, whichever is greater. In addition, if the Corporation enters into an agreement for professional management of the Project, the Corporation shall require such company to submit evidence of its fidelity bond coverage to the same extent as the Corporation's coverage. The Corporation shall be named as an additional obligee in the management agent's bond.

(e) Flood Insurance. If the Project is located within a "Special Flood Hazard Area" designated on a Federal Emergency Management Agency flood map, adequate flood insurance under the National Flood Insurance Program on buildings in the Project, which insurance coverage must protect the interests of all Owners in their Condominium Units, as well as the Corporation Property and satisfy the requirements set forth in Section 10, below, of this Article.

(f) Liability. If the Board determines the coverage is necessary and reasonably cost effective, it may obtain coverage necessary to comply with Civil Code Section 5800, e.g., one (1) or more policies of insurance which include

coverage of at least Five Hundred Thousand Dollars (\$500,000.00) for (i) general liability for the Corporation and (ii) individual liability of officers and Directors of the Corporation for negligent acts or omissions in such capacity.

Section 2. Optional Insurance Coverage That May Be Obtained By Corporation. The Corporation, acting at its option and by and through the Board, may purchase such other insurance as it may deem necessary or appropriate, including, but not limited to, officers and directors errors and omissions insurance, earthquake insurance, and flood insurance (e.g., if flood insurance is not required because the Project is not located within a Special Flood Hazard Area).

Section 3. Notice of Cancellation of Insurance Maintained By The Corporation. All policies of insurance (including fidelity bonds) maintained by the Corporation, pursuant to this Article, shall contain a provision that coverage under said policies may not be canceled, terminated, allowed to expire by their own terms or be substantially modified by any party without at least thirty (30) days prior written notice to the Board and to each Owner, and such first Mortgagees (or servicers) who are named in the mortgage clause and/or have filed a written request with the Corporation for such notice. A list of the Owners and such first Mortgagees shall be made available by the Corporation to the insurance carrier upon request.

Section 4. Board's Review of Insurance Coverage Maintained By Corporation. The Board shall annually determine whether the amounts and types of insurance coverage that it has obtained pursuant to this Article shall provide adequate coverage for the Project, based upon the then current construction costs, insurance practices in the area in which the Project is located, and all other factors which may indicate that either additional insurance coverage or increased coverage under existing policies is necessary or desirable to protect the interests of the Corporation, the Owners and their respective Mortgagees. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain same.

Section 5. Owners' Waiver and Release of Claims. As to all policies of insurance maintained by the Corporation which will not be voided or impaired thereby, each Owner hereby waives and releases all claims against the Corporation, the Board and the Declarant, and the agents and employees of each of the foregoing, and all other Owners with respect to any loss covered by such insurance, whether or not caused by the negligence of, or breach of, any agreement by said persons, but only to the extent of the insurance proceeds received in compensation for such loss.

Section 6. Corporation's Rights and Obligations With Respect to Premiums, Proceeds and Settlement. Insurance premiums for all blanket insurance coverage and any other insurance coverage

which the Board has determined is necessary to protect the interests of the Corporation, the Owners and their respective Mortgagees, shall be a Common Expense to be included in the Regular Assessments levied by the Corporation. All insurance proceeds paid to the Corporation shall be disbursed as follows: (a) in the event of any damage or destruction to the Corporation Property, such proceeds shall be disbursed in accordance with the provisions of the Article herein entitled "Damage or Destruction to the Corporation Property"; and (b) in the event of any other loss, the proceeds shall be disbursed as the Board shall deem appropriate, subject to the limitations set forth in the Article herein entitled "Mortgagee Protection." The Corporation is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. A majority of the Board must sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Corporation and its Members.

Section 7. Rights and Duties of Owners to Insure. Each Owner is required to procure and maintain fire and casualty insurance on his Condominium Unit and all Improvements therein and on his personal property in amounts the Owner deems appropriate for which the Corporation has not purchased insurance. When obtaining such insurance coverage, the Owner may wish to provide his insurance broker with a copy of the Article of this Declaration entitled "Description of the Condominiums" and a copy of the Corporation's fire and casualty insurance policy, so that the insurance broker can properly advise the Owner regarding the scope and extent of insurance coverage desirable for the Owner. Nothing in this Declaration shall preclude any Owner from carrying any liability insurance or other insurance that the Owner considers desirable; however, no Owner's insurance policy may adversely affect or diminish any coverage provided under the Corporation's insurance policies. If obtainable, any insurance carried by an Owner shall contain a waiver of subrogation of claims against the Declarant, the Corporation and the Board, and their agents and employees, and all other Owners. If any loss intended to be covered by insurance carried by the Corporation shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Corporation to the extent of such reduction for application by the Board to the same purposes as the reduced proceeds are to be applied.

Section 8. Trustee for Policies Maintained By Corporation. The Corporation is hereby appointed and shall be deemed trustee for the interests of all insureds under the policies of insurance maintained by the Corporation. All insurance proceeds under such policies shall be paid to the Board, as trustees, and the Board shall have full power to receive such funds on behalf of the Corporation, the Owners and their respective Mortgagees, and to deal therewith as provided for in this Declaration.

Section 9. Mortgage Clause. All insurance policies should have the "standard mortgage clause," or equivalent endorsement, providing that coverage of a Mortgagee 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 Project is located, unless such coverage is prohibited by applicable law. Mortgages owned by FNMA must name as a Mortgagee either FNMA or the servicers for the Mortgages held by FNMA encumbering the Condominiums. 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 should 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 Corporation Property.

Section 10. Compliance With Requirements of FHLMC, FNMA and VA/FHA. Notwithstanding the provisions of this Article, the Corporation shall obtain and maintain in effect such policies of insurance meeting all requirements of FHLMC, FNMA, and/or VA/FHA established by those entities for condominium projects for so long as any of such agencies continue to be a Mortgagee, Owner, insurer or guarantor of a Mortgage in the Project, except to the extent such coverage is not available at a reasonable cost or has been waived, in writing, by such agencies, including, without limitation, the following requirements:

a. Each insurance company providing the insurance coverage described in this Article shall be a generally acceptable (i.e., an insurance carrier who can satisfy the qualifications for insurance carriers set forth in the FNMA Conventional Home Mortgage Selling Contract Supplement and the FHLMC Sellers Guide).

b. All insurance policies covering the Corporation Property, or any portion thereof, shall be held in the name of the Corporation for the benefit of the Owners in the Project.

c. All insurance policies shall provide that a certificate of insurance shall be issued to each Owner and Mortgagee upon request.

d. Notwithstanding any other provision of this Declaration, there may be named as an insured, on behalf of the Corporation, the

Corporation's authorized representative, including any trustee with whom such Corporation may enter into any insurance trust agreement or any successor to such trustee, who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance and to perform such other functions as are necessary to accomplish this purpose.

e. The casualty and fire insurance policies required to be maintained by the Corporation shall also cover, in addition to all other property described above, all building services equipment and supplies and other personal property belonging to the Corporation.

f. All fidelity bonds maintained by the Corporation shall contain waivers by the issuer of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions. Notwithstanding any other provision of the Declaration, in no event may the aggregate amount of the fidelity bonds be less than a sum equal to three (3) months aggregate monthly installments of the Regular Assessments levied on all Condominiums plus reserve funds.

g. If the Project is located in an area which has been officially identified by the Secretary of the United States Department of Housing and Urban Development as having special flood hazards and for which flood insurance has been made available under the National Flood Insurance Program ("NFIP"), the Corporation shall obtain and pay the premiums upon, as a Common Expense, a "master" or "blanket" policy of flood insurance on the buildings and any other property covered by the required form of policy, in an amount deemed appropriate by the Corporation, but not less than the following: The lesser of: (a) the maximum coverage available under the NFIP for all buildings and other insurable property within the Project to the extent that such buildings and other insurable property are within an area having special flood hazards and are maintained by the Corporation; or (b) 100% of the current replacement cost of all such buildings and insurable property. Such policy shall be in a form which meets the criteria set forth in the guidelines on the subject issued by the Federal Insurance Administrator.

h. In the event the Project contains a steam boiler, the casualty and fire insurance policy(ies) to be maintained by the Corporation shall provide coverage for loss or damages resulting from steam boiler equipment accidents in an amount not less than \$50,000 per accident per location (or such greater amount as deemed prudent based on the nature of the Project).

Section 11. Required Waiver. All policies of hazard and physical damage insurance may provide, only if available at a reasonable cost to the Corporation as determined by the Board, in its sole discretion, for waiver of the following rights, to the extent that the respective insurers would have the rights without such waivers:

(a) Any defense based on co-insurance;

(b) Any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Corporation;

(c) Any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the 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;

(d) Any right of the insurer to repair, rebuild or replace, and, in the event the Condominium is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the improvements insured or the fair market value thereof;

(e) Notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Condominium; and

(f) Any right to require any assignment of any Mortgage to the insurer.

Section 12. Annual Notification of Insurance. The Corporation shall, upon issuance or renewal of insurance, but no less than annually, notify its Members as to the amount and type of insurance carried by the Corporation, and it shall accompany this notification with statements to the effect that the Corporation is or is not insured to the levels specified by this Article, and that if not so insured, Owners may be individually liable for the entire amount of a judgment, and if the Corporation is insured to the levels specified in Section 1 above, then Owners may be individually liable only for their proportional share of Assessments levied to pay the amount of any judgment which exceeds the limits of the Corporation's insurance. The Corporation shall further prepare and

distribute to all its Members a summary of the Corporation's insurance coverage pursuant to Section 5300 of the California Civil Code.

ARTICLE XVII

MORTGAGEE PROTECTION

Section 1. Mortgagee Protection Provisions. Notwithstanding any other provisions in this Declaration to the contrary, in order to induce FHLMC, FNMA, and VA/FHA and other lenders and investors, to participate in the financing of the sale of Condominiums in the Project, the following provisions contained within this Article are added hereto, and to the extent these added provisions conflict with any other provisions in this Declaration, these added provisions shall control. The Declaration, the Articles and the By-Laws for the Corporation are hereinafter collectively referred to in this Article as the "constituent documents." As used herein, an "Eligible Mortgage Holder" shall mean and refer to the holder, insurer or guarantor of a first Mortgage on a Condominium who has filed with the Corporation a written request for notice of certain information as provided herein. An Eligible Mortgage Holder must send a written request for such information to the Corporation, stating its name and address and the number or address of the Condominium Unit on which it has (or insures or guarantees) the Mortgage.

(a) The right of an Owner to sell, transfer or otherwise convey his Condominium shall not be subject to any right of first refusal or any similar restriction in favor of the Corporation;

(b) The lien of the Assessments provided for herein shall be subordinate to the lien of any first Mortgage now or hereafter recorded upon any Condominium subject to the provisions herein. The sale or transfer of any Condominium shall not affect the Assessment lien; however, except as provided in the Article entitled "Veterans Affairs Provisions," the sale or transfer of any Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage or pursuant to any remedies provided for in the Mortgage shall extinguish the lien of such Assessments as to unpaid payments for regularly budgeted dues or charges which became due more than six (6) months prior thereto. No sale or transfer shall relieve such Condominium from liability for Assessments due within six (6) months of such judicial or nonjudicial foreclosure sale or transfer. Any first Mortgagee who obtains title to a Condominium pursuant to the remedies provided in the Mortgage, or foreclosure of the Mortgage, or any purchaser at a foreclosure sale of a first Mortgage will not be liable for more than six (6) months of unpaid Assessments or charges which became due prior to the acquisition of title to such Condominium by the

Mortgagee (except for claims for a share of such Assessments or charges resulting from a reallocation of such Assessments or charges to all Condominiums, including the mortgaged Condominium);

(c) Except as may otherwise be provided herein or by statute in case of condemnation or substantial loss to the Corporation Property, unless sixty-seven percent (67%) of the Owners other than Declarant, or sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each Unit encumbered by said Mortgagee's first Mortgage) have given their prior written approval, neither the Corporation nor the Owners shall be entitled to:

(1) By act or omission, seek to abandon or terminate the Condominium Project;

(2) Record or file any amendment which would change the pro rata interest or obligations of any Condominium for purposes of: (i) levying Assessments or charges, or allocating distributions of hazard insurance proceeds or condemnation awards, or (ii) determining the pro rata share of ownership of each Condominium Unit in the Common Area;

(3) Partition or subdivide any Condominium, except as provided in the Article herein entitled "Covenant Against Partition"; provided, however, that no Condominium may be partitioned or subdivided without the prior written approval of the first Mortgagee for such Condominium;

(4) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer any or all of the Corporation Property. The granting of easements for public utilities or for other public purposes consistent with the intended uses of the Corporation Property under this Declaration and the granting of exclusive easements to Owners over portions of the Corporation Property to conform the boundaries of the Corporation Property to the as built location of authorized Improvements, shall not be deemed a transfer within the meaning of this clause;

(5) Use hazard insurance proceeds for losses to the Corporation Property for other than repair, replacement or reconstruction, subject to the provisions of this Declaration;

(6) Effect any decision of the Corporation to terminate professional management and assume self-management of the Project, if professional management was previously required by a holder, insurer or guarantor of any first Mortgage;

(7) By act or omission, change, waive or abandon any provisions of this Declaration, or enforcement thereof, pertaining to architectural design of the Condominiums or the maintenance and operation of the Corporation Property within the Project, including, without limitation, sidewalks, fences, and landscaping within the Project; and

(8) Fail to maintain fire insurance and extended coverage on the insurable Corporation Property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value thereof.

(d) All taxes, Assessments and charges which may become liens prior to the first Mortgage under local law shall relate only to individual Condominiums, and not to the Project as a whole;

(e) No provision of the constituent documents shall be interpreted to give the Owner of a Condominium, or any other party, priority over any rights of the first Mortgagee of the Condominium pursuant to its Mortgage in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Condominium Units and/or the Corporation Property;

(f) The Assessments provided for in the constituent documents shall include an adequate reserve fund for maintenance, repairs and replacement of those elements of the Corporation Property that must be replaced on a periodic basis, and shall be payable in regular installments, rather than by Special Assessments;

(g) Each Eligible Mortgage Holder shall be entitled to timely written notice of any:

(1) Condemnation, eminent domain proceeding, or casualty loss that affects either a material portion of the Project or the Condominium Unit securing its Mortgage;

(2) Substantial damage or destruction to the Project, or any portion thereof, when such loss exceeds Ten Thousand Dollars (\$10,000.00);

(3) Default in the performance by an individual Owner of any obligation under the constituent documents (including, but not limited to the nonpayment of Assessments) which is not cured within sixty (60) days after the Corporation learns of such default by the Owner of the Condominium on which it holds the Mortgage;

(4) Lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Corporation;

(5) Abandonment or termination of the Project;
and

(6) Proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders.

(h) Any agreement for professional management of the Project or any agreement whereby the Declarant will provide services to the Corporation may not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods, unless approved by either a vote or written assent of a majority of the Corporation's voting power, in which case the maximum term of the management contract is three (3) years. Any such agreement must provide for termination by either party with or without cause and without payment of a termination fee on at least thirty (30) days' written notice, but not more than ninety (90) days' written notice. In the event Declarant executes a contract with a professional management company prior to the Owners' election of at least a majority of the Board, the contract must allow termination by the Board, without payment of a termination fee, at any time subsequent to the Owners being elected to a majority of positions on the Board;

(i) In the event of substantial damage to or destruction of any Condominium Unit or any part of the Corporation Property, each Eligible Mortgage Holder for such Condominium will be entitled to timely written notice of any such damage or destruction;

(j) Each Eligible Mortgage Holder will, upon request, be entitled to:

(1) Examine current copies of the books, records and financial statements of the Corporation during normal business hours;

(2) Obtain from the Corporation an annual audited financial statement of the Project for the previous fiscal year (without expense to the holder, insurer, or guarantor requesting said statement). As set forth in the Article herein entitled "Powers and Duties of the Corporation," an annual report shall be available within one hundred twenty (120) days after the close of the fiscal year. If for any reason, the report is not audited, it shall be accompanied by a certificate from an authorized officer of the Corporation that the report was prepared without audit from the books and records of the Corporation, and the Eligible Mortgage Holder may have an

audited financial statement prepared at its own expense;
and

(3) Receive written notice of all meetings of the Corporation and be permitted to designate a representative to attend all such meetings.

(k) Each Owner shall notify the Corporation, in writing, within ten (10) days after the close of escrow for the purchase of his Condominium of the name and address of his first Mortgagee, and thereafter, each Owner shall promptly notify the Corporation of any changes of name or address for his first Mortgagee;

(l) Each Owner hereby authorizes a first Mortgagee on a Condominium to furnish information to the Board concerning the status of any such first Mortgage;

(m) In the event any portion of the Common Property encroaches upon any Condominium Unit or any Condominium Unit encroaches upon the Common Property as a result of the construction initially performed by Declarant, reconstruction, repair, shifting, settlement or movement of any portion of the Project, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists; and

(n) First Mortgagees of Condominium Units may, jointly or singularly, pay taxes or other charges which are in default and which may have become a lien on the Common Property, and may pay overdue premiums on hazard insurance policies or secured new hazard insurance coverage on the lapse of a policy for the Common Property, and first Mortgagees paying such payments shall be owed immediate reimbursement therefor from the Corporation. Upon demand by any first Mortgagee, the Board shall execute, on behalf of the Corporation, an agreement establishing the right of all first Mortgagees to such reimbursement.

Section 2. Violation of Mortgagee Protection Provisions. No breach of any of the foregoing Protective Covenants shall cause any forfeiture of title or reversion, or bestow any right of re-entry whatsoever, but in the event that any one (1) or more of these Protective Covenants shall be violated, the Declarant, its successors and assigns, or the Corporation, or any Owner of a Condominium in the Project, may commence a legal action in any court of competent jurisdiction to enjoin or abate said violation and/or to recover damages; provided, however, that any such violation shall not defeat or render invalid the lien of any Mortgage made in good faith and for value as to said Condominium. Said Protective Covenants shall be binding upon and effective against any Owner of said Condominium, or a portion thereof, whose

title thereto is acquired by foreclosure, a trustee sale or otherwise.

Section 3. Effect of Amendments. Except as otherwise provided herein, no amendment of this Declaration or the Articles or the By-Laws of the Corporation shall affect the rights of any Mortgagee whose lien was created prior to recordation of such amendment.

Section 4. Amendments to Conform With Mortgagee Requirements. It is the intent of Declarant that this Declaration and the Articles and By-Laws of the Corporation, and the Project in general, meet all requirements necessary to purchase, guarantee, insure and subsidize any Mortgage of a Condominium in the Project by the FHLMC, FNMA, and the VA/FHA. In furtherance of said intent, Declarant may amend this Declaration without the consent of the Members at any time after the close of escrow for the first sale of a Condominium in the Project by recording a written instrument setting forth the amendment, provided that the amendment is necessary to cause this Declaration to comply with the requirements of the CalBRE, FHLMC, FNMA, GNMA, and/or VA/FHA; provided, however, that any such amendment shall be effective only if Declarant mails (by certified or registered mail with a "return receipt" requested) a copy of the amendment to all of the foregoing entities which are, or have agreed to be, a holder, insurer or guarantor of a first Mortgage, and does not, within sixty (60) days thereafter, receive a notice of disapproval from any such entity. Said amendments shall not be recorded by Declarant until after the expiration of such sixty (60) day period.

ARTICLE XVIII

ENFORCEMENT OF BONDED OBLIGATIONS

Section 1. Enforcement of Bonded Obligations. In the event that any Improvements to the Corporation Property in a Phase have not been completed prior to the first close of escrow for a Condominium in the Phase following the issuance of a Final Subdivision Public Report by the CalBRE, and the Corporation is the obligee under a bond or other arrangement (hereinafter referred to as the "Bond") to secure a 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 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 Corporation has given an extension in writing for the completion of any Corporation Property 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, the Board shall call a special meeting of the Members 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 By-Laws 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 signed by Members representing five percent (5%) of the total voting power of the Corporation.

(c) The only Members entitled to vote at such meeting of Members shall be the Owners, other than Declarant. A vote at such meeting of a majority of the voting power of such Members, other than the Declarant, to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Corporation, and the Board shall thereafter implement such decision by initiating and pursuing appropriate action in the name of the Corporation.

ARTICLE XIX

ANNEXATION OF ADDITIONAL PROPERTY

Additional property may be annexed to and become subject to this Declaration as set forth in this Article.

Section 1. Phased Development of the Project. As set forth in Article II herein entitled "Introduction to Mission Trails Collection," Declarant intends to develop the Project in a series of Phases which may be annexed to the Project. However, Declarant is under no obligation to continue development of the Project or complete all Phases of the Project.

Section 2. Annexation Pursuant to General Plan. All or any part of the real property described as Annexation Property herein, may be annexed to the Project, and added to the scheme of this Declaration, and subjected to the jurisdiction of the Corporation without the assent of the Corporation or its Members, provided and on condition that:

(a) Any annexation pursuant to this Section shall be allowed when the proposed annexation is in substantial conformance with the overall general plan of development for the Project originally submitted to and reviewed by the CalBRE

with the Phase 1 Final Subdivision Public Report application, or as subsequently reviewed by the CalBRE; and

(b) A Notice of Annexation, as described in Section 4 of this Article, shall be recorded covering the Annexation Property.

Section 3. Annexation Pursuant to Approval. Except as otherwise allowed pursuant to Section 2 above, upon obtaining the approval in writing of: (a) the Declarant so long as Declarant owns any portion of the Property and/or Annexation Property; and (b) the Corporation pursuant to the vote or written assent of two-thirds (2/3) of the total votes residing in the Corporation Members, other than the Declarant, the owner of any property who desires to annex said property to the scheme of this Declaration and to subject it to the jurisdiction of the Corporation may file of record a Notice of Annexation, as described in Section 4 of this Article.

Section 4. Notice of Annexation. The annexation of additional property authorized under this Article shall be made by recording a Notice of Annexation, or similar instrument, covering said additional property, and the Notice of Annexation shall expressly provide that the scheme of this Declaration shall extend to such additional property. The Notice of Annexation may contain such complementary additions to and modifications of the Protective Covenants set forth in this Declaration which are necessary to reflect the different character, if any, of the annexed property and which are not inconsistent with the general scheme of this Declaration. Except as set forth in this Section, no Notice of Annexation shall add, delete, revoke, modify or otherwise alter the Protective Covenants set forth in this Declaration.

Section 5. Effective Date of Annexation. Any Notice of Annexation recorded on a Phase of the Project shall become effective with respect to the obligations for payment of Assessments immediately upon:

(a) The first close of an escrow for the sale of a Condominium in a Phase, as evidenced by the recordation of the first instrument of conveyance for said Condominium; or

(b) The conveyance of any Corporation Property in said Phase to the Corporation, whichever first occurs.

Section 6. Right of De-Annexation. Declarant hereby reserves the right to de-annex any property which may be annexed to the Project pursuant to this Declaration, and to delete said property from the scheme of this Declaration and from the jurisdiction of the Corporation, provided and on condition that (i) the de-annexation shall be made prior to the first close of an escrow for the sale of a Condominium in the property to be de-annexed, (2) the de-annexation is recorded in the same manner as the applicable Notice of Annexation, (3) the Declarant has not exercised any vote

with respect to any Condominium in such property, (4) no assessments have commenced on any portion of the property subject to the de-annexation, (5) the City has approved of such de-annexation, and (6) a draft of the revocation of Notice of Annexation has been submitted to and approved by the VA/FHA, if applicable, and VA/FHA is a guarantor of at least one loan in the Project.

Section 7. Amendments to Notices of Annexation. Notwithstanding any other provisions in this Declaration to the contrary, a Notice of Annexation may be amended by the requisite affirmative vote of Members (and first Mortgagees, if applicable), as set forth in the Article herein entitled "General Provisions," in only the annexed property described in said Notice of Annexation, rather than all Members (and first Mortgagees, if applicable) in the Project, on the following conditions:

(a) Such amendment applies only to the annexed property described in said Notice of Annexation; and

(b) Such amendment shall in no way contradict, revoke or otherwise alter any of the Protective Covenants set forth in this Declaration.

ARTICLE XX

VETERANS AFFAIRS PROVISIONS

Section 1. Condominium Ownership. As noted above, each Owner in Phase 1 shall receive title to his or her respective Condominium Unit, various easements (exclusive and nonexclusive, as set forth in this Declaration), an undivided one/thirteenth (1/13th) interest in the Common Area in Phase 1 of the Project and a membership in the Corporation.

Section 2. Condominium Documentation. This Declaration and any amendment or restatement hereto shall be recorded in the County. The By-Laws need not be recorded. The Corporation shall make available to all Condominium Owners, lenders, and the holders, insurers and guarantors of the first Mortgage on any Condominium, current copies of the Declaration, By-Laws, Articles, Rules and Regulations, and other books and records and financial statements of the Corporation. The Corporation shall also make available to prospective purchasers of the Condominiums current copies of the Declaration, By-Laws, Articles, Rules and Regulations, and the most recent annual audited financial statement of the Corporation, if such has been prepared. For purposes of this Section, the term "available" shall mean available for inspection, upon request, during normal business hours or under other reasonable circumstances.

Section 3. Amendments. While the Declarant is entitled to appoint a majority of the members of the Board (as provided in the Article of this Declaration entitled "The Corporation"), any amendments to this Declaration (excluding amendments which annex Annexation Property to the Project), the By-Laws, or other enabling documentation must be approved by the Secretary of Veterans Affairs or any employee of the Department of Veterans Affairs authorized to act in the Secretary's stead ("Secretary") if required in connection with a loan made by the Department of Veterans Affairs for a Condominium in the Project. Material amendments and extraordinary actions (as defined in VA's regulations) must be approved in the manner specified in Section 1 of the Article of this Declaration entitled Mortgagee Protection (e.g., by 67% of the Members other than Declarant).

Section 4. Description of the Condominium Units, Common Area, and Corporation Property. The Condominium Units, Common Area, and Corporation Property (including the overall plan of development) are described throughout this Declaration, including, without limitation, in the Articles of this Declaration entitled "Introduction to Mission Trails Collection," "Description of the Condominiums," etc. Maintenance requirements for the Condominium Units and Common Property are set forth in the Article of this Declaration entitled "Repair and Maintenance." Any proposed annexation of Annexation Property shall be in substantial conformance with the overall general plan of development for the Project originally submitted to and reviewed by the CalBRE with the Property Final Subdivision Public Report application.

Section 5. Corporation's Right of Termination of Certain Contracts. In the event the Corporation executes any of the following contracts prior to the Owners' election of at least a majority of the Board, the contract must allow termination by the Board, without payment of a termination fee or any other penalty, upon not more than ninety (90) days' notice to the other party to the contract:

(a) Any management contract, employment contract or lease of recreational or parking areas or facilities; or

(b) Any contract or lease of recreational or parking areas or facilities.

Section 6. Corporation's Right of Entry and Other Rights. If applicable and consistent with the Corporation's maintenance obligations of the Condominiums as set forth herein, the Corporation shall have the immediate right (without notice to the Owner) to enter upon or within any Owner's Condominium Unit and/or the Corporation Property to effect emergency repairs, and shall have the right, after reasonable notice to the Owner and at a reasonable hour of the day, to enter upon or within any Owner's Condominium Unit and/or the Corporation Property to effect other repairs, improvements, replacement or maintenance (as necessary)

for which the Corporation has responsibility under this Declaration or the law. As set forth herein, including in the Article of this Declaration entitled "Powers and Duties of the Corporation," the Corporation shall have such other rights and powers as are reasonably necessary to the ongoing development and operation of the Project, including without limitation, the right to grant utility easements under, through or over the Corporation Property.

Section 7. Assessments. Provisions addressing each Owner's responsibility for, and the Corporation's authority to levy and enforce the collection of, Assessments are set forth in the Article of this Declaration entitled "Assessments." Notwithstanding any other provisions in this Declaration, a lien for Assessments shall not be affected by any sale or transfer of a Condominium Unit, except that a sale or transfer of any Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage guaranteed by VA shall extinguish a subordinate lien for Assessments which became payable prior to such sale or transfer. Any such sale or transfer pursuant to a judicial or nonjudicial foreclosure shall not relieve the purchaser or transferee of the Condominium from liability for, not the Condominium so sold or transferred from the lien of, any Assessments thereafter becoming due.

Section 8. Reserves and Working Capital. Each initial purchaser of a Condominium from the Declarant in the Project shall contribute to the working capital of the Corporation an amount equal to \$_____. Said amount shall be deposited by each initial purchaser into his respective escrow for the purchase of his Condominium from Declarant and shall be disbursed by the escrow holder to the Corporation at the close of escrow for the sale of the Condominium. This capital contribution shall in no way be deemed to be a prepayment of any portion of the Regular Assessment obligation of the Owners.

Section 9. Voting Rights. Provisions addressing each Owner's voting rights, including the allocation of a portion of the votes in the Corporation to each Owner, are set forth in the Article of this Declaration entitled "The Corporation."

Section 10. Easements. Nothing in this Declaration restricts an Owner's right of ingress or egress to his or her Condominium Unit. As provided in the Article of this Declaration entitled "Reservation of Easements and Other Property Rights in the Corporation Property," easements for encroachment have been reserved in favor of each Owner. As provided in the Article of this Declaration entitled Mortgagee Protection, in the event any portion of the Common Property encroaches upon any Condominium Unit or any Condominium Unit encroaches upon the Common Property as a result of the construction initially performed by Declarant, reconstruction, repair, shifting, settlement or movement of any portion of the Project, a valid easement for the encroachment and

for the maintenance of the same shall exist so long as the encroachment exists.

Section 11. Restrictions on Alienation. As set forth in the Article of this Declaration entitled "Mortgagee Protection," the right of an Owner to sell, transfer or otherwise convey his Condominium shall not be subject to any right of first refusal or any similar restriction in favor of the Corporation.

Section 12. Rights of Action. As noted below, the Corporation and each Owner shall have the right to enforce, by proceedings at law or in equity, all of the Protective Covenants now or hereafter imposed by this Declaration and the By-Laws, respectively (and the Rules and Regulations duly adopted by the Corporation), including, without limitation, the right to prosecute a proceeding at law or in equity against the person or persons who have violated, or are attempting to violate, any of said Protective Covenants, to enjoin or prevent them from doing so, to record a notice of non-compliance, to cause said violation to be remedied and/or to recover damages for said violation; provided, however, that with respect to Assessment liens, the Corporation shall have the exclusive right to the enforcement thereof.

Section 13. Miscellaneous Requirements.

(a) Declarant Transfer of Control of Corporation. The Declarant's Class B membership shall cease and be converted to Class A membership, and the Declarant's right to solely appoint a majority of the members of the Board shall terminate, within the time periods specified in Sections 2 and 3 of the Article of this Declaration entitled "The Corporation."

(b) Taxes. As set forth in the Article of this Declaration entitled "Mortgagee Protection," all taxes, Assessments and charges which may become liens prior to the first Mortgage under local law shall relate only to individual Condominiums, and not to the Project as a whole.

(c) Corporation By-Laws. The Corporation's By-Laws shall contain sufficient provisions for the successful governance of the Corporation, including, among things, adequate provisions for the election and removal of directors and officers of the Corporation.

(d) Insurance. The Corporation and each Owner shall be required to maintain insurance as set forth herein, including the Article of this Declaration entitled "Insurance."

(e) Annexation of Additional Property. Additional property may be annexed into the Project as set forth in the Article of this Declaration entitled "Annexation of Additional Property." The quality of construction of all improvements in any property annexed to the Project must be substantially

consistent with the quality of construction of the improvements in Phase 1. The annexation of additional property to the Project must not affect the statutory validity of the Project as a condominium project or the validity of title to the Condominiums. Any proposed annexation of Annexation Property shall be in substantial conformance with the overall general plan of development for the Project originally submitted to and reviewed by the CalBRE with the Property Final Subdivision Public Report application. As set forth below, the Declarant's right to annex the Annexation Property to the Project pursuant to the overall general plan of development for the Project originally submitted to and accepted by the CalBRE shall terminate on the date which is seven (7) years after the date of the recordation of this Declaration. Except as otherwise stated herein, the Project may not be merged with a successor condominium regime without prior written approval of the Secretary.

(f) Minimum and Maximum Percentages of Undivided Interests in the Common Area. As noted above, each Owner in Phase 1 will receive an undivided one/thirteenth (1/13th) fractional fee interest in the Common Area of Phase 1, and each Owner of a Condominium in a subsequent Phase annexed to the Project will receive an undivided fractional fee interest in the Common Area of such Phase equal to the ratio of his Condominium to the total number of Condominiums in such Phase. If all of the Annexation Property is annexed into the Project as set forth in the general plan of development currently accepted by the CalBRE, the Project will contain a total of fifty (50) Condominiums. The basis for reallocation of each Owner's common expense liabilities and voting rights in the event of annexation of the Annexation Property is set forth in the Article entitled "The Corporation" and the Article entitled "Assessments" of this Declaration.

(g) Professional Management. As noted above, any agreement for professional management of the Project or any agreement whereby the Declarant will provide services to the Corporation may not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods, unless approved by either a vote or written assent of a majority of the Corporation's voting power or by VA or FHA, in which case the maximum term of the management contract is three (3) years. Any such agreement must provide for termination by either party with or without cause and without payment of a termination fee on thirty (30) days' or ninety (90) days' or less, respectively, written notice.

(h) Corporation's By-Laws. The Corporation's By-Laws must conform with the following requirements:

(1) Notices of Meetings. The By-Laws must provide that meetings of the Members of the Corporation regarding

material amendments or extraordinary actions (as defined in VA's regulations) will be held on at least twenty-five (25) days advance notice to all Members and that meetings for all other purposes will be held on at least seven (7) days notice. The notice must state the purpose of the meeting and contain a summary of any material amendments or extraordinary actions proposed. If proxies are permitted, the notice must contain a copy of the proxy that may be cast in lieu of attendance at the meeting. The quorum for any such meeting must be at least twenty (20) percent of the total number of votes.

(2) Election, Removal, and Replacement of Board of Directors of Corporation. The By-Laws may not alter the provisions for election (or appointment by Declarant) of Board members of the Corporation set forth in this Declaration. In addition, the By-Laws shall be substantially consistent with the following provisions:

i) Removal of Board Members of the Corporation. At any regular or special meeting duly called, any one (1) or more of the Directors of the Corporation may be removed, with or without cause, as provided herein, and a successor may then and there be elected to fill the vacancy so created. Unless the entire Board is removed from office by the vote of Corporation Members, an individual Director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect the 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 the Director were then being elected. A Director who has been elected to office solely by the votes of Members of the Corporation, other than the Declarant, may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members, other than the Declarant.

ii) Vacancies on Board of Directors of Corporation. Vacancies on the Board caused by any reason, other than the removal of a Director by a vote of the Corporation, shall be filled by vote of a majority of the remaining Directors, even though they may constitute less than a quorum, and each Director so elected shall serve for the remainder of the term of the Director he/she replaces; provided, however, that for as long as the Declarant has the right to appoint a majority of the Board members under the By-Laws, the Declarant may ap-

point a new Board member to fill any vacancy resulting from the resignation of a Board member previously appointed by the Declarant without the approval of the remaining Directors. In the event that a majority of the remaining Directors are unable to agree upon a successor within fifteen (15) days following the occurrence of a vacancy, a special election to fill the vacancy shall then be held in accordance with the terms provided in the Article herein entitled "Nomination and Election of Directors," in accordance with the secret ballot procedures set forth in the By-Laws and California Civil Code Sections 5100-5130.

ARTICLE XXI

GENERAL PROVISIONS

Section 1. Enforcement.

(a) The Corporation, the City (in its sole discretion) or the Owner of any Condominium in the Project, including the Declarant, shall have the right (but not the obligation) to enforce, by proceedings at law or in equity, all of the Protective Covenants now or hereafter imposed by this Declaration and the By-Laws, respectively (and the Rules and Regulations duly adopted by the Corporation), including, without limitation, the right to prosecute a proceeding at law or in equity against the person or persons who have violated, or are attempting to violate, any of said Protective Covenants, to enjoin or prevent them from doing so, to record a notice of non-compliance, to cause said violation to be remedied and/or to recover damages for said violation; provided, however, that with respect to Assessment liens, the Corporation shall have the exclusive right to the enforcement thereof.

(b) The result of every act or omission whereby any of the Protective Covenants contained in this Declaration or the provisions of the By-Laws are violated, in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance shall be applicable against every such result and may be exercised by any Owner, by the Corporation, or by its successors in interest.

(c) The remedies herein provided for breach of the Protective Covenants contained in this Declaration or the provisions of the By-Laws shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

(d) The failure of the Corporation or any Owner to enforce any of the Protective Covenants contained in this

Declaration, the provisions of the By-Laws or any Rules or Regulations shall not constitute a waiver of the right to enforce the same thereafter.

(e) Prior to filing a civil action by either the Corporation or by an Owner (but not the City) solely for declaratory relief or injunctive relief, or for declaratory relief or injunctive relief in conjunction with a claim for monetary damages other than Corporation Assessments, related to the enforcement of the Corporation governing documents, the parties may be required to comply with Civil Code Section 5925 et seq., if applicable. Failure to comply with the prefiling requirements of Section 5925 et seq. of the Civil Code may result in the loss of the right to sue regarding enforcement of the Corporation governing documents. Upon motion by any party for attorneys' fees and costs as the prevailing party, the court, in determining the amount of the award, may consider a party's refusal to participate in alternative dispute resolution prior to the filing of the action.

(f) A breach of the Protective Covenants contained in this Declaration or of the provisions of the By-Laws shall not affect or impair the lien or charge of any bona fide Mortgage or deed of trust made in good faith and for value on any Condominium; provided, however, that any subsequent Owner of such property shall be bound by said Protective Covenants and the provisions of the By-Laws, whether or not such Owner's title was acquired by foreclosure, a trustee's sale or otherwise.

(g) The Board, for and on behalf of the Corporation, may assess monetary penalties against an Owner as a Compliance Assessment and/or temporarily suspend said Owner's voting rights and right to use the recreational facilities, if any, for the period during which any Assessment against said Owner's Condominium remains unpaid; provided, however, the requirements for Notice and Hearing set forth in the By-Laws shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

(h) The Board, for and on behalf of the Corporation, may temporarily suspend an Owner's voting rights and right to use the recreational facilities, if any, for a period not to exceed thirty (30) days for any infraction of the Corporation's Rules and Regulations; provided, however, the requirements for Notice and Hearing set forth in the By-Laws shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

(i) In addition to the above general rights of enforcement, the City shall have the right, through its agents and employees, to enter upon any part of the Project for the purpose of enforcing the California Vehicle Code and its local

ordinances, and is hereby granted an easement over the Project for that purpose and to maintain the exterior portions of the Corporation Property at the expense of the Corporation in accordance with the City's Municipal Code, as applicable. Nothing in this Section is intended to, nor shall it obligate, the City to take enforcement action; any such enforcement action shall be at the City's sole discretion and election.

Section 2. Severability. Invalidation of any one of these Protective Covenants by judgment or court order shall in no way affect any other provisions hereof, which shall remain in full force and effect.

Section 3. Term. The Protective Covenants set forth in this Declaration shall run with and bind the Project, and shall inure to the benefit of the Corporation and be enforceable by the Board or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date this Declaration is recorded, after which time said Protective Covenants shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by a majority of the then Owners agreeing to terminate said Protective Covenants, in whole or in part, has been recorded within one (1) year prior to the termination of the initial fifty (50) year term, or within one (1) year prior to the termination of any successive ten (10) year period.

Section 4. Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development, maintenance, improvement, protection, use, occupancy, and enjoyment of the Project. 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 5. Singular Includes Plural. Whenever the context of this Declaration may so require, the singular shall include the plural, and the masculine shall include the feminine and neuter.

Section 6. Amendments.

(a) Amendments by Declarant. Prior to the close of escrow for the sale of a Condominium to a member of the public, in accordance with a Final Subdivision Public Report issued by the CalBRE, this Declaration may be amended, restated or terminated by an instrument executed by Declarant. Notwithstanding any other provisions of this Declaration, for so long as Declarant owns any portion of City of Santee Tract No. 2014-01 or the Annexation Property, Declarant may unilaterally amend this Declaration to (i) conform this Declaration to the rules, regulations or requirements of VA/FHA, FHA, CalBRE, FNMA, GNMA, FHLMC, the County, City,

State, or Federal government or any other Local Governmental Agency or entity applicable to the Project, (ii) amend or supplement any of the Exhibits to this Declaration, (iii) comply with any City, County, State or Federal laws or regulations, (iv) correct any typographical errors or inadvertent errors in the Declaration and/or Exhibits attached thereto, (v) record any maintenance standards and/or obligations of the Corporation and Owners, and (vi) supplement this Declaration with provisions which pertain to rights and obligations of Declarant, the Corporation or the Owners arising under Division 2, Part 2, Title 7 (commencing with Section 895) of the California Civil Code.

(b) Amendments by Corporation. Subject to Section 6(a) above, and all applicable provisions of law (e.g., the provisions of California Civil Code Sections 5100-5130 regarding secret ballots), this Declaration may be amended only by an affirmative vote of Owners representing not less than sixty-seven percent (67%) of the Class A voting power and the Class B voting power of the Corporation. At such time when the Class B membership shall cease and be converted to Class A membership, any and all amendments to this Declaration shall be enacted by requiring the vote or written assent of Owners representing both: (a) sixty-seven percent (67%) of the total voting power of the Corporation, and (b) sixty-seven percent (67%) of the votes of Members, other than the Declarant; provided, however, that the percentage of the voting power necessary to amend a specific provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under said provision, and no amendment of a provision of this Declaration which requires the approval or consent of Declarant may be made without the written approval of Declarant (e.g., provisions pertaining to the resolution of Disputes, Maintenance Guidelines, Maintenance Manual, Maintenance Recommendations, etc.). Any Owner or the Corporation may petition the Superior Court of San Diego County for an order reducing the necessary percentage required under this Section to amend this Declaration; provided, however, that under no circumstances shall any provision requiring the consent of the Declarant be amended without such consent. The procedure for effecting this petition is set forth in Section 4275 of the California Civil Code, as the same may be amended, from time to time.

(c) Approval of Mortgagees. In addition to the rights of first Mortgagees, as set forth in the Article herein entitled "Mortgagee Protection," in the event that FNMA or VA/FHA participates in the financing of Condominiums in the Project, the written consent of not less than fifty-one percent (51%) of the "Eligible Mortgage Holders" (as defined in the Article herein entitled "Mortgagee Protection") shall be required for any amendment of a "material" nature. An

amendment which affects or purports to affect any of the following is considered material:

(1) The legal status of the Project as a common interest development;

(2) Voting rights;

(3) Increases in Assessments that raise the previously assessed amount by more than twenty-five percent (25%), assessment liens or the priority of assessment liens, including the levy and collection thereof, enforcement provisions for nonpayment and subordination of liens for nonpayment;

(4) Reductions in reserves for maintenance, repair and replacement of the Corporation Property;

(5) Responsibility for Corporation Property maintenance and repair;

(6) Reallocation of interests in the Corporation Property or rights to use the Corporation Property;

(7) Boundaries of any Condominium Unit;

(8) Convertibility of Corporation Property into Condominium Units or Condominium Units into Corporation Property;

(9) Encroachment by Improvements into Corporation Property;

(10) Expansion or contraction of the Project, or addition, annexation or de-annexation of additional property to or from the Project;

(11) Reduced insurance or fidelity bonds requirements;

(12) Increased restrictions on the leasing of Condominiums;

(13) Imposition of restrictions on alienation, including, but not limited to, rights of first refusal;

(14) Any decision by the Corporation to establish self-management, if professional management was previously required by an Eligible Mortgage Holder or legal documents governing the Project;

(15) Restoration or repair of the Project in a manner other than as specified in this Declaration;

(16) Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs; and

(17) Mortgagee protection provisions as set forth in that Article hereinabove entitled "Mortgagee Protection," and such other provisions in this Declaration for which the consent of Mortgagees shall be required or which are expressly for the benefit of Mortgagees, insurers or guarantors of Mortgages.

An addition or amendment to this Declaration shall not be considered material if it is for the purpose of correcting technical errors or for clarification only or impacting rights which do not impair the security interest of an Eligible Mortgage Holder. In the event the Corporation is considering termination of the legal status of the Project for reasons other than the substantial destruction or condemnation of the Project, then sixty-seven percent (67%) of the Eligible Mortgage Holders must agree to said termination. Notwithstanding the foregoing, in the event any Eligible Mortgage Holder receives a written request, delivered by certified or registered mail with return receipt requested, from the Board to approve any amendment to this Declaration, and such Eligible Mortgage Holder does not deliver a negative response in writing to the Board within sixty (60) days of the mailing of such request by the Board, such Eligible Mortgage Holder shall be deemed to have approved such proposed amendment.

(d) Approval by City. The Declarant or the Corporation shall forward, or cause to be forwarded, to the City a written notice of any such amendment or termination. If no notice of disapproval is received by the Corporation within forty-five (45) days following the mailing of such notice, such amendment or termination shall be deemed to be approved by the City.

(e) Recordation of Amendments. An amendment made in accordance with the provisions set forth hereinabove shall be effective when executed by the President and Secretary of the Corporation, who shall certify that the amendment has been approved by the membership and, where appropriate, by the first Mortgagees, in the percentages set forth hereinabove, and recorded in the Office of the County Recorder. Upon such recordation, the amendment shall be effective and binding upon all Owners and all Mortgagees, regardless of whether such Owner or such Mortgagee consented to such amendment.

Section 7. Encroachments. None of the rights and obligations of the Owners created herein or by the deed shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause (except intentional or negligent acts

of the Owners, other than the Declarant). There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner if said encroachment occurred due to the willful conduct of said Owner.

Section 8. Notices. Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by first class, registered or certified mail, it shall be deemed to have been delivered and received forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Corporation for the purpose of service of such notice, or to the Condominium Unit of such person if no address has been given to the Corporation. If such notice is not sent by first class, regular or certified mail, it shall be deemed to have been delivered when received. Such address may be changed, from time to time, by notice in writing to the Corporation.

Section 9. Attorneys' Fees. Except as otherwise provided herein (e.g., resolution of Disputes whereby each party is responsible for payment of his attorney fees, without the right to reimbursement from the other party and notwithstanding which party may be the "prevailing party"), or in the Limited Warranty, in the event the Board, Corporation, or any Owner of a Condominium shall commence legal proceedings against the Owner of any other Condominium to enforce the covenants of this Declaration, or to declare rights hereunder as the result of any breach, or claim of breach, of said covenants, the prevailing party shall recover the cost of the suit, arbitration, or alternative dispute resolution, in addition to its costs of suit, including reasonable attorneys' fees, as may be fixed by the court. In addition, if any Owner defaults in making a payment of Assessments and the Corporation has obtained the services of an attorney in connection therewith, the Owner covenants and agrees to pay to the Corporation any costs or fees incurred, including reasonable attorneys' fees, regardless of whether dispute proceedings are instituted.

Section 10. Mergers or Consolidations. Upon a merger or consolidation of the Corporation with another association, the Corporation's properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Corporation as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the Protective Covenants established by this Declaration governing the Project, together with the covenants and restrictions established upon any other property as one plan.

Section 11. Notice of Procedures. On September 20, 2002, the Governor of the State of California signed into law the construction dispute reform bill known as Senate Bill No. 800, which added section 43.99 and Title 7 (commencing with section 895) to Part 2 of Division 2 of the California Civil Code ("Right to Repair Law"). The Right to Repair Law contains various procedures which may impact an Owner's legal rights as a homeowner and the Corporation with respect to claims impacting the Corporation Property. Each Owner and the Corporation may wish to consult with an attorney or other legal advisor to ascertain the requirements of the Right to Repair Law and its impact upon his legal rights.

Section 12. No Enhanced Protection Agreement. As noted earlier, no provisions herein, and no representations or warranties, expressed or implied, by Declarant, constitute, or shall be interpreted to constitute, an "enhanced protection agreement," as defined in Section 901 of the California Civil Code.

Section 13. DECLARANT'S ELECTION TO OPT IN TO PRE-LITIGATION PROCEDURES SET FORTH IN RIGHT TO REPAIR LAW. BY ACCEPTANCE OF A DEED TO A CONDOMINIUM OR THE CORPORATION PROPERTY, EACH OWNER AND THE CORPORATION ACKNOWLEDGE THAT DECLARANT HAS ELECTED TO USE CERTAIN PROCEDURES REFERRED TO AS THE "STATUTORY PRE-LITIGATION PROCEDURES" FOR THE RESOLUTION OF CONSTRUCTION DEFECT CLAIMS REGARDING THE PROJECT (INCLUDING BUT NOT LIMITED TO THE CORPORATION PROPERTY), AS SET FORTH IN SECTIONS 910 THROUGH 938 OF THE CALIFORNIA CIVIL CODE. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION SHALL BE DEEMED TO CONSTITUTE A WAIVER OF DECLARANT'S RIGHTS, IF ANY, TO REQUIRE AN OWNER AND THE CORPORATION TO COMPLY WITH THE PROCEDURES OF THE LIMITED WARRANTY, OR THE PROCEDURES SET FORTH AT CIVIL CODE SECTION 6000 ET SEQ., OR TO ENFORCE ANY PROVISION OF LAW RELATING TO THE RESOLUTION OF DISPUTES OTHER THAN SECTIONS 910 THROUGH 938 OF THE CALIFORNIA CIVIL CODE. EACH OWNER, ON BEHALF OF ITSELF AND ITS SUCCESSORS IN INTEREST, SHALL PROVIDE COPIES OF ALL DOCUMENTS PROVIDED BY DECLARANT TO SUCH OWNER TO ANY SUBSEQUENT PURCHASER OF SAID OWNER'S CONDOMINIUM.

Section 14. Agent for Notice. Notice of disputes shall be given to the agent for service of process for Declarant set forth in the most current records of the Secretary of State of California.

Section 15. Alternative Dispute Resolution of Disputes. If a dispute remains unresolved after completion or termination of the Statutory Pre-Litigation Procedures set forth in Civil Code Sections 910 through 938, the dispute resolution procedures set forth in this Declaration or the Limited Warranty, as applicable, shall apply.

Section 16. Corporation Property Claims. Notwithstanding any provision to the contrary regarding resolution of disputes regarding the Corporation Property, at such time as an Owner is elected or appointed to the Board, the Declarant shall be deemed to

have relinquished control over the Corporation's ability to initiate claims regarding the Corporation Property.

Section 17. Maintenance Standards. Each Owner and the Corporation shall maintain everything he/she/it/they are obligated to maintain in a manner consistent with the provisions herein and in conformance with any maintenance obligations and schedules (i.e., procedures, standards, and/or schedules for the maintenance and operation of the Condominium and/or Corporation Property which may be provided to said Owner and/or Corporation by Declarant, as such procedures, standards, and/or schedules may be updated and revised as appropriate), product manufacturer's maintenance guidelines/recommendations, and commonly accepted maintenance standards. Unless otherwise provided in such maintenance obligations and schedules, each Owner and the Corporation shall determine the level and frequency of maintenance of his or her Condominium and Corporation Property, as appropriate.

Section 18. No Representations or Warranties. No representations or warranties of any kind, express or implied, have been given or made by Declarant, or its agents or employees, in connection with the Project, or any portion thereof, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a condominium project, except as specifically and expressly set forth in this Declaration or the Limited Warranty, and except as may be filed by Declarant, from time to time, with the CalBRE.

Section 19. Exhibits. Except for Exhibit "C" (which is attached for informational purposes only), the Exhibits attached hereto are incorporated by this reference. Notwithstanding any depiction thereon, the as-built condition by Declarant shall control. In addition, the Corporation's maintenance obligation with respect to the Corporation Property depicted thereon shall commence when the Corporation levies Assessments applicable to said Improvements (e.g., although the depictions may show all of City of Santee Tract No. 2014-1, the maintenance obligations for this Corporation only include the Improvements in the Corporation Property of the applicable phase of development which are subject to assessments).

Section 20. Project Disclosures. The following disclosures are made to facilitate each Owner's investigation of the Project prior to purchasing a Condominium in the Project. The disclosures are not exhaustive, and no warranty or representation of any kind or nature is made in connection with the disclosures. The information set forth in the disclosures may change over time. By acceptance of a deed to a Condominium in the Project, each Owner acknowledges and agrees that such Owner is solely responsible for investigating the following matters, as well as all other matters

of interest to such Owner, prior to completing the purchase of a Condominium in the Project.

(a) Conditions of Approval/Notice of Restriction. The Project is subject to, and required to comply with, all terms and conditions for the approval of the tentative tract map for City of Santee Tract No. 2014-01 (i.e., TM2014-1) and the development of the Project (i.e., DR2014-5), including, without limitation, the conditions of approval set forth in City Council Resolution Nos. 011-2015 and 012-2015). The terms and conditions of such conditions of approval shall be binding upon all persons, firms, and corporations having an interest in the property subject to such conditions of approval and the heirs, executors, administrators, successors and assigns of each of them, including municipal corporations, public agencies and districts. Neither this Declaration nor any contract of sale, lease, or other written document or any means or method shall be established, or shall attempt to establish, any requirement, restriction, or limitation on the Declarant, or any person, individual or entity, which would operate, directly or indirectly, to prevent or preclude any other developers of the Property or Project, or any person, individual, or entity, in complying with all applicable conditions for the approval of the tentative map and development of the Project and other City ordinances, rules, policies, or regulations.

(b) Noise and Sounds from Other Condominium Units/Hard Surface Flooring. Living in an attached Condominium building within a densely populated community entails living in close proximity to other persons and businesses, with attendant limitations on solitude. The Condominium buildings and individual Condominium Units are not sound and/or odor proof, and noises and/or odors from adjacent Condominiums and the Corporation Property may be heard and smelled. Owners will hear noise from adjacent residences within the Project, including, but not limited to, noise from showers, bathtubs, sinks, toilets, dishwashers, washing machines, or other sources of running water. Also, Owners may hear noise from items such as vacuum cleaners, stereos, or televisions, or from people running, walking or exercising on hard surfaces. Finally, Owners can expect to hear noise from adjacent residential and commercial areas and busy streets and highways. Owners may also experience light entering the residences from street lights located in proximity to the windows and doors of the residences. Declarant has no control over the transmission of noise or light and their potential effects on residences within the Project.

(c) Limited Parking. Parking within and in the vicinity of the Project is extremely limited. Owners and their tenants and family members are required to park in the garages of the Condominiums. Guest parking spaces in the Project are to be used by guests only on a first come, first served basis. No parking is currently permitted on the public streets adjacent to the Project. Declarant makes no warranties or representations of

any kind, express or implied, regarding the availability of guest parking in or outside of the Project.

(d) Maintenance of Water and Sewer Laterals. As set forth herein (e.g., in the Article entitled "Repair and Maintenance"), each Owner is responsible for the maintenance of the water lateral that exclusively serves the Owner's Condominium (up to the point of connection to the water meter) and the sewer lateral that exclusively serves the Owner's Condominium (up to the point of connection to the common sewer main). If an Owner is required to disturb the Corporation Property in order to maintain his water or sewer lateral, the Owner will be responsible (at his sole cost and expense) for restoring the Corporation Property to its existing condition prior to such disturbance and for following any procedures required by the Corporation.

(e) NOTICE OF AIRPORT IN VICINITY. The Project is located in the vicinity of one or more airports (e.g., Gillespie Field Airport, MCAS Miramar, etc.). Although the Project is not located within what is known as an airport influence area (i.e., an area in which current or future airport-related noise, overflight, safety, or airspace protection factors may significantly affect land uses or necessitate restrictions on those uses as determined by an airport land use commission), the Project may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. Each Owner may wish to consider what airport annoyances, if any, are associated with the Project before the Owner completes his purchase of a Condominium and determine whether they are acceptable to the Owner. Declarant makes no warranties or representations of any kind or nature, express or implied, regarding any airport, including, without limitation, any warranties or representations regarding the potential for any expansion or change in use of the airport, types of aircraft permitted at the airport, flight paths of aircraft, or hours of operation of the airport. Each Owner is responsible for investigating such matters to the Owner's full and complete satisfaction prior to completing the purchase of a Condominium in the Project.

(f) Right to Farm. The Project is located within one mile of real property currently used for agricultural purposes. Declarant is providing the following notice pursuant to state law:

MANDATORY NOTICE:

NOTICE OF RIGHT TO FARM

This property is located within one mile of a farm or ranch land designated on the current county-level GIS "Important Farmland Map," issued by the California

Department of Conservation, Division of Land Resource Protection. Accordingly, the property may be subject to inconveniences or discomforts resulting from agricultural operations that are a normal and necessary aspect of living in a community with a strong rural character and a healthy agricultural sector. Customary agricultural practices in farm operations may include, but are not limited to, noise, odors, dust, light, insects, the operation of pumps and machinery, the storage and disposal of manure, bee pollination, and the ground or aerial application of fertilizers, pesticides, and herbicides. These agricultural practices may occur at any time during the 24-hour day. Individual sensitivities to those practices can vary from person to person. You may wish to consider the impacts of such agricultural practices before you complete your purchase. **Please be advised that you may be barred from obtaining legal remedies against agricultural practices conducted in a manner consistent with proper and accepted customs and standards pursuant to Section 3482.5 of the Civil Code or any pertinent local ordinance.**

(g) Santee Roadway Lighting District. As required by the City, the Project will be annexed to the Santee Roadway Lighting District. As a result, each Owner will be required to pay assessments and/or fees to the lighting district in addition to the Owner's other property taxes.

(h) Compliance With Storm Water Management Plan. As required by the City, the Corporation and all Owners bear legal and financial responsibility for compliance with the City-approved Storm Water Management Plan and all stormwater regulations that apply to the Project. Upon an Owner's conveyance of his Condominium to a new Owner, the new Owner shall have such legal and financial responsibility. Each Owner is responsible for disclosing this matter to anyone who purchases a Condominium from such Owner.

(i) Reclaimed Water. As required by the City, the Corporation Property will be irrigated with reclaimed water. Reclaimed water is not potable and, therefore, not suitable for human consumption. As with any water overspray, the repeated spray of reclaimed water may stain or discolor personal property, fencing and structural improvements over time. The standards for reclaimed water quality are established by various governmental regulatory agencies, and these standards are subject to change. For further information, each Owner may wish to contact the Padre Dam Municipal Water District. Declarant makes no representations or warranties regarding this matter.

(j) Waiver. Each Owner, for and on behalf of himself and the members of his family, his tenants, lessees, guests and invitees, expressly approve all of the foregoing conditions and risks, and waives all causes of action and covenants not to sue the

City, the Declarant, and their respective directors, officers, members, employees, agents and consultants for any damages or injuries which may arise from or relate to any of such conditions and/or risks.

Section 21. Priorities and Inconsistencies. If there are conflicts or inconsistencies between this Declaration and either the Articles or By-Laws of the Corporation, the terms and provisions of this Declaration shall prevail, save and except for the provisions of the Articles of Incorporation.

Section 22. Declarant's Representative. Commencing on the date on which Declarant no longer has an elected representative on the Board, and continuing until the date that is ten (10) years after the date of the last close of escrow in the Project, the Declarant shall be entitled to access (in real time) any website maintained by the Corporation or its property manager for the Project and to view all documents posted on the website, shall be entitled to inspect and copy the Corporation's books and records, including, without limitation, maintenance records, on the same terms and conditions as a Member (i.e., as set forth in the By-Laws, the person requesting copies of any records must reimburse the Corporation for its direct and actual costs in providing records), and shall be entitled to have a representative ("Declarant's Representative") present at all meetings of the Members and the Board, except when the Board adjourns to executive session. For so long as Declarant's Representative is entitled to attend such meetings, the Corporation and/or Members, as appropriate, shall provide Declarant with written notice of all meetings of the Board as if Declarant were an Owner/Member, and the Corporation shall provide Declarant's Representative with the proposed minutes and approved minutes of the meetings of Owners, the Board and committees on the same terms and conditions as it would any Member (i.e., the person requesting records must reimburse the Corporation for its direct and actual costs in providing records). The Declarant's Representative shall be present in an advisory capacity only and shall not be a Board member or have any right to vote on matters coming before the Board or any liability as a Board member. However, the Declarant's Representative shall have the right to speak at all meetings, and the Secretary shall accurately note any statements made by the Declarant in the minutes of the meetings. This Section may not be amended without the prior written approval of the Declarant, which approval may be withheld in Declarant's sole and absolute discretion.

Section 23. Compliance with Requirements of FHLMC, FNMA, and VA/FHA. Notwithstanding any provision of this Declaration, the Declarant and Corporation shall comply with all requirements of FHLMC, FNMA, and/or VA/FHA established by those entities for condominium projects for so long as any of such agencies continue to be a Mortgagee, Owner, insurer or guarantor of a Mortgage in the Project, including, without limitation, the following requirements:

a. All Improvements on the Corporation Property shall be substantially completed before such Corporation Property is conveyed to the Corporation, notwithstanding any regulation of the CalBRE allowing such conveyance to occur upon the posting of appropriate bonds.

b. The Declarant's right to annex the Annexation Property to the Project pursuant to the overall general plan of development for the Project originally submitted to and accepted by the CalBRE shall terminate on the date which is seven (7) years after the date of the recordation of this Declaration.

Section 24. Compliance with Governing Documents. The Declarant and the Corporation shall comply with all requirements of the Governing Documents. In situations where the provisions of this Declaration and the Governing Documents may conflict, the Governing Documents shall supersede.

Section 25. Enforcement Rights of the City. In accordance with requirements of the City:

(a) The City shall have the right, but not the obligation, to enforce the covenants in this Declaration requiring the Corporation to maintain the storm drainage improvements and Corporation Property landscaping in the Project; provided, however, that no duty on the part of the City to exercise this power and to enforce said maintenance covenants shall be deemed to arise by virtue of this Declaration or any other action of the City. Notwithstanding any provision of this Declaration that appears to the contrary, the City may, by action at law or in equity, enforce the following provisions as the governing municipality:

(1) In the event of default of the Corporation in performing its obligations to maintain the storm drainage improvements and Corporation Property landscaping in the Project as set forth in this Declaration, the City shall have the same right as that of the Corporation to enter the Corporation Property for the purpose of discharging such maintenance obligations of the Corporation. The City shall (i) provide reasonable notice to the Corporation of its intention to enter the Corporation Property, specifying the manner in which the Corporation has defaulted in performing its obligation to maintain the storm drainage improvements and/or Corporation Property landscaping, and (ii) afford the Corporation a reasonable opportunity to remedy such default (e.g., thirty [30] days). In the event the Corporation fails to perform such maintenance within the period specified in the City's notice, the City shall be

entitled to cause such work to be completed and the Corporation shall reimburse the City for all costs, expenses, and losses incurred relating to the curing of the default, including, but not limited to, all costs involved in maintaining, repairing, replacing, or otherwise performing work upon, or providing materials for, the storm drainage improvements and/or Corporation Property landscaping, whether the work or materials are furnished by the City or by private contractors designated by City. In the event the City has performed the necessary maintenance to the storm drainage improvements and/or the Corporation Property landscaping, the City shall submit a written invoice to the Corporation for all costs incurred by the City to perform such maintenance. Said invoice shall be due and payable by the Corporation within thirty (30) days of receipt by the Corporation. If the Corporation shall fail to pay such invoice in full within the period specified, payment shall be deemed delinquent. Thereafter, the City may pursue collection from the Corporation by means of any remedies available at law or in equity. Without limiting the generality of the foregoing, in addition to all other rights and remedies available to the City, the City may levy a special assessment against the Owners of each Condominium, in the Project for an equal pro-rata share of the invoice, plus the late charge. Such special assessment shall constitute a charge on the land and shall be a continuing lien upon each Condominium against which the special assessment is levied. Each Owner in the Project hereby vests the City with the right and power to levy such special assessment, to impose a lien upon their respective Condominium and to bring all legal actions and/or to pursue lien foreclosure procedures against any Owner and his/her respective Condominium for purposes of collecting such special assessment in accordance with the applicable procedures set forth in this Declaration.

(2) No approval by an Owner, Corporation or Board shall be necessary to enforce any default pertaining to the maintenance of the storm drainage improvements or the Corporation Property landscaping in the Project. No failure by the City to enforce a default pertaining to the maintenance of the storm drainage improvements or the Corporation Property landscaping shall be deemed to be a waiver of the right or power of the City to enforce any subsequent default thereof. In the event the City is the prevailing party in an enforcement action under this section, the City shall have the right to collect its reasonable attorneys' fees, costs, and expenses associated with any action or proceeding to enforce its rights hereunder. The processes and procedures described

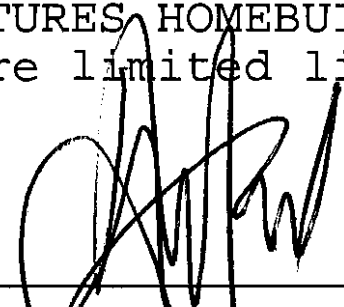
in paragraph (2) shall be alternative to, and in addition to, any process or procedure provided under the law for property maintenance, code enforcement, or nuisance abatement. In the event the City elects to proceed under the provisions of this paragraph (2) referenced above, the Corporation and/or the Owner shall be deemed to waive any rights otherwise provided under such laws.

Signatures to follow

IN WITNESS WHEREOF, Declarant has executed this instrument on the day and year first above written.

"DECLARANT"

CITY VENTURES HOMEBUILDING, LLC,
a Delaware limited liability
company

By:  _____

Name: Herb Gardner

Title: President - Homebuilding

By:  _____

Name: Phil Kerr

Title: CEO - Homebuilding

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

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

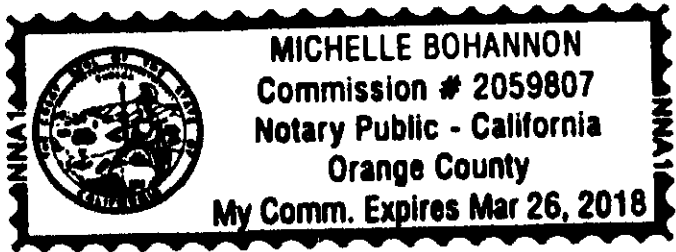
Notary Public

On 2/4, 2016, before me, Michelle Bohannon,
Name and Title of Officer
personally appeared Herb Gardner & Phil Kern who proved to me on the
basis of satisfactory evidence to be the person(s) whose name(s)
is/are subscribed to the within instrument and acknowledged to me
that he/she/they executed the same in his/her/their authorized
capacity(ies), and that by his/her/their signature(s) on the
instrument, the person(s), or the entity(ies) upon behalf of which
the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Michelle Bohannon
Signature of Notary Public



[SEAL]

EXHIBIT "A"

LEGAL DESCRIPTION OF PHASE 1

Phase 1 shall mean and refer to that certain real property located in the City of Santee, County of San Diego, State of California, more particularly described as:

That portion of Lot 1 of City of Santee Tract No. 2014-01, according to Map thereof No. 16079, filed in the Office of the County Recorder of said San Diego County, on December 23, 2015, depicted and/or described as Modules "A," "B" and "D" on the Condominium Plan for this Phase recorded concurrently herewith.

The Condominium Units within Phase 1 are Condominium Units 101 through 106, inclusive, and Condominium Units 401 through 407, inclusive, as described and/or depicted on the Condominium Plan referenced above.

EXHIBIT "B"

ANNEXATION PROPERTY

The Annexation Property shall mean and refer to that certain real property located in the City of Santee, County of San Diego, State of California, more particularly described as:

All of City of Santee Tract No. 2014-01, according to Map thereof No. 16079, filed in the Office of the County Recorder of said San Diego County, on December 23, 2015, California, EXCEPTING THEREFROM PHASE 1; together with

TENTATIVE MAP NO. TM 2015-5 IS A SUBDIVISION OF THE LAND DESCRIBED AS FOLLOWS:

THAT PORTION OF LOT 4, BLOCK "H" OF FANITA RANCHO, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 688, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID SAN DIEGO COUNTY, OCTOBER 22, 1891, DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 4: THENCE SOUTH 15°0'00" WEST ALONG THE EAST LINE OF SAID LOT, A DISTANCE OF 175.00 FEET TO THE TRUE POINT OF BEGINNING, SAME BEING THE SOUTHEAST CORNER OF THAT PORTION OF SAID LOT 4 CONVEYED TO NICHOLAS FERRARI AND WIFE, BY A DEED RECORDED AUGUST 24, 1954 IN BOOK 5340, PAGE 359 OF OFFICIAL RECORDS; THENCE WESTERLY ALONG THE SOUTHERLY LINE OF FERRARI'S LAND TO THE SOUTHWEST CORNER THEREOF, SAME BEING A POINT IN THE EASTERLY LINE OF THAT PORTION OF SAID LOT 4 CONVEYED TO PURCELL WEBB AND WIFE, BY DEED RECORDED OCTOBER 11, 1954, IN BOOK 5392, PAGE 57 OF OFFICIAL RECORDS, THENCE SOUTH 15°0'0" WEST PARALLEL WITH THE EASTERLY LINE OF SAID LOT 4 AND ALONG THE EASTERLY LINE OF SAID WEBB'S LAND, A DISTANCE OF 96.78 FEET, MORE OR LESS, TO A POINT IN THE NORTHERLY LINE OF THAT PORTION OF SAID LOT 4 CONVEYED TO CHARLIE P. SCOTT AND WIFE, BY DEED RECORDED NOVEMBER 8, 1954 IN BOOK 5421 PAGE 512 OF OFFICIAL RECORDS; THENCE EASTERLY ALONG THE NORTHERLY LINE OF SAID SCOTT'S LAND TO THE EASTERLY LINE OF SAID LOT; THENCE NORTHERLY ALONG SAID EASTERLY LINE TO THE TRUE POINT OF BEGINNING.

EXHIBIT "C"

SAMPLE LIMITED WARRANTY AGREEMENT

[NOTE: THIS LIMITED WARRANTY PROVIDES THAT ANY AND ALL CLAIMS AND DISPUTES BETWEEN YOU AND US WHICH YOU AND WE ARE UNABLE TO RESOLVE BY MUTUAL AGREEMENT, SHALL BE RESOLVED SOLELY AND EXCLUSIVELY THROUGH FINAL AND BINDING ARBITRATION IN ACCORDANCE WITH THE TERMS AND PROCESS DESCRIBED WITHIN THIS LIMITED WARRANTY. BY THIS AGREEMENT, BOTH YOU AND WE ARE WAIVING THE RIGHT TO HAVE A JURY TRIAL AND LITIGATE DISPUTES IN COURT.]

This Limited Warranty Agreement (the "Limited Warranty") is entered into by and between CITY VENTURES HOMEBUILDING, LLC, a Delaware limited liability company ("Builder"), and [Homeowner Name(s)] ("Homeowner") as of the date set forth below on the terms and conditions herein.

RECITALS

- A. , On or about _____ [date of purchase agreement], Builder and Homeowner entered into that certain Joint Contract of Purchase and Sale and Escrow Instructions (the "Purchase Agreement") for the sale and purchase of a residence (the "Home") located at _____ [full address of home] for an amount set forth in the Purchase Agreement, including all Addenda thereto (the "Purchase Price"), and the terms of which Purchase Agreement are hereby incorporated by reference as though fully set forth herein;
- B. Pursuant to the terms of the Purchase Agreement, Builder was to complete the construction of the Home, and Homeowner was to occupy the Home subject to certain mutual post-construction obligations; and
- C. The parties to this Limited Warranty now wish to identify specifically the terms and conditions for their mutual performance of those post-construction obligations, including but not limited to warranty provisions applicable to the Home.

In consideration of the mutual agreements and promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Builder and Homeowner hereto agree as follows:

LIMITED WARRANTY COVERAGE

1. Definitions.

- a. **Builder.** "Builder, "we", "us" or "our" means the individual, partnership, corporation or other entity which participates in this Customer Care Program, and provides this Limited Warranty.
- b. **Common Elements.** "Common Elements" means the property as specified in the recorded Covenants, Conditions and Restrictions as Corporation Property or Association Property and any other property as to which the Homeowners Association has standing under the law to make a claim. This may include, but is not limited to, streets, slopes, the structure, components, or other parts of the Home, corridors, lobbies, vertical transportation elements, rooms, balconies, clubhouses or other spaces that are for the common use of the residents of the development in which the Home is located. Systems serving two or more Homes,

and the outbuildings that contain parts of such Systems are also included in this definition.

- c. **Consumer Products**-all appliances, equipment, and other items that are consumer products for the purposes of the Magnuson-Moss Warranty Act (15 U.S.C., Sections 2301-2312) and that are located in the Home at the commencement of the Limited Warranty period. Examples of Consumer Products include, but are not limited to a refrigerator, freezer, trash compactor, range, oven, kitchen center, dishwasher, oven hood, microwave oven, clothes washer and dryer, air-conditioning system, boiler, heat pump, space heater, furnace, central vacuum system, smoke detector, fire alarm, humidifier, ice maker, garage-door opener, chimes, water pump, intercom, burglar alarm, whirlpool bath, garbage disposal, water heater, electronic air cleaner, exhaust fan, ventilation fan, thermostat, fire extinguisher, electric meter, gas or electric barbecue grill, water softener, and sump pump.
- d. **Customer Goodwill Warranty Period**- means the one (1) year period following either: 1.the transfer of title on the Home from Builder to Homeowner (the "close of escrow"); or 2. Homeowner's date of occupancy of the Home; whichever occurs first.
- e. **Defect in Materials or Workmanship**-failure of a building component or system to substantially (i) conform to the plans, specifications and change orders for the Home, or (ii) to be built in conformance with the applicable Performance Standards for such component.
- f. **Emergency Service.** Customer care emergencies are problems that require immediate attention to protect Homeowner and Homeowner's family from harm or to avoid damage to the Home, or adjacent properties during the Warranty Period. These problems include:
 - i. A total stoppage of the plumbing drain system during the first 30 days after you move in: if your plumbing drain system ceases to work, or if none of your sinks, tubs or toilets will function properly. Frozen pipes or stoppage of one toilet or drain when other bathrooms are functional is not an emergency.
 - ii. A water leak that requires the water supply to the home to be shut off to avoid serious water damage. A leak which can be isolated by the shutoffs under a cabinet or plumbing fixture is not an emergency.
 - iii. A total electrical failure in which there is no electric service in your home. Please observe neighboring homes to decide if the failure is in your Home or throughout the neighborhood. Electrical failures in the neighborhood should be reported to the electric utility..
 - iv. A partial electrical failure which affects the operation of your refrigerator, stove, oven or heating system when the temperature inside the home falls below 54 degrees.
- g. **Fit and Finish**-means that only those building components within the listed categories (i.e., cabinets, mirrors, flooring, interior and exterior walls, countertops, paint finishes, and trim) should fit into the spaces into which they are installed, and that such components shall have freedom of movement for the movable parts of such components, and that the finish surfaces of such components shall be free from scratches, tears, missing parts and manufactured imperfections (which are not consistent with the finish quality of natural materials such as wood and stone) at the earlier to occur of (a) the transfer of title on the Home from Builder to Homeowner or (b) Homeowner's date of occupancy of the Home. Damage to such components occurring after completion of the Home and not

related to a defect in the component material is not a violation of the "Fit and Finish" warranty and is not covered.

- h. Fit and Finish Warranty Period-** means the one (1) year period following either: 1.the transfer of title on the Home from Builder to Homeowner (the "close of escrow"); or 2. Homeowner's date of occupancy of the Home; whichever occurs first.
- i. Free from Defects in Material & Workmanship-**means that at close of escrow, the construction of the Home is substantially in conformance with the plans, specifications and change orders for the Home; and that the construction practices used by Builder meet those performance standards generally in acceptance among the residential building community in the geographical area in which the Home is built.
- j. Home.** "Home" means a single family residence either attached or detached covered by this Limited Warranty and the land on which it sits, or a condominium unit in a multi-unit residential structure/building covered by this Limited Warranty, and the land on which it sits, except to the extent such unit, structure/building or land is part of the Common Elements.
- k. Homeowner.** The words "Homeowner", "You" and "Your" refer to the Homeowner, including any subsequent owners, and, where applicable, a Homeowner's Association.
- l. Homeowner's Association.** The term "Homeowner's Association" means a nonprofit corporation, unincorporated association, or other entity of any kind that owns, manages, maintains, repairs, administers, or is otherwise responsible for and has standing to make a claim as to any part of the Common Elements.
- m. Performance Failure.** The term "Performance Failure" means a condition commonly referred to as a "construction defect" arising from a flaw in materials or workmanship used by Builder in constructing the Home or Common Elements in accordance with this Limited Warranty, or the presence of a condition which renders the construction unfit for its intended purpose that:

 - i.** Fails to meet Builder's Performance Standards contained in the Homeowner Resource Guide provided to Homeowner by Builder at point of sale of the Home (or, in the case of Common Elements, Builder's Performance Standards in effect at the time of recordation of the CC&Rs for the Common Elements);
 - ii.** materially affects the structural integrity of the Home or the Common Elements;
 - iii.** jeopardizes the life or safety of the occupants or intended users of the structure;
 - iv.** violates a building code, regulation or requirement which results in a failure of Builder's Performance Standards;
 - v.** results in the inability of the Home or the Common Elements to provide the functions which can reasonably be expected in a residential building;
 - vi.** has an obvious and material negative effect on the appearance of the Home or the Common Elements; or
 - vii.** (1) fails to meet the construction standards set forth in California Civil Code Section 896; or (2) if a "Fit and Finish Component", fails to meet the standard of quality as measured by acceptable trade practices or applicable industry standards. Homeowner hereby acknowledges receipt of a copy of California Civil Code Section 896. In the absence of a condition which meets the definition of a "Performance Failure" under subsections (i) through (vi) above, Builder may consider whether the

condition would constitute a defect under the Residential Construction Performance Guidelines published by the National Association of Home Builders. However, a "Performance Failure" does not include conditions that are caused by a condition or circumstance that is excluded from coverage under this Limited Warranty or under California Civil Code Sections 896, 897 and 941.

- n. **Performance Failure Warranty Period**- means the ten (10) year period following either: 1.the original transfer of title on the Home from Builder to Homeowner (the "close of escrow"); or 2. Homeowner's date of occupancy of the Home; whichever occurs first. In the case of Common Elements, within a residential structure, the Performance Failure Warranty Period means the ten (10) year period following the transfer of title to the first residential unit with that structure, or in the case of non-residential Common Elements, the date on which title or control over the Common Elements was transferred to the Homeowners Association.
 - o. **Performance Standards** - tolerances of workmanship and materials within which the Home should perform during the Performance Failure Warranty Period as defined within Builder's Homeowner's Resource Guide. If the Home is free from defects in material and workmanship, and does not meet the definition of a Performance Failure as defined by this Limited Warranty, it means it meets Builder's Performance Standards, and there is no failure of those Standards and Builder has no obligation to perform repairs.
2. **Scope of the Limited Warranty.** This Limited Warranty consists of two parts: the first year "Customer Warranty", and the "Performance Failure Warranty", as those terms are defined herein. Both warranties shall be collectively referred to as the "Limited Warranty". The terms and conditions of those respective parts of the Limited Warranty are as follows:
- a. **First Year "Customer Warranty"**. The components of the Customer Warranty are as follows:
 - i. Builder warrants to Homeowner. that all construction related to the Home (other than the Consumer Products installed) will be free from defects in materials and workmanship for a period of one (1) year (the "Customer Goodwill Warranty Period") from the date which the Home closes escrow or Homeowner first occupies the Home, whichever occurs first, and that Builder will cause to be repaired those components of the Home (excluding all Consumer Products) noted below. This Customer Warranty is personal to Homeowner, does not run with the Home, and may not be assigned, transferred or conveyed.
 - ii. **Fit & Finish Warranty.** Builder also warrants that the fit and finish of the following Home components will comply with generally accepted industry standards in effect on the date of this Limited Warranty for a period of one (1) year from the date which the Home closes escrow or Homeowner first occupies the Home, whichever occurs first (the "Fit and Finish Warranty Period"): Cabinets, Mirrors, Flooring, Interior and Exterior Walls, Countertops, Paint, Finishes and Trim.
 - iii.
 - 1. **Warranted if Reported with First 30 Days.** Builder warrants that during the first thirty (30) days after occupancy of the Home by Homeowner, Builder will, after inspection of the Home, adjust or correct the defects or omissions below:
 - a. Surface mars, marks, spots, smudges, tears and other damage to floor tiles and other floor coverings including tile, carpet, hardwood and resilient flooring, painted surfaces, doors and/or cabinets;

- b. Surface damage to stucco, concrete or asphalt surfaces;
 - c. Surface scratches, chips, defects and breakage of appliances, plumbing fixtures, porcelain, acrylic, fiberglass or tile in the kitchen, laundry or bathroom sinks, bathtubs, counter tops and Pullman tops;
 - d. Missing items or breakage or other damage to light fixtures (including bulbs), window glass and mirrors; and
 - e. Torn or missing window screens.
 - f. Surface deficiencies in finished woodwork such as readily apparent splits, cracks, hammer marks and exposed nail heads.
 - g. Cracks or gaps between floorboards of finished wood flooring where they exceed 1/8 inch (1/8") or greater in width.
 - h. Air conditioner condenser is out of level;
 - i. Stoppage or backup in any toilet or other plumbing.
2. **Emergency Service.** For emergency service during regular service hours, please call Builder's main service number: (949) 251-8039. For emergency service during non-business hours, please call Builder's emergency service number (866) 599-6730. Emergencies are problems that require immediate attention to protect you and your family from harm or to avoid damage to your Home, personal possessions, lot or adjacent properties during the first year after you close escrow on your home.
3. **Scheduled Operational Visits.** As a service to Homeowner, as a valued customer of Builder, and to provide Homeowner with additional professional customer service, Builder's Customer Care Department will automatically contact Homeowner within approximately thirty (30) days after Homeowner's move in date to schedule an appointment to take care of any customer care questions or concerns Homeowner may have. The purpose of these visits is to aid Homeowners with the operation of their Homes, and is not intended to be a second "walk-through" nor a service call. However, at that time, if Homeowner has a service request, Homeowner may submit it using the Customer Care Procedures outlined below. Builder suggests that during the first year of home ownership (i.e., the Customer Goodwill Warranty Period) that Homeowner maintain a list of items found in the Home which Homeowner believes should be repaired. Homeowner may wish to batch these items together when submitting requests for customer service in order to minimize inconvenience in scheduling customer care appointments
- a. **30 Day Appointment-**Builder's Customer Care Department will contact Homeowner within approximately thirty (30) days after Homeowner's move in date to schedule an appointment to discuss customer care questions which Homeowner may have and address questions which Homeowner may have with the operation of their Home. In order for our service program to operate at maximum efficiency, as well as for your own convenience, you will be contacted within thirty days of your closing to schedule a customer service appointment to review any items in your

home that you feel should be repaired. This 30 day period allows you sufficient time to become settled into your new home and thoroughly examine all components.

- b. **Eleven Month Appointment**-Near the end of your Customer Goodwill Warranty Period (usually in the eleventh month after you have moved in), Builder will endeavor to contact you to schedule a Customer Care Operational appointment. Builder's first year Customer Warranty ends at the end of the first year of home ownership. Any service requests received after the first year will only be performed if the condition arises to the level of a "Performance Failure" in accordance with the terms, conditions and limitations of this Limited Warranty.
3. **"As Needed" Customer Care Service.** During the first year Customer Warranty Period, Builder will repair or replace or pay for the repair or replacement (at Builder's sole option) of any building component or system installed by Builder which does not comply with Builder's Standards of Performance upon receipt of a Service Request submitted electronically via Builder's website or written Service Request form faxed to Builder's office using the procedures set forth in the Customer Care Procedures section of the Homeowner's Resource Guide. Builder will acknowledge receipt of all proper written claims for warranty service within twenty-four (24) hours of submission through Builder's website. Builder will endeavor to complete all claims for warranty service within ten (10) business days of receipt thereof. The following items are covered under the first year Customer Warranty:
 - a. Builder will repair cracks in exterior concrete or slabs that exceed one-quarter inch (1/4") in width will be repaired one (1) time during the first year Customer Warranty Period.
 - b. Builder will repair cracks in basement floor and/or slab-on-grade floor that exceed one-quarter inch (1/4") in width will be caulked one time during the first year Customer Warranty Period.
 - c. Builder will repair excessive settling or heaving of exterior concrete over one inch (1") in vertical dimension.
 - d. Builder will repair open joints in exterior trim in excess of three-eighths inch (3/8") in width caused by expansion and contraction of will be re-caulked one (1) time during the first year Customer Warranty Period.
 - e. When exterior paint or stain has peeled or blistered during the Limited Warranty period, Builder will prepare and refinish the affected area and match the color as closely as possible using the original exterior paint specification. Where the peeled or blistered portion affects more than 50% of the affected wall area, Builder will refinish the entire affected wall, from break line to break line, but not the entire home, one (1) time during the Customer Warranty Period. Repairs to exterior paint, stain and varnish are the Homeowner's responsibility after the first year anniversary of the Warranty Commencement Date.
 - f. Builder will repair cracks in the exterior stucco wall surfaces where they are in excess of one eighth of an inch (1/8") in width.

- g. Builder will repair cracks in the exterior masonry that exceed one quarter of an inch (1/4") in width.
- h. Builder will repair warped exterior doors which exceed one-fourth inch [1/4"] out of plane will be repaired or replaced.
- i. If the garage doors do not operate properly, Builder will repair the condition or make adjustments or replacements as required one (1) time during the first year Customer Warranty Period.
- j. Builder will repair paint or stain on interior doors disfigured by the contraction or expansion of door panels will be touched up one time during the first year Customer Warranty Period.
- k. Builder will repair any nail pop, cracked corner bead, blisters or other blemishes on a finished wall or ceiling that are clearly visible from a distance of 6 feet under normal lighting conditions one (1) time during the Customer Warranty Period (and Builder suggests that all such repairs should be batched together so they can be addressed during the eleventh month operational appointment). Surfaces covered by wallpaper will not be repaired. After making such repair, Builder will use touch up paint for repaired areas using only the original interior paint specification. An entire room will not be repainted.
- l. Builder will re-attach loose tiles which have not been cracked or come loose due to neglect.
- m. Builder will repair all countertops which separate from the adjacent wall in a gap exceeding one-quarter inch (1/4") one (1) time during the first year Customer Warranty Period. Caulking is an acceptable industry repair.
- n. Builder will re-caulk open joints in moldings or between moldings and adjacent surfaces that exceed an average of one-eighth inch (1/8") in width one (1) time during the first year Customer Warranty Period.
- o. Builder will repair or replace doors or drawer fronts if warpage or gaps in cabinetry exceed 1/4 inch as measured from the face frame to the point of furthest warpage, with the door or drawer front in closed position, and will repair gaps that are greater than 1/4" inch, where the cabinet meets a ceiling or wall one (1) time during the first year Customer Warranty Period. Repairs will be done with caulk, putty or scribe molding.
- p. Builder will repair leakage in any drain, waste, vent, or water pipe.
- q. Builder will repair or replace smoke detectors that do not operate properly when tested during the first year Customer Warranty Period.
- r. Failure of the fireplace or chimney to draw properly will be inspected one (1) time during the first year Customer Warranty Period.
- s. Builder will repair cracks that are 1/4 inch or greater in width decorative face materials or mortar joints on fireplace face one (1) time during the first year Customer Warranty Period.

b. Performance Failure Warranty. For a period of ten (10) years following completion of construction of the Home (the "Performance Failure Warranty Period"), Builder warrants to Homeowner and any subsequent owner of the Home that

the Home and the Common Elements will be free from "Performance Failures" as that term is defined in this Warranty. This Limited Warranty for Performance Failures will transfer to new owners of the Home for the remainder of the Performance Failure Warranty Period. Homeowner agrees to provide this Limited Warranty to any subsequent purchaser of the Home as a part of the contract of sale of the Home. Builder's duties under this Limited Warranty to the new Homeowner will not exceed the limit of liability then remaining, if any.

3. **Builder's Obligations.** Within the first year Customer Warranty Period, as defined herein, Builder will repair or replace, or pay the reasonable cost of repairing or replacing any item in the Home which falls within Builder's Customer Warranty Program, or does not meet the Fit & Finish standards. After expiration of the first year Customer Warranty Period (i.e., one (1) year after the close of escrow), Builder's sole repair or replacement obligation is for only those conditions constituting a Failure in Performance Standards. Builder's total liability under this Limited Warranty is limited to Homeowner's total Purchase Price for the Home. The choice among repair, replacement or payment for any item covered by this Limited Warranty is solely Builder's choice. Any steps taken by Builder to repair or correct items covered by this Limited Warranty shall not extend the Warranty Period or the applicable statutes of limitation or repose. All repairs by Builder subject to this Limited Warranty shall be at no charge to Homeowner. When Builder repairs or replaces any item covered by this Limited Warranty, the repair or replacement will include the repair or replacement of only those surfaces, finishes and coverings that were damaged by the building component covered by this Limited Warranty. Surfaces, finishes and coverings that require repair or replacement in order for Builder to repair or replace such component will be repaired or replaced by Builder. The extent of the repair and replacement of these surfaces, finishes or coverings will be to approximately the same condition they were in at the time the claim for Warranty Service was made, but not to a "like new" condition. When repairing or replacing surfaces, finishes and coverings, the repair or replacement will attempt to achieve as close a match within the surrounding areas as is reasonably possible, but will not be an exact match and is not guaranteed. The following are additional limitations on Builder's limited warranty obligations. Notwithstanding any other provision of this Limited Warranty, Builder reserves the right (in its sole discretion) to make determinations as to (a) the need for; extent, location, or type of materials used; and the amount of repair, replacement or service provided; and (b) whether items covered by the Limited Warranty will be repaired or replaced. In addition, any of the foregoing conditions that are caused or contributed to by Homeowner or Homeowner's family, guests, tenants, invitees or contractors, and conditions arising or discovered after the Warranty Period are not covered by the Limited Warranty. This Limited Warranty is separate and independent from the Purchase Agreement for the construction and/or sale of the Home. The provisions of this Limited Warranty shall in no way be restricted or expanded by anything contained in the Purchase Agreement or other documents between Homeowner and Builder. Because of the express written warranties given by Builder, Homeowner understands and agrees that no implied warranties whatsoever apply to the structure of the Home or to items which are functionally part of the Home or any Common Elements. Builder disclaims, and Homeowner expressly waives, any implied warranties, including but not limited to the implied warranty of habitability, the implied warranty of workmanlike construction, the implied warranty of merchantability, and/or the implied warranty of fitness for a particular purpose. These limitations shall be enforceable to the extent permitted by law.
4. **Homeowner's Obligations.**
 - a. **Maintenance.** All homes and Common Elements require periodic maintenance to prevent premature deterioration, water intrusion, and to ensure adequate performance. Maintenance of the Home and its Common Elements are the

Homeowner's responsibility. Homeowner hereby acknowledges receipt of Builder's Homeowner's Resource Guide, containing the following types of information: Builder's Performance Standards, Homeowner's Maintenance Guidelines, Customer Care Procedures, Troubleshooting Tips and general construction and weather information, and agrees to be bound by the provisions thereof. Homeowner acknowledges and agrees that he/she shall provide normal maintenance and proper care of the Home according to this Limited Warranty, the warranties of the manufacturers of Consumer Products, Builder's Maintenance Guidelines, and generally accepted maintenance standards of the state in which the Home is located, and that Builder is not responsible for the Home or Common Element maintenance issues, or for damages which may result from Homeowner's failure to perform such maintenance. You should discuss with your insurance broker the availability of homeowner's insurance to protect against other risks.

- b. **Notice.** Written notice of a claim for warranty service for an item covered by the Customer Goodwill, or Fit & Finish Warranties must be received by Builder within the one year Customer Goodwill and Fit and Finish Warranty Periods. Homeowner shall notify Builder in writing as soon as reasonably possible after becoming aware of a potential claim for Performance Failures under this Limited Warranty, but in no event may Homeowner's written notice of a claim for Performance Failure be received by Builder more than thirty (30) days after expiration of the Performance Failure Warranty Period. No action in law or equity may be brought by Homeowner to remedy or repair any item for which coverage is claimed under this Limited Warranty about which Builder has not received timely notice according to the procedures set forth herein.
- c. **Conditions to Homeowner's Coverage.** Homeowner agrees to comply with the conditions for warranty coverage set forth herein.

5. **Exclusions from Coverage.**

- a. **Consumer Products-**The Magnuson-Moss Warranty Act requires all Consumer Products to be warranted by their manufacturers. Builder's obligation under this Limited Warranty is limited to the workmanlike installation of such Consumer Products. Builder hereby assigns to Homeowner all rights under manufacturers' warranties covering Consumer Products. Defects in items covered by manufacturers' warranties are hereby excluded from coverage of this Limited Warranty.
- b. **Excluded Causes/Damages-** This Limited Warranty does not cover any claim for Warranty Service or other damages arising or resulting, either directly or indirectly, from the following causes or occurring in the following situations and such causes and situations are specifically excluded from this Limited Warranty:
 - i. Changes of the grading of the ground by anyone other than Builder or its agents, or subcontractors which results in surface drainage towards the Home or other improper drainage or permits water to pond or become trapped in localized areas against the foundation or otherwise;
 - ii. Changes, additions, or alterations in the Home by anyone after the commencement of the Warranty Period, except those made or authorized by Builder;
 - iii. Any defect in material or workmanship supplied by anyone other than Builder or its trade contractors;
 - iv. Improper maintenance, negligence, neglect or improper use of the Home by Homeowner or anyone other than Builder or its trade contractors that causes or worsens any damage or results in excessive moisture, condensation, mildew, mold, rust, rot, dry rot or any other damage.

- v. Dampness or moisture due to Homeowner's failure to maintain adequate ventilation;
- vi. Damage resulting from the weight and/or performance of any type of waterbed or other furnishings which exceed the load-bearing design of the Home;
- vii. Normal wear and tear or normal deterioration of materials;
- viii. Economic damage due to the Home's failure to meet consumer expectations;
- ix. Any damage to personal Home that does not result from a failure in Performance Standards;
- x. Any damage to Consumer Products;
- xi. Any failure in Performance Standards as to which Homeowner has not taken timely and reasonable steps to protect and minimize damage after Builder has provided authorization to prevent further damage;
- xii. Any damage to the extent it is incurred after or as a result of Homeowner's failure to notify Builder in a reasonably timely manner after Homeowner has become aware or should have become aware of the failure in Performance Standards or condition causing such damage;
- xiii. Any non-conformity with local building codes, regulations or requirements that has not resulted in a failure in Performance Standards. While Builder acknowledges its responsibility to build in accordance with applicable building codes, this Limited Warranty does not cover building code violations in the absence of a failure in Performance Standards;
- xiv. Any claim that a Component of the Home or real property under or surrounding the Home contains or is releasing any pollutant or contaminant, including, but not limited to toxic or hazardous chemicals, and waste materials.
- xv. Damages arising out of the loss of, loss of use, damage to, corruption of, inability to access or inability to manipulate electronic data.
- xvi. Damages arising out of or relating in any way to asbestos.
- xvii. Damage to or impacts on your home from animals and wildlife including, but not limited to, insects, termites, snakes, coyotes, birds and rodents.
- xviii. Any deviation from plans and specifications that has not resulted in a failure in Performance Standards;
- xix. Fire;
- xx. Lightning;
- xxi. Explosion;
- xxii. Riot and Civil Commotion;
- xxiii. Smoke;
- xxiv. Hail;
- xxv. Frost, freezing or ice;
- xxvi. Aircraft;
- xxvii. Falling Objects;
- xxviii. Vehicles;
- xxix. Floods;
- xxx. Earthquake;
- xxxi. Landslide or mudslide ;
- xxxii. Mine subsidence or sinkholes;
- xxxiii. Changes in the underground water table;
- xxxiv. Volcanic eruption; explosion or effusion;
- xxxv. Wind including:

Gale force winds;
Hurricanes;
Tropical storms; or
Tornadoes;

xxxvi. Any costs arising or resulting from the effects of electromagnetic fields (EMF's) or radiation or radon.

c. **Conditions.** Homeowner's or Homeowner Association's failure to fulfill the conditions below (or any of them) shall act to exclude the item under this Limited Warranty and shall result in a claim for warranty service or performance failures being denied.

i. **Notifications.** Homeowner shall notify Builder in writing using one of the permissible forms of notice listed herein as soon as it is reasonably possible after Homeowner has become aware or should have become aware of that a component in the Home fails to meet Performance Standards, but in no event may Homeowner's written request for warranty performance be postmarked or received by Builder later than thirty (30) days after this Limited Warranty has expired. If the written notice is postmarked or received by Builder more than thirty (30) days after the expiration of this Limited Warranty, Builder shall have no obligation to remedy the failure to meet Performance Standards. In order to establish a record of timely notification, Builder recommends that Homeowner maintain a copy of all warranty service requests submitted.

ii. **Cooperate With Builder.** Homeowner must give Builder and any third parties acting on its behalf reasonable help in inspecting, investigating, testing (including destructive testing), monitoring, repairing, replacing or otherwise correcting a reported failure to meet Performance Standards. Help includes, but is not limited to, granting reasonable access to the Home for the forgoing purposes. If Homeowner fails to cooperate or provide such reasonable access to the Home, Builder will have no obligation to do any of the foregoing.

iii. **Do Not Make Voluntary Payments.** Homeowner agrees not to make any voluntary payments or assume any obligations or incur any expenses for the remedy of a condition Homeowner believes is a failure to meet Performance Standards without prior written approval from Builder, or other parties authorized to act on Builder's behalf. Builder will not reimburse Homeowner for costs incurred where Homeowner did not obtain prior written approval to make such expenditures. However, Homeowner may incur reasonable expenses in making repairs if an Emergency Condition listed above exists without prior written approval, provided that the Homeowner tried first to reach the designated Emergency trade contractor, and after reasonable effort, was unable to do so and the repairs are solely for the protection of the Home from further damage or to prevent an unsafe living condition. Under such circumstance, Homeowner must notify Builder as soon as is reasonably possible and in no event, more than twenty-four (24) hours after the emergency condition arises or Homeowner learns of it (or reasonably should have learned of it) or such costs will not be reimbursed by Builder. To obtain reimbursement for repairs made during an Emergency Condition, Homeowner must provide Builder with an accurate written record of the repair costs, including purchase orders and copies of cancelled checks and/or credit card receipts.

- d. **Limitation of Builder's Obligations.** Builder's obligations under this Limited Warranty are limited to the following items:
- i. Builder's cost to correct a failure to meet a Performance Standard including the correction of those surfaces, finishes and coverings damaged by the failure to meet a Performance Standard;
 - ii. Builder's cost of repair or replacement of furniture, carpet or personal Home damaged by the failure to meet a Performance Standard. Should replacement be necessary, Builder's obligation is limited to replacement with items providing the same function and quality and that are readily available at the time the item is being replaced.
 - iii. Builder's costs of removal or replacement of other building components in order to repair or replace a failure to meet a Performance Standard;
 - iv. The reasonable cost of the Homeowner's alternative shelter where the Home is uninhabitable due to a failure to meet a Performance Standard or where the Home is rendered uninhabitable by the repair of the failure to meet a Performance Standard.
- e. **Limitation of Remedies.** This Limited Warranty does not cover the following items:
- i. **Consequential or Incidental Damages.** Diminished fair market value is considered Consequential or Incidental Damages and is excluded under this Limited Warranty unless Builder elects this remedy in lieu of the repair, replacement or other payment as to a failure of Performance Standards. Other examples of consequential or incidental damages not covered by this Limited Warranty include: compensation for lost time from work or compensation for lost income or commissions; mortgage payments; security costs, inconveniences, or annoyances, excessive or unreasonable alternative lodging expenses necessitated by Builder's repairs; alternative lodging expenses necessitated by Builder's repairs not previously approved by Builder; transportation or moving costs; home maintenance expenses; food; medical costs; or utility payments.
 - ii. **Emotional Distress Damages.** Damages for aggravation, mental anguish, emotional distress, or pain and suffering are not covered by this Limited Warranty.
 - iii. **Attorneys' Fees or Costs.** In any dispute arising from or related to the parties' mutual obligations under this Limited Warranty, including any action to enforce the terms hereof, each party shall bear its own attorneys' fees and costs.
6. **Exclusive Homeowner Remedy.** Homeowner has thoroughly examined the Home and lot upon which the Home covered by the Purchase Agreement is located. Homeowner acknowledges that he/she/they have received, read and understand this Limited Warranty. Homeowner further acknowledges that neither Builder nor Builder's representatives have made any guarantees, warranties, understandings or representations that are not set forth in this Limited Warranty. Homeowner agrees that this Limited Warranty constitutes the exclusive remedy for all claims of the Homeowner against the Builder and Builder's representatives. Homeowner specifically waives the right to seek damages or to assert any claims against Builder or Builder's representatives, except as may be provided in this Limited Warranty.
7. **Necessity of Releases.** When Builder or a third party designated by Builder or acting on Builder's behalf have completed repairing, replacing or paying Homeowner as to any failure to meet Performance Standards or other related damage to the Home or the Common Elements covered by this Limited Warranty, Homeowner must sign a full release of Builder's obligation for the failure to meet Performance Standards. The release shall

be applicable to the failure to meet Performance Standards and shall not prevent Homeowner from notifying Builder should Homeowner become aware of a subsequent failure to meet Performance Standards.

GENERAL PROVISIONS

8. If Builder performs paint or stucco repairs and/or patching, Builder does not warrant that the new paint or stucco will match with the old.
9. If any paragraph, section, sentence, clause or phrase contained in this Limited Warranty is held to be unenforceable or invalid, the remaining paragraphs, sections, sentences, clauses or phrases contained in this Limited Warranty shall not be affected thereby.
10. This Limited Warranty hereby incorporates by reference the City Ventures Homeowners Resource Guide (the "Resource Guide") distributed in connection with this Limited Warranty. The Resource Guide was designed to be read with this Limited Warranty. In the event of a conflict between the provisions of this Limited Warranty and the provisions of the Resource Guide, the provisions of this Limited Warranty shall control.
11. In the event of any lawsuit brought to interpret or enforce the provisions of this Limited Warranty, such lawsuit shall be decided on the basis of the laws of the State of California except where not preempted by federal law under the Federal Arbitration Act, and such lawsuit shall be brought in the courts of the State of California in the judicial district in which the Home is situated.

DISPUTE RESOLUTION PROCEDURES

12. **Notice and Right to Repair.** If at any time during Homeowner's ownership of the Home, Homeowner discovers a Home condition that Homeowner believes may be the responsibility of Builder, whether or not Homeowner believes it may be covered under the Limited Warranty (a "Condition"), Homeowner shall notify Builder in writing (the "Notice"). Such Notice shall include: (a) a description of the Condition, (b) the date upon which the Condition was discovered, (c) any reports, studies or other documents/materials prepared by or at the request of Homeowner regarding the Condition, and (d) dates and times when Homeowner or Homeowner's representative will be home during ordinary business hours so that service calls or inspections by Builder can be scheduled. Builder may, in its sole discretion, inspect the Home regarding the reported Condition and may, in its sole discretion, cure such Defect. If Builder elects to inspect the Home, such inspection will take place within ten (10) business days from the date of Builder's receipt of the Notice, and Homeowner shall make the Home available for inspection during that time. Builder shall respond to Homeowner in writing not more than twenty (20) business days of the date of such inspection, informing Homeowner whether, in Builder's opinion, there is a Condition which warrants repair, and whether Builder elects to make such repair or pay Homeowner its cost of making such repair in lieu of making the repair. Nothing herein obligates Builder to perform any inspection or repair, and this Paragraph does not increase Builder's legal obligations to Homeowner. Homeowner shall not pursue any other remedies available to it under this Limited Warranty, until Builder has had the reasonable opportunity to inspect and cure the alleged Condition. Builder shall be entitled to a stay on any litigation or arbitration brought by Homeowner in violation of this provision. During the period of such inspection and cure (but not to exceed the earlier to occur of (i) ninety (90) days after the date Builder receives Homeowner's notice described above, or (ii) Builder's delivery of written notice to Homeowner of Builder's determination not to proceed with such cure), all applicable statutes of limitation shall be tolled.
13. **Mediation.** In the event that any dispute arises among the parties hereto regarding the resolution of any request for warranty service or an unresolved Notice of a Condition; the interpretation of this Limited Warranty; the condition of the Home; the presence of a condition which Homeowner claims is a Performance Failure in the Home or its lot; any claim for damages against the Builder; and/or any claim of negligence; fraud; breach of express or implied warranty; consumer protection act or unfair business practices violations; and/or

breach of contract which cannot be resolved by mutual agreement of Homeowner and Builder, such dispute shall be resolved by alternative dispute resolution procedures. The parties hereto agree to initially mediate the dispute in good faith and attempt to resolve the dispute in that manner. Either party may initiate dispute resolution procedures by giving written notice to the other party of its desire to start such process. In such event, Builder will contact a neutral third party mediator (who shall have no ties to Builder) and who is experienced in resolving construction disputes to act as a neutral party to facilitate resolution of the dispute. Builder shall pay the reasonable fees of the mediator not to exceed \$5,000.00.

14. **Binding Arbitration.** IN THE EVENT HOMEOWNER AND BUILDER ARE UNABLE TO RESOLVE THEIR DISPUTE THROUGH THE MEDIATION PROCESS, THE DISPUTE SHALL BE DECIDED BY BINDING ARBITRATION. ANY AND ALL CLAIMS, CONTROVERSIES, BREACHES OR DISPUTES (EACH A "DISPUTE") BY OR BETWEEN THE PARTIES HERETO ARISING FROM OR RELATED TO THIS LIMITED WARRANTY, THE HOME, THE SALE OF THE HOME BY BUILDER, OR ANY TRANSACTION RELATED HERETO, WHETHER BASED ON CONTRACT, TORT, OR STATUTE, INCLUDING, WITHOUT LIMITATION, ANY DISPUTE OVER THE DISPOSITION OF ANY DEPOSITS HEREUNDER, BREACH OF CONTRACT, NEGLIGENT OR INTENTIONAL MISREPRESENTATION OR FRAUD, NONDISCLOSURE, BREACH OF ANY ALLEGED DUTY OF GOOD FAITH AND FAIR DEALING, OR ALLEGATIONS OF LATENT OR PATENT CONSTRUCTION DEFECTS, OR ARISING FROM OR RELATED TO THE INTERPRETATION OF ANY TERM OR PROVISION OF THIS LIMITED WARRANTY OR ANY PROVISION OF THIS LIMITED WARRANTY, INCLUDING, WITHOUT LIMITATION, THIS SECTION OF THIS LIMITED WARRANTY, OR ANY DEFENSE GOING TO THE FORMATION OR VALIDITY OF THIS LIMITED WARRANTY, OR ANY PROVISION OF THIS LIMITED WARRANTY, INCLUDING, WITHOUT LIMITATION, THIS SECTION OF THIS LIMITED WARRANTY, INCLUDING, WITHOUT LIMITATION, ALLEGATIONS OF UNCONSCIONABILITY, FRAUD IN THE INDUCEMENT, OR FRAUD IN THE EXECUTION, WHETHER SUCH DISPUTE ARISES BEFORE OR AFTER THE CLOSE OF ESCROW, SHALL BE ARBITRATED PURSUANT TO THE FEDERAL ARBITRATION ACT AND SUBJECT TO THE PROCEDURES SET FORTH HEREIN. THE ARBITRATION SHALL BE CONDUCTED BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH THEIR COMMERCIAL ARBITRATION RULES IN EFFECT AT THE TIME THE REQUEST FOR ARBITRATION IS SUBMITTED. THE ARBITRATOR SHALL EMPLOY THE STANDARDS OF CONSTRUCTION CONTAINED IN THE NATIONAL ASSOCIATION OF HOMEBUILDERS' "RESIDENTIAL CONSTRUCTION PERFORMANCE GUIDELINES" (HOMEOWNER MAY BE ABLE TO FIND ADDITIONAL INFORMATION ON ARBITRATION IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AT 1-800-778-7879 OR WWW.ADR.ORG).

a. GENERAL PROVISIONS GOVERNING ARBITRATIONS:

i. THIS BINDING ARBITRATION OBLIGATION OF THIS LIMITED WARRANTY SHALL INURE TO THE BENEFIT OF, AND BE

ENFORCEABLE BY, BUILDER'S TRADE CONTRACTORS, AGENTS, VENDORS, SUPPLIERS, DESIGN PROFESSIONALS, WARRANTY ADMINISTRATOR, INSURERS AND ANY OTHER PERSON WHOM HOMEOWNER CONTENDS IS RESPONSIBLE FOR ANY ALLEGED DEFECT IN OR TO THE HOME OR ITS LOT OR AN IMPROVEMENT THERETO.

- ii. BUILDER AGREES TO POST THE ADMINISTRATIVE FEE CHARGED BY THE ARBITRATION SERVICE (EXCLUDING THE FEE FOR THE ARBITRATOR). HOWEVER, THE ARBITRATOR SHALL HAVE SOLE AUTHORITY TO REALLOCATE SUCH ARBITRATION FEES AND COSTS IN THE ARBITRATOR'S FINAL AWARD. EACH PARTY TO THE ARBITRATION IS ENTITLED TO BE REPRESENTED BY COUNSEL; HOWEVER, EACH PARTY SHALL BEAR ITS OWN ATTORNEYS' FEES AND COSTS (INCLUDING EXPERT COSTS) FOR THE ARBITRATION. THIS PROVISION DOES NOT MODIFY ANY PROVISION OF ANY CONTRACT BETWEEN BUILDER AND ANY THIRD PARTY REQUIRING INDEMNIFICATION OR ESTABLISHING A DIFFERENT ALLOCATION OF COSTS BETWEEN BUILDER AND SUCH THIRD PARTY.
- iii. AFTER EVIDENCE IS PRESENTED BY THE PARTIES, THE ARBITRATOR WILL FIRST DETERMINE WHETHER ANY CONSTRUCTION DEFECT EXISTS, AND WHETHER IT IS BUILDER'S RESPONSIBILITY. SECOND, IF THE ARBITRATOR FINDS BUILDER TO BE RESPONSIBLE FOR A CONSTRUCTION DEFECT, THE ARBITRATOR WILL DETERMINE THE SCOPE OF ANY REPAIR OR REPLACEMENT, BUILDER'S COST TO MAKE SUCH REPAIR OR REPLACEMENT, AND THE DIMINUTION IN FAIR MARKET VALUE, IF ANY, CAUSED BY SUCH CONSTRUCTION DEFECT. BASED UPON THE ARBITRATOR'S DECISION, BUILDER SHALL CHOOSE WHETHER: 1. IT SHALL REPAIR OR REPLACE THE CONSTRUCTION DEFECT; 2. IT SHALL PAY HOMEOWNER THE COST OF REPAIRING OR REPLACING THE CONSTRUCTION DEFECT IN LIEU OF MAKING THE REPAIRS; OR 3. IN LIEU OF EITHER 1. OR 2., BUILDER SHALL PAY HOMEOWNER AN AMOUNT EQUAL TO THE DIMINUTION IN FAIR MARKET VALUE CAUSED DIRECTLY BY THE CONSTRUCTION DEFECT. THE DECISION TO REPAIR, REPLACE, OR MAKE PAYMENT TO HOMEOWNER IS BUILDER'S, IN ITS SOLE AND ABSOLUTE DISCRETION. IN ADDITION, THE ARBITRATOR SHALL RENDER A DECISION ON ANY OTHER MATTERS OR ISSUES RELATED TO OR ARISING FROM THIS LIMITED WARRANTY OR THE DESIGN, CONSTRUCTION OR SALE OF THE HOME.
- iv. THE WRITTEN DECISION OF THE ARBITRATOR SHALL BE FINAL AND BINDING. HOMEOWNER AND BUILDER EXPRESSLY AGREE THAT AN

APPLICATION TO CONFIRM, VACATE, MODIFY OR CORRECT AN AWARD RENDERED BY THE ARBITRATOR SHALL BE FILED IN ANY COURT OF COMPETENT JURISDICTION IN THE COUNTY IN WHICH THE HOME IS LOCATED.

- v. THIS ARBITRATION AGREEMENT SHALL BE DEEMED TO BE A SELF-EXECUTING ARBITRATION AGREEMENT. ANY DISPUTE CONCERNING THE INTERPRETATION OR THE ENFORCEABILITY OF THIS SECTION, INCLUDING, WITHOUT LIMITATION, ITS REVOCABILITY OR VOIDABILITY FOR ANY CAUSE, ANY CHALLENGES TO THE ENFORCEMENT OR THE VALIDITY OF THIS LIMITED WARRANTY, OR THE SCOPE OF ARBITRABLE ISSUES UNDER THIS SECTION, AND ANY DEFENSE RELATING TO THE ENFORCEMENT OF THIS SECTION, INCLUDING, WITHOUT LIMITATION, UNCONSCIONABILITY, WAIVER, ESTOPPEL, OR LACHES, SHALL BE DECIDED BY AN ARBITRATOR IN ACCORDANCE WITH THIS SECTION AND NOT BY A COURT OF LAW.
- vi. THE PARTICIPATION BY ANY PARTY IN ANY JUDICIAL PROCEEDING CONCERNING THIS SECTION OR ANY MATTER ARBITRABLE HEREUNDER SHALL NOT BE DEEMED A WAIVER OF THE RIGHT TO ENFORCE THIS SECTION NOTWITHSTANDING ANY PROVISION OF LAW TO THE CONTRARY, SHALL NOT BE ASSERTED OR ACCEPTED AS A REASON TO DELAY, TO REFUSE TO PARTICIPATE IN, OR TO REFUSE TO ENFORCE THIS SECTION.
- vii. NO ARBITRATION PROCEEDING SHALL INVOLVE MORE THAN ONE HOME.
- viii. HOMEOWNER AND BUILDER EXPRESSLY AGREE AND ACKNOWLEDGE THAT THIS LIMITED WARRANTY INVOLVES AND CONCERNS INTERSTATE COMMERCE AND IS GOVERNED BY THE PROVISIONS OF THE FEDERAL ARBITRATION ACT (9 U.S.C. §1, ET SEQ.) NOW IN EFFECT AND AS THE SAME MAY FROM TIME TO TIME BE AMENDED, TO THE EXCLUSION OF ANY DIFFERENT OR INCONSISTENT STATE OR LOCAL LAW, ORDINANCE, REGULATION, OR JUDICIAL RULE. ACCORDINGLY, ANY AND ALL DISPUTES (AS DEFINED IN THIS SECTION) SHALL BE ARBITRATED – WHICH ARBITRATION SHALL BE MANDATORY AND BINDING – PURSUANT TO THE FEDERAL ARBITRATION ACT, AND TO THE EXTENT THAT ANY STATE OR LOCAL LAW, ORDINANCE, REGULATION, OR JUDICIAL RULE SHALL BE INCONSISTENT WITH ANY PROVISION OF THE RULES OF THE ARBITRATION SERVICE UNDER WHICH THE ARBITRATION

~~PROCEEDING~~ SHALL BE CONDUCTED, THE LATTER RULES SHALL GOVERN THE CONDUCT OF THE PROCEEDING.

- ix. THERE SHALL BE A SINGLE ARBITRATOR AND THE ARBITRATOR APPOINTED TO SERVE SHALL BE A NEUTRAL AND IMPARTIAL INDIVIDUAL.
- x. THE VENUE OF THE ARBITRATION SHALL BE IN THE COUNTY WHERE THE HOME IS LOCATED UNLESS THE PARTIES AGREE IN WRITING TO ANOTHER LOCATION.
- xi. IF ANY PROVISION OF THIS SECTION SHALL BE DETERMINED BY THE ARBITRATOR TO BE UNENFORCEABLE OR TO HAVE BEEN WAIVED, THE REMAINING PROVISIONS SHALL BE DEEMED TO BE SEVERABLE THEREFROM AND ENFORCEABLE ACCORDING TO THEIR TERMS.
- xii. THE PROVISIONS OF THIS ARBITRATION CLAUSE ARE INTENDED TO SURVIVE THE CLOSE OF ESCROW, AND EXPIRATION OF THE WARRANTY PERIOD AND MAY BE ENFORCED BY ANY PARTY UNTIL SUCH TIME AS ALL APPLICABLE STATUTES OF REPOSE REGARDING THE SALE OR CONSTRUCTION OF THE HOME HAVE EXPIRED.

NOTICE: BY INITIALING IN THE SPACE BELOW, HOMEOWNER AND BUILDER AGREE TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THIS SECTION DECIDED BY NEUTRAL ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT AND THE CALIFORNIA ARBITRATION ACT, TO THE EXTENT THE CALIFORNIA ARBITRATION ACT IS CONSISTENT WITH THE FEDERAL ARBITRATION ACT. BY INITIALING IN THE SPACE BELOW, HOMEOWNER AND BUILDER ARE GIVING UP THEIR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS SECTION. IF HOMEOWNER OR BUILDER REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, HOMEOWNER OR BUILDER MAY BE COMPELLED TO ARBITRATE UNDER THE FEDERAL ARBITRATION ACT AND THE CALIFORNIA ARBITRATION ACT, TO THE EXTENT THE CALIFORNIA ARBITRATION ACT IS CONSISTENT WITH THE FEDERAL ARBITRATION ACT. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. IN THE EVENT THAT THE PROVISIONS OF THIS SECTION ARE DETERMINED NOT TO APPLY SUCH THAT A DISPUTE IS NOT TO BE RESOLVED BY ARBITRATION, THEN, NOTWITHSTANDING SUCH DETERMINATION, THE PARTIES, BY THEIR INITIALS BELOW, HEREBY AGREE TO WAIVE THEIR RIGHTS TO TRIAL BY JURY.

I/WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS SECTION TO NEUTRAL ARBITRATION.

(____/____) HOMEOWNER'S INITIALS / (____) BUILDER'S INITIALS

BY INITIALING BELOW, THE PARTIES ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE FOREGOING AND ACCEPT THAT THEY ARE WAIVING THEIR RIGHT TO A JURY TRIAL.

(____/____) HOMEOWNER'S INITIALS: / (____) BUILDERS INITIALS:

Homeowner and Builder have read the terms and conditions of this Limited Warranty and shall be bound by such provisions. Execution of this Limited Warranty by Homeowner and Builder constitute their acceptance of all the terms and conditions hereof.

"HOMEOWNER":

Print First Middle Last Name

Executed by Homeowner on _____, 201_.

Homeowner's signature

"HOMEOWNER":

Print First Middle Last Name

Executed by Homeowner on _____, 20

Homeowner's signature

"BUILDER":

CITY VENTURES HOMEBUILDING, LLC
A Delaware limited liability company

BY: _____

Print Full Name

ITS: Authorized Signatory

Executed by Builder on _____, 201_.

Customer Care Procedures

1. **Procedures to Request Warranty Service.** Homeowner must submit all service requests in writing to the Builder's division office that built your new home. All emergency requests should be phoned in immediately. This assures that service requests will be responded to as quickly and efficiently as possible.

We suggest that you first review the Limited Warranty, the Performance Standards and Maintenance sections of the Homeowner Resource Guide before you request service. This will help you to determine if your request is covered by the Limited Warranty, or whether it is a condition considered to be your responsibility. For regular (non-emergency) service situations, logon onto your personalized customer Web portal at www.cityventures.com, and select the tab labeled "Customer Care". That tab will ask for your User Name and Password (included in the front of your Homeowner Resource Guide. Once you have logged onto the system, you will be prompted to answer questions describing the nature of your customer service request. Alternatively, you can send an e-mail to cvhomeowner@cityventures.com, and a Customer Service representative will respond to your e-mail. However, for fastest service and most complete tracking of your requests, Builder recommends Homeowner always use the personalized customer care Web portal. Finally, if you are without computer access, you may use one of the for Service Request forms you received at closing [included with the Homeowner Resource Guide , and mail it to Builder at 1900 Quail Street, Newport Beach, CA 92660. Builder cannot accept faxed Requests for Service.

Next, fill out the Service Request form completely. Please include the following information when submitting a Request:

- a. Name, address, and phone numbers where you can be reached during business hours;
- b. Your closing date;
- c. A complete description of the work requested and its location. For example, the form should read, "Guest bath - cold water line leaks under sink"; instead of "plumbing problem in bathroom"; and
- d. Include your lot number, and the name of your community.

Warranty service is scheduled [Monday through Friday from 8:00 am until 5:00 pm. Mail, or e-mail your written request for service to the address listed on the form.

When your service request is processed, your Customer Care Representative will review the request to determine the item or items that are covered by the Limited Warranty. If possible, defective items will be repaired or replaced at that time. If the work cannot be completed immediately, we will pick a date acceptable to you, typically within 2 weeks after the appointment. We ask that you or an adult 18 years or older be home for the scheduled repairs unless a key release form has been accepted by Builder. Once the Trade Contractor or Builder representative has completed the repairs, you will be asked to sign the form, signifying the work has been completed.

It is Builder's policy to complete appropriate customer service repairs and replacements in a reasonable time period. This includes repairs and replacements that are noted during your Homeowner Orientation. At times, due to circumstances that are beyond our control, some repairs may take more than thirty days. Delays can be caused by a shortage of materials, back-ordered parts from manufacturers, labor problems and inclement weather.

In case of customer care emergency during the first year Customer Warranty Period, your first step should be to protect your family from harm. After that, take steps to correct or lessen the effects of the emergency problem. Damage from a water leak can be minimized by turning off the water to a particular fixture or turning off the water main to your home. Next call Builder at its normal customer care phone number (949-258-7516) for emergencies occurring during business hours, or at its 24 hour emergency service phone number (866-599-6730) for emergencies occurring at times other than normal business hours. After the end of the first year Customer Warranty Period, you may call the appropriate Emergency trade contractor directly at the number listed below.

Plumbing Contractor _____

Electrical Contractor _____

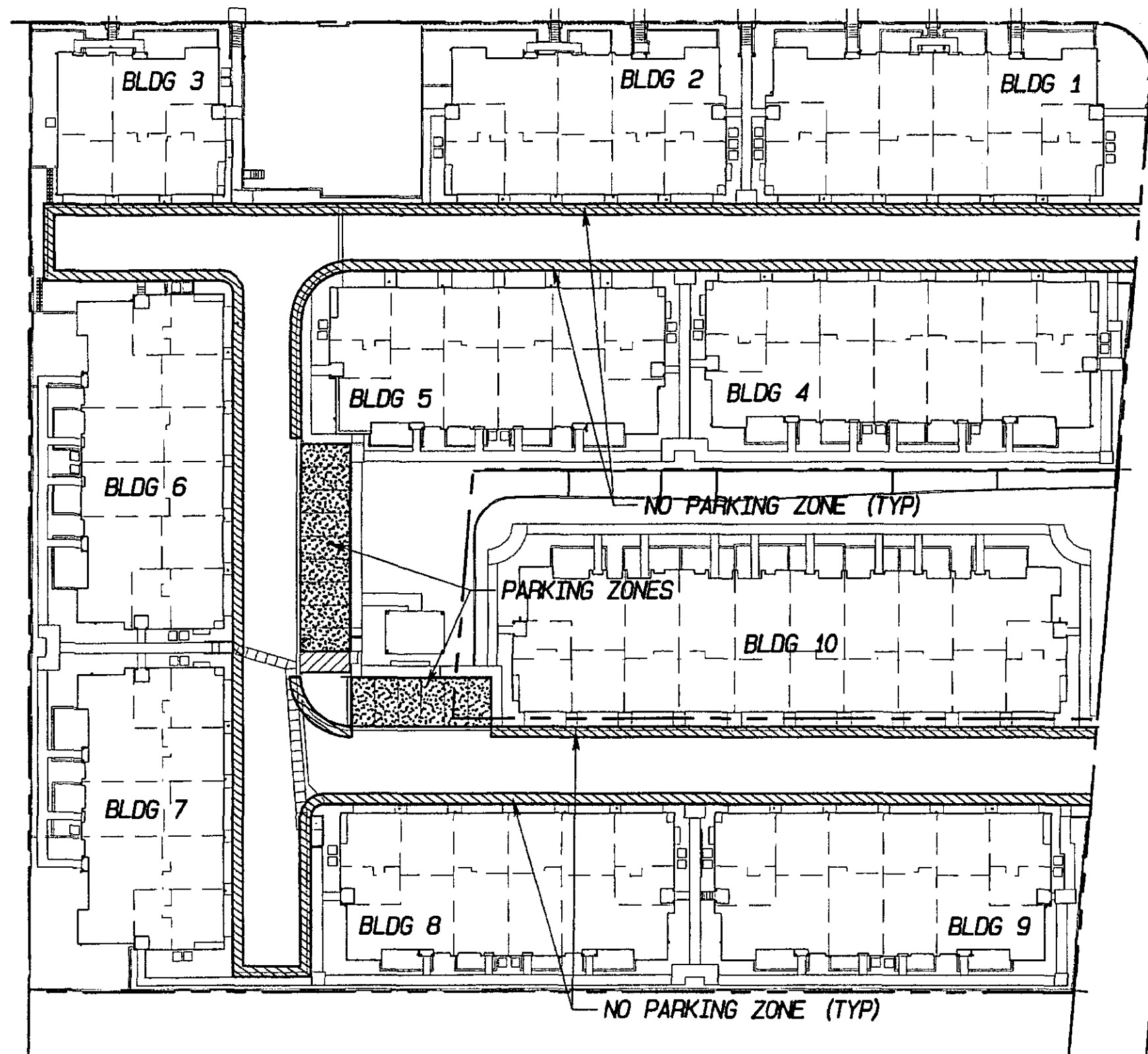
HVAC Contractor _____

SIMEON DR.

LEGEND

 "NO PARKING" ZONES

 PARKING ZONES

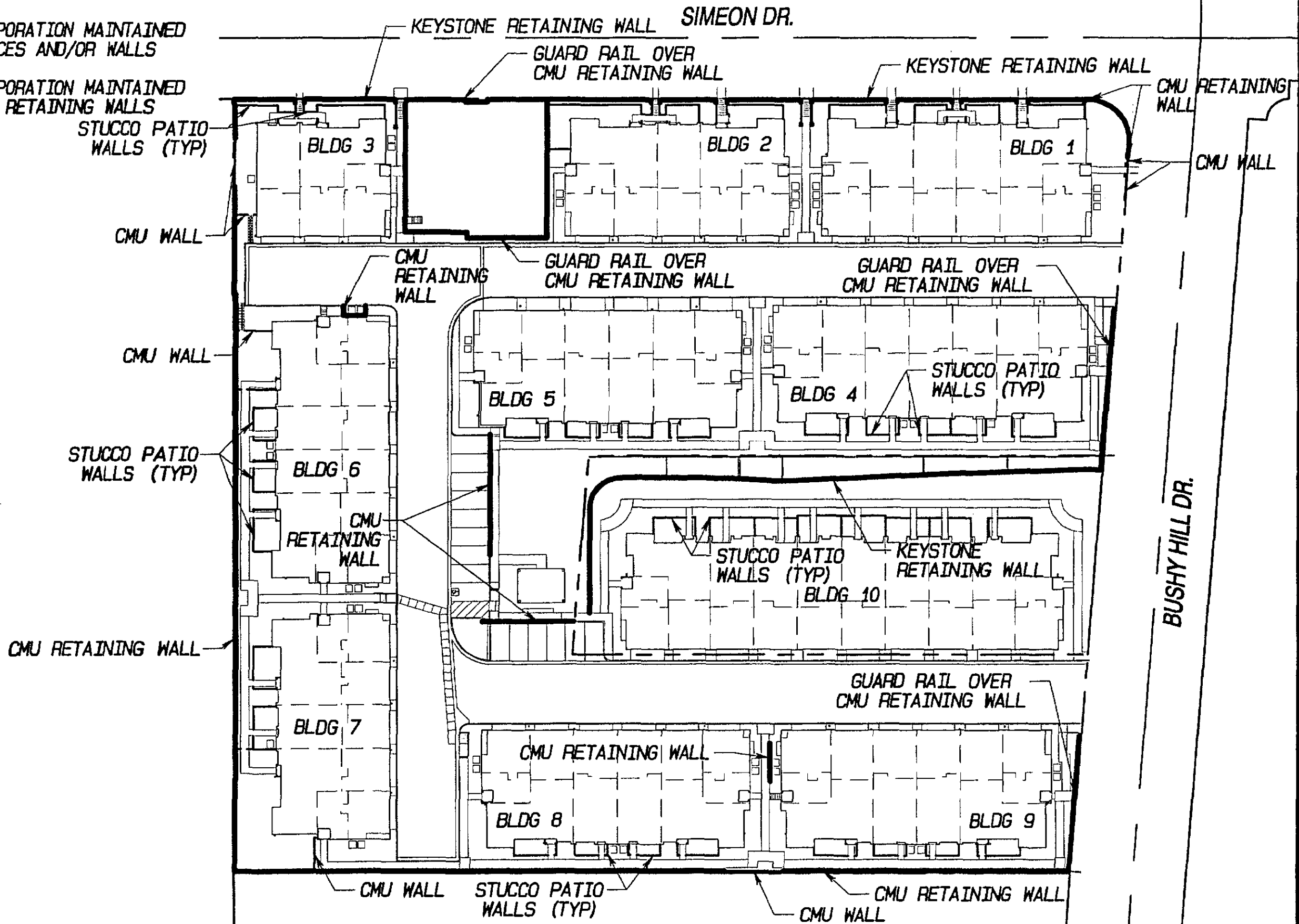


NOTE:
THE DEPICTIONS SHOWN HEREON ARE FOR ILLUSTRATIVE
PURPOSES ONLY AND ARE NOT NECESSARILY DRAWN TO SCALE.
THE AS-BUILT CONDITION BY DECLARANT SHALL BE CONTROLLING.

EXHIBIT D

LEGEND

- CORPORATION MAINTAINED FENCES AND/OR WALLS
- CORPORATION MAINTAINED CMU RETAINING WALLS



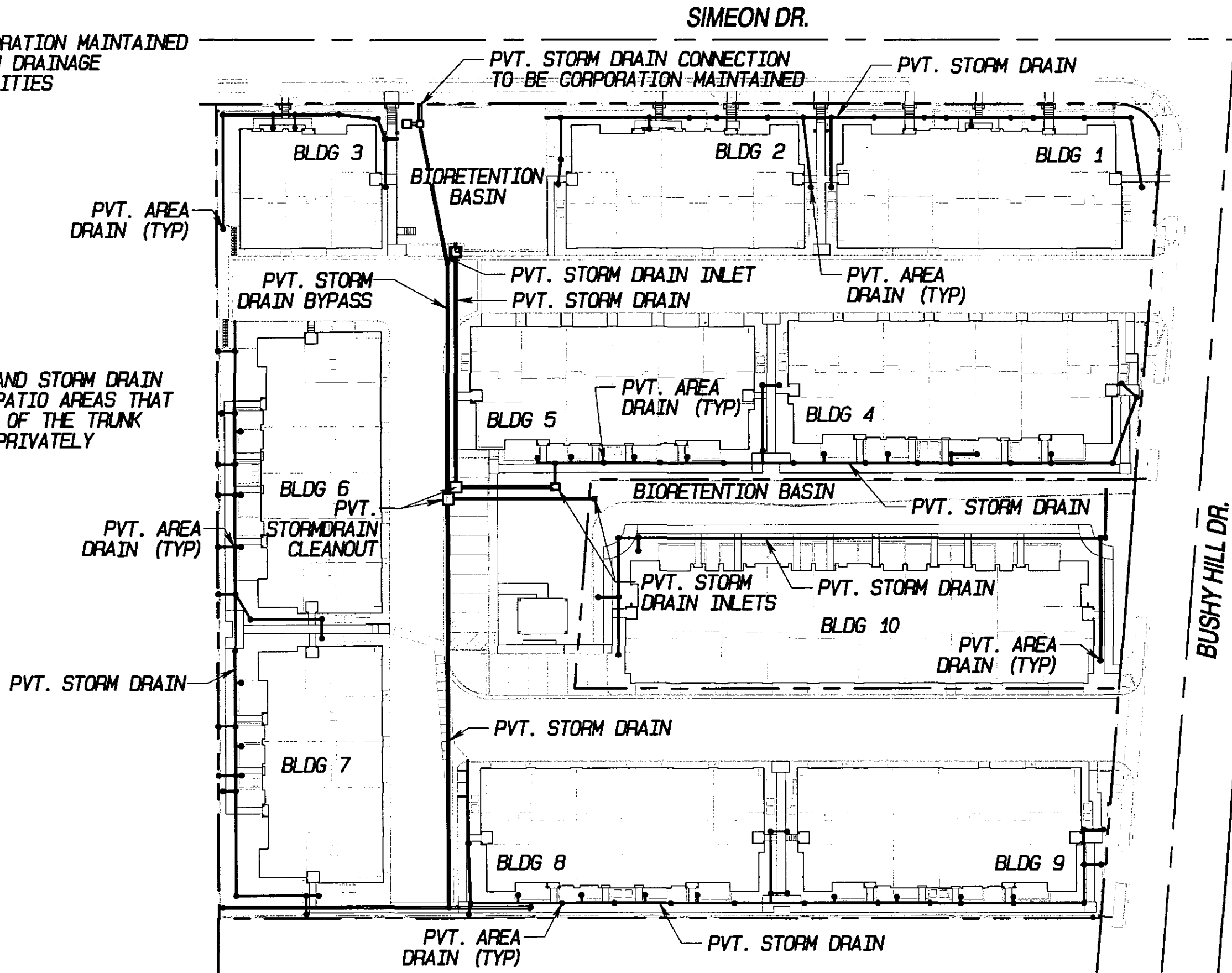
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EXHIBIT E

LEGEND

CORPORATION MAINTAINED
STORM DRAINAGE
FACILITIES

NOTE:
AREA DRAINS AND STORM DRAIN
FOR PRIVATE PATIO AREAS THAT
ARE NOT PART OF THE TRUNK
LINES TO BE PRIVATELY
MAINTAINED



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EXHIBIT F

EXHIBIT "G"

MAINTENANCE MATRIX

ITEMS	CORPORATION RESPONSIBILITY	OWNER'S RESPONSIBILITY
Living element of Residential Condominium Unit.	None.	Owner maintains the entirety of the residential living element of the Condominium, including, without limitation, all interior doors and their hardware, interior wall surfaces, drywall, cabinets, floor coverings, ceilings, permanent fixtures, appliances, electrical outlets and switches, toilets, smoke detectors (including periodic testing and replacement of batteries) and washing machine water hoses.
Residential Living Element entry door	None, except that the Corporation may periodically paints the exterior surface of the entry door when it paints the building.	The Owner maintains. The Owner maintains the interior surfaces, the handle, locking mechanism, kick plates and the screen door (if any) and paints or stains the exterior surface of the entry door. The Owner performs any touch up painting on the exterior surface if necessary before the Corporation's periodic painting (if any) of the door when it paints the building.
Sliding glass doors and screen doors serving the Condominium Unit	None.	The Owner maintains all portions of these items, including the locking mechanism, weatherproofing, sheathing, frame and any glass. The Owner also paints, stains, seals or otherwise weatherproofs the exterior surfaces.
Windows in the Condominium Unit	None.	Each Condominium Owner is responsible for cleaning all windows in his Condominium and maintaining all portions of the windows including the frame, screens, locking mechanism for the screen, weather stripping, caulking, panes and sheathing.

Light Fixtures and Fans	The Corporation maintains all light fixtures and fans not actuated from switches controlled from, or separately metered to, an Owner's Condominium Unit.	The Owner maintains the light fixtures and fans actuated from switches controlled from, or separately metered to, the Owner's Condominium Unit.
Patio	The Corporation maintains the painted surfaces of any solid patio fences or walls or open fences or walls (e.g., iron or tubular steel railings).	The Owner maintains the structure of the patio and any surface on the patio floor that the Owner has installed. The Owner sweeps the patio regularly and keeps it free from debris and reasonably protected against damage. The Owner maintains any hose bibs, faucets, spigots, water shut-off valves, and electrical outlets and switches in the patio area. The Owner maintains any landscaping and any drain openings within the patio area.
Garage	The Corporation maintains the exterior painted surface of the garage door (however, all repairs to exterior doors and garage doors, including the structural maintenance thereof, shall be at the sole expense of the respective Owner unless otherwise agreed to by the Board).	Owner maintains the interior of the garage, including without limitation, the interior painted surface of the garage door, the structural integrity of the garage door (unless otherwise determined by the Board) all other doors within the garage, all interior wall surfaces, drywall, ceilings, permanent fixtures, garage door opener, appliances, and electrical outlets and switches.
Telephone wiring exclusively serving a Condominium.	None.	The Owner maintains.

<p>Utilities (e.g., water, sewer, gas, electricity lines and facilities, etc.).</p>	<p>The Corporation maintains the utilities serving the Common Property, including, without limitation, the common private water and sewer lines described and/or depicted as maintained by the Corporation on an exhibit to this Declaration or a recorded Notice of Annexation.</p>	<p>The Owner maintains the utilities exclusively serving his Condominium that are separately metered. This includes all electric and gas lines serving the Condominium that are not serviced by the gas company, all water lines exclusively serving the Condominium (which are not public), the sewer lateral and waste water drain lines exclusively serving the Condominium up to the point of connection to the common sewer line serving multiple Condominiums, the water pressure regulator (if not public), all plumbing outlets and fixtures, furnace, ducts, vents (HVAC, dryer, stove, oven), and circuit breakers exclusively serving the Condominium.</p>
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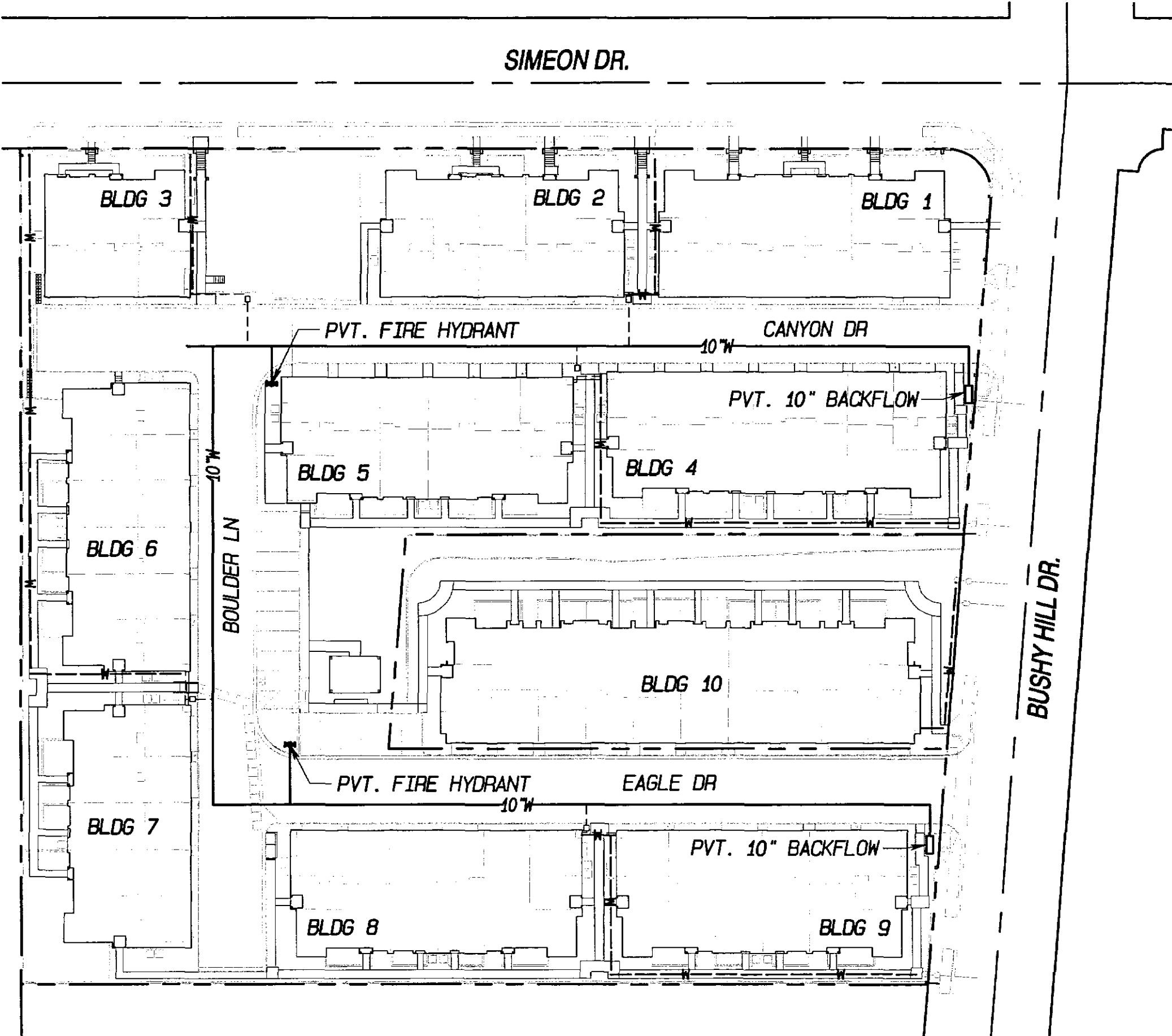
<p>Roof, Exterior Walls, and Structure of Buildings.</p>	<p>The Corporation maintains the structural components of the buildings, including, without limitation, exterior perimeter walls, bearing walls, columns, fire-rated walls, roofs, roof tiles, slabs, foundations, exterior stairs (if any), railings, the structural floors (but not the floor coverings), including the structural floors separating the different stories of the buildings, an inspection and preventive program for the prevention and eradication of infestation by wood destroying pests and organisms, exterior finished surfaces, shutters, gutters, and downspouts).</p>	<p>None.</p>
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<p>Fire Sprinkler Heads, Fire Sprinkler System, Fire Alarm System, Exterior Horn/Strobe for Waterflow Notification, Fire Extinguishers, Fire Riser Enclosures, and Other Fire Prevention and Suppression Equipment Installed in Corporation Property.</p>	<p>The Corporation maintains all elements (unless maintained by a public entity or utility provider).</p>	<p>None.</p>
<p>Private Drives, Parking Areas, and Common Walkways.</p>	<p>The Corporation maintains.</p>	<p>None.</p>
<p>Landscaping and Irrigation</p>	<p>The Corporation maintains all landscaping and irrigation located in the Corporation Property (including any potted plants placed on the Corporation Property by the Corporation).</p>	<p>The Owner maintains any landscaping (including potted plants) within his patio.</p>
<p>Signs</p>	<p>The Corporation maintains all Project monu-mentation and signs.</p>	<p>None.</p>
<p>Main line Storm Drainage System and Stormwater Quality Devices</p>	<p>The Corporation maintains those portions of the Project storm drain system depicted in an Exhibit to this Declaration or a recorded Notice of Annexation.</p>	<p>None.</p>

<p>Common Recreational Facilities (e.g., outdoor barbecue, outdoor furniture, overhead trellis structure, open space, etc.)</p>	<p>Corporation maintains.</p>	<p>None.</p>
<p>Walls and fences</p>	<p>The Corporation maintains the walls and fences depicted in an Exhibit to this Declaration or a recorded Notice of Annexation.</p>	<p>None.</p>

LEGEND

- 10" W— CORPORATION MAINTAINED PRIVATE 10" WATER
- W— CORPORATION MAINTAINED PRIVATE 2" WATER SERVICE
- H— CORPORATION MAINTAINED PRIVATE FIRE HYDRANT
- CORPORATION MAINTAINED PRIVATE FIRE SERVICE
- CORPORATION MAINTAINED PRIVATE 10" BACKFLOW

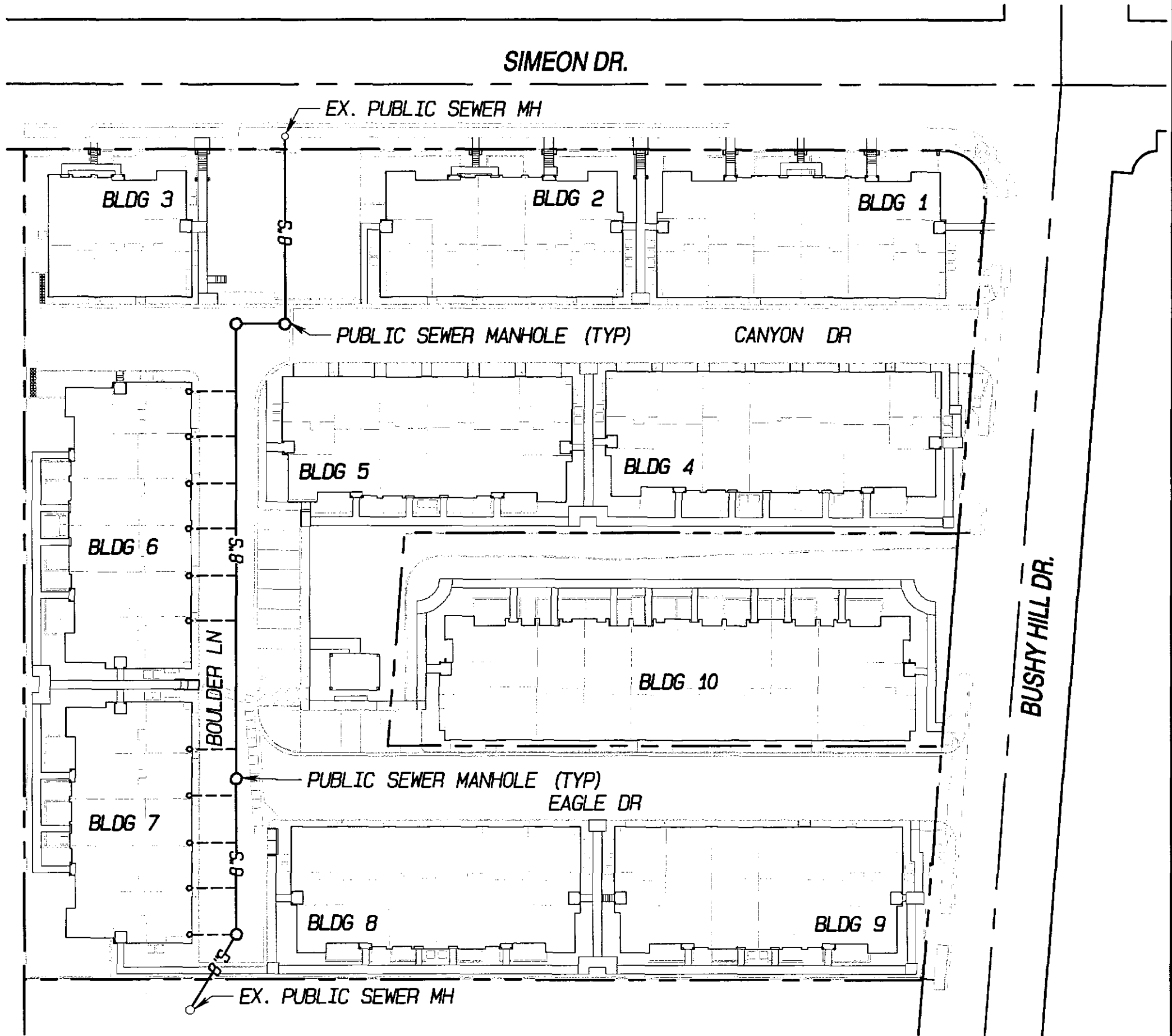


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EXHIBIT H

LEGEND

- 8" S— PUBLIC 8" SEWER
- PUBLIC SEWER MANHOLE
- - - - - PUBLIC 4" SEWER LATERAL

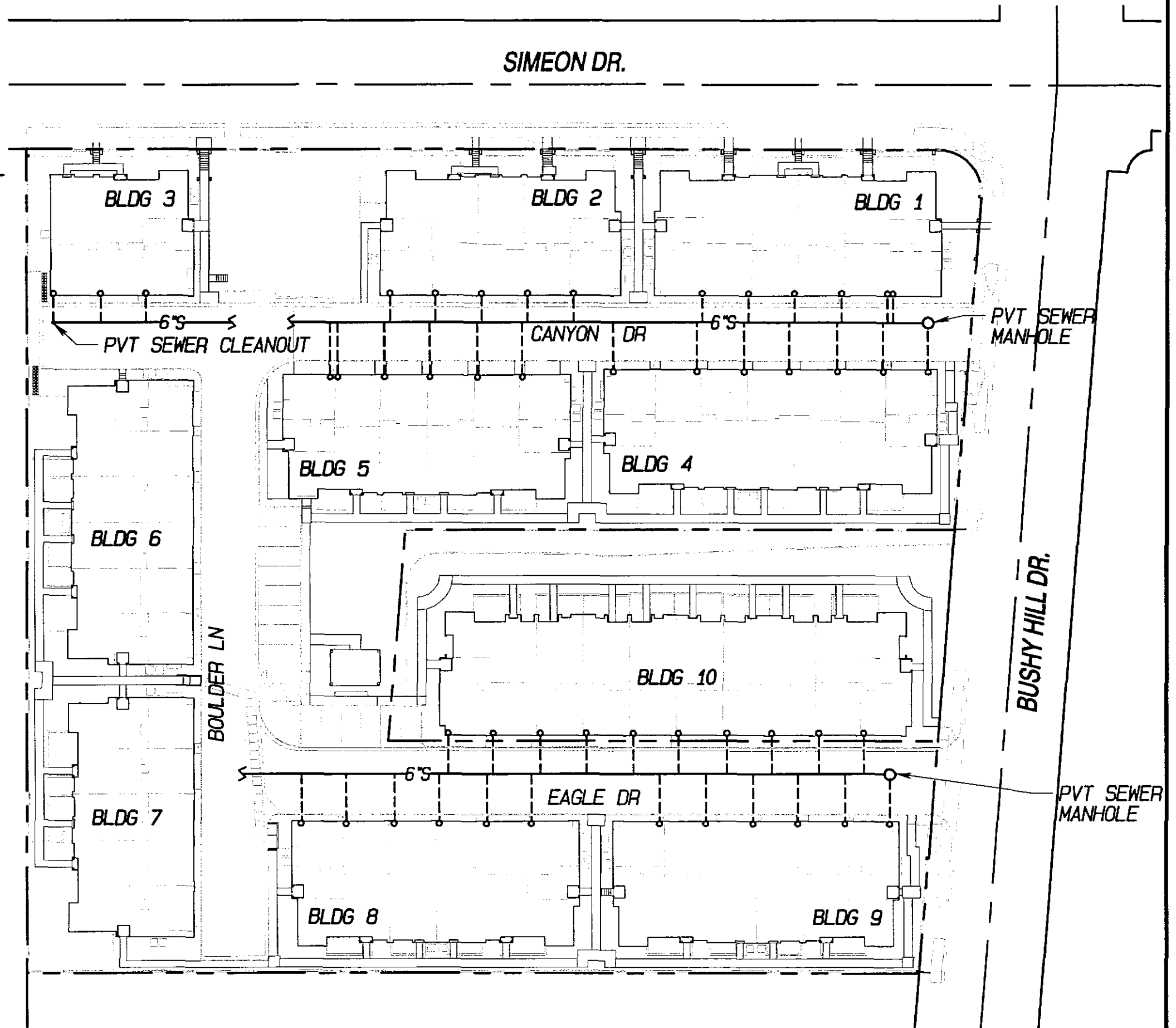


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EXHIBIT I
SHEET 1 OF 2

LEGEND

- 6" CORPORATION MAINTAINED PRIVATE 6" SEWER
- - - ° CORPORATION MAINTAINED PRIVATE 4" SEWER LATERAL
- CORPORATION MAINTAINED PRIVATE SEWER MANHOLE
- CORPORATION MAINTAINED PRIVATE SEWER CLEANOUT



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**EXHIBIT I
SHEET 2 OF 2**

CONSENT OF LIENHOLDER AND
SUBORDINATION OF LIEN

The undersigned beneficiary under that certain Deed of Trust recorded on January 29, 2016, as Doc. No. 2016-0043354, in the Official Records of San Diego County, California hereby consents to the recordation of the attached "Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Mission Trails Collection" ("Declaration"), and to any Notice of Annexation recorded pursuant to the Article therein entitled "Annexation of Additional Property" ("Notice of Annexation"), and agrees that the lien of the Deed of Trust shall be junior and subordinate and subject to the Declaration and Notice of Annexation and to any easements to be conveyed to Mission Trails Collection Community Corporation in accordance with the terms of the Declaration and any Notice of Annexation, and to any amendments or modifications to the Declaration which may be required to comply with any law, statute or regulation of any public agency or any requirement of FNMA, FHLMC, of VA/FHA; provided however, that nothing contained herein shall be deemed to affect the priority of the Deed of Trust over the lien of assessments as set forth in the Declaration pursuant to Article XVII, Section 1 therein.

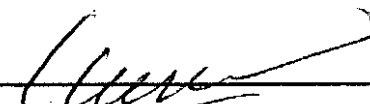
DATED: 2/11/16 "LIENHOLDER"

U.S. BANK NATIONAL ASSOCIATION
d/b/a Housing Capital Company

By: 

Name: Ellen Keller

Title: SVP

By: 

Name: Gerald Q. Gamble

Title: Vice President

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

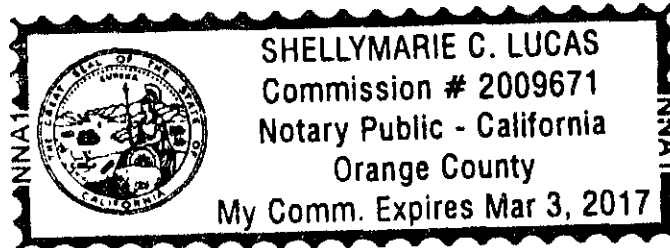
STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On February 12, 2016, before me, Shellymarie C. Lucas,
Notary Public, personally appeared Elke Heller and Gerald P. Gamble and Gerald P. Gamble, who proved 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 capacity, and that by their signatures on the instrument the persons or the entities upon behalf of which the persons acted executed the instrument.

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

WITNESS my hand and official seal.

Shellymarie C. Lucas
Signature of Notary Public



[SEAL]