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Park River Estates LP
7788 Park River Oak Circle
Sacramento, CA 95831

DECLARATION FOR PARK RIVER OAK ESTATES,
A TOWNHOUSE PROJECT

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A TOWNHOUSE PROJECT

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DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS OF PARK RIVER OAK ESTATES

RECITALS

A. Declarant is the original owner of that certain real property (“Properties”) located in the City of Sacramento, County of Sacramento, State of California, which is more particularly described in **Exhibit “A”** attached hereto and incorporated herein by reference and commonly referred to as Park River Oak Estates.

B. It is the intention of the Declarant to sell and convey residential Townhomes on Lots to the Owners, subject to the protective covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarant and such Owners which are set forth in this Declaration and which are intended to be in furtherance of a general plan for the subdivision, development, sale and use of the Townhomes in furtherance of a plan of ownership as described in section 1351(e) of the California Civil Code. Finally, it is the intention of Declarant that the “Common Areas” and “Common Facilities” be owned and maintained by the Association, but reserved exclusively for the use and enjoyment of the Members of the Association, their tenants, lessees, guests and invitees, all subject to the terms and conditions of the Governing Documents.

ARTICLE I
Definitions

[1. 1] Section 1. “Architectural Committee” means the committee created in accordance with article V of this Declaration.

[1.2] Section 2. “Articles” means the Articles of Incorporation of Park River Oak Estates Homeowners Association, which are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

[1.3] Section 3. “Assessment” means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and his or her Lot in accordance with the provisions of article IV of this Declaration.

[1.4] Section 4. “Association” means Park River Oak Estates Homeowners Association, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns. The Association is an “association” as defined in California Civil Code section 1351(a).

[1.5] Section 5. “Association Rules” means the rules, regulations and policies adopted by the Board of Directors of the Association, pursuant to article III, section 7 of this Declaration, as the same may be in effect from time to time.

[1.6] Section 6. “Board of Directors” or “Board” means the Board of Directors of the Association.

[1.7] Section 7. “Bylaws” means the Bylaws of the Association, as such Bylaws may be amended from time to time.

[1.8] Section 8. “City” means Sacramento and its various departments, divisions, employees and representatives.

[1.9] Section 9. “Common Area” shall mean all real property owned by the Association for the common use and enjoyment of the owners. The Common Area shall be owned by the Association at the time of conveyance of the first Lot as described an Exhibit “A” hereto.

Unless the context clearly indicates a contrary intent, any reference herein to the “Common Areas” shall also include any Common Facilities located thereon.

[1.10] Section 10. “Common Expense” means any use of Common Funds authorized by article IV hereof and article IX of the Bylaws and includes, without limitation: (a) All expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Area, Common Facilities or any portion of any Townhouse that the Association is obligated to maintain or repair, (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors that the Association is obligated to maintain or replace, and for nonpayment of any Assessments, and (c) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents and (d) insurance of Townhouses constructed or to be constructed on Lots, any amounts reasonable necessary for reserves for maintenance, repair and replacement of the Common Areas and Common Facilities.

[1.11] Section 11. “Common Facilities” means the road within the Project, parking areas with the Project, swimming pool and apron area, pool storage and pump house, pool furniture, clubhouse, spa, trees, hedges, plantings, lawns, if any, shrubs, landscaping, fences, utilities, berms, pipes, lines, lighting fixtures, buildings, structures and other facilities constructed or installed, or to be constructed or installed, or currently located within the Common Area or the Recreation Area

[1.12] Section 12 “Common Walls” and “Common Roofs” respectively means those portions of the improvements located upon the Lots that are immediately adjacent to or conjoined with any of the improvements of any adjacent Lot, including exterior walls and roofs.

[1.13] Section 13. “County” means the County of Sacramento, State of California, and its various departments, divisions, employees and representatives.

[1.14] Section 14. “Declarant” means the original developer of the Properties, namely Park River Estates, a California limited partnership.

[1.15] Section 15. “Declaration” means this instrument, as it may be amended from time to time.

[1.16] Section 16. “Governing Documents” is a collective term that means and refers to this Declaration and to the Articles, the Bylaws, and the Association Rules.

[1.17] Section 17. “Improvement” includes, without limitation, the construction, installation, alteration, or remodeling of any buildings, walls, decks, fences, swimming pools, landscaping, landscape structures, skylights, solar heating equipment, spas, antennas, utility lines, or any structure of any kind.

In no event shall the term “Improvement” be interpreted to include projects which are restricted to the Townhouse interior and which do not involve the roof of any load-bearing wall thereof.

[1.18] Section 18. “Lot” shall mean and refer to any plot of land shown upon any recorded subdivision map of the Project with the exception of the Common Area.

[1.19] Section 19. “Member” means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to article XIV, section 6 hereof.

[1.20] Section 20. “Mortgage” means any security device encumbering all or any portion of the Properties, including any deed of trust. “Mortgagee” shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

[1.21] Section 21. “Owner” means any person, firm, corporation or other entity which owns a fee simple interest in any Lot. The term “Owner” shall include the Declarant for so long as the Declarant possesses any Lot within the Properties, and, except where the context otherwise requires, the family, guests, tenants and invitees of an Owner.

[1.22] Section 22. “Owner of Record” and “Member of the Association” include an Owner and mean any person, firm, corporation or other entity in which title to a Lot is vested as shown by the official records of the Office of the County Recorder.

[1.23] Section 23. “Party Wall” shall mean any wall of a Townhouse located on a property line dividing any Townhouses, which wall is commonly used by any such Townhouse and the adjoining Townhouse. Residences within the Properties also share a common roof. The rights and responsibilities of Owners with respect to Party Walls and common roofs shall be governed by article XII, sections 1 and 2 of this Declaration.

[1.24] Section 24. "Project" means the Properties and the improvements located thereon which are intended to create a common interest development as described in California Civil Code section 1351.

[1.25] Section 25. "Properties" means all parcels of real property (Common Area and Townhouse Units) described in recital "A" hereof, together with all buildings, structures, utilities, Common Facilities, and other improvements located thereon, and all appurtenances thereto.

[1.26] Section 26. "Recreational Area" means the real property and improvements located thereon which are owned by the Association for the common use and enjoyment of the Owners. The Recreational Area improvements shall comprise a portion of the Common Facilities and the land which comprises the Recreational Area is more particularly described in **Exhibit "B"** attached hereto.

[1.27] Section 27. "Regular Assessment" means an Assessment levied on an Owner and his or her Lot in accordance with article IV, section 2 hereof.

[1.28] Section 28. "Single Family Residential Use" means occupation and use of a Townhouse for single family dwelling purposes in conformity with this Declaration and the requirements imposed by applicable zoning or other applicable laws or governmental regulations limiting the number of persons who may occupy single family residential dwellings.

[1.29] Section 29. "Special Assessment" means an Assessment levied on an Owner and his or her Lot in accordance with article IV, section 3 hereof.

[1.30] Section 30. "Special Individual Assessment" means an Assessment made against an Owner and his or her Lot in accordance with article IV, section 4 hereof.

[1.31] Section 31. "Subdivision Map" means the map for the properties described in Exhibit "A" this Declaration.

[1.32] Section 32. "Townhouse" and "Residence" means a Lot with improvements constructed thereon consisting of a two or three bedroom single family residence.

ARTICLE II

Property Rights and Obligations of Owners

[2.1] Section 1. Owners' Nonexclusive Easements of Enjoyment. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Areas within the Properties, including ingress and egress to and from his or her Lot, which shall be appurtenant to and shall pass with the tide to every Lot, subject to the following rights and restrictions:

(a) The right of the Association to assign, rent, license, lease, charge reasonable admission and other fees for, and to otherwise designate and control the use of any unassigned parking and storage spaces within the Common Area and to charge reasonable admission and other fees or to limit the number of guests of Members who may use any recreational Common Facilities.

(b) The right of the Association to adopt Association Rules as provided in article III, section 7 hereof, regulating the use and enjoyment of the Properties for the benefit and well-being of the Owners in common, and, in the event of the breach of such rules or any provision of any Governing Document by any Owner or Tenant, to temporarily suspend the voting rights and/or right to use the common facilities, other than roads, by any Owner and/or the Owner's Tenants and guests, subject to compliance with the due process requirements of article XVI, section 6 hereof.

(c) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the common area and common facilities and in aid thereof to mortgage said property; provided, however, that the rights of any such Mortgagee in said properties shall be subordinate to the rights of the Owners hereunder; and further provided that any such indebtedness shall be considered an expense of the Association for purposes of the Special Assessment provisions of article IV, section 3 hereof.

[2.2] Section 2. Persons Subject to Governing Documents. All present and future Owners, tenants and occupants of Townhouses within the Properties shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time, unless a particular provision is specifically restricted in its application to one or more of such classes of persons (i.e., Owners, tenants, invitees, etc.). The acceptance of a deed to any Townhouse, the entering into a lease, sublease or contract of sale with respect to any Townhouse, or the occupancy of any Townhouse shall constitute the consent and agreement of such Owner, tenant or occupant that each and all of the provisions of this Declaration, as the same or any of them may be amended from time to time, shall be binding upon said person and that said person will observe and comply with the Governing Documents.

[2.3] Section 3. Delegation of Use.

(a) Delegation of Use and Leasing of Townhouses. Any Owner may delegate the Owner's rights to use and enjoy the Common Area and Common Facilities to members of the Owner's family or to the Owner's tenants, lessees or contract purchasers who reside in the Owner's Townhouse, provided that any rental or lease may only be to a single family for single family residential use and for a term not less than 180 days. During any period when a Townhouse has been rented or leased, the Owner-lessor, his or her family, guests and invitees shall not be entitled to use and enjoy the Common Areas or Common Facilities of the Properties (other than roads), except to the extent reasonably necessary to perform the Owner's responsibilities as a lessor of the Townhouse, provided that this restriction shall not

apply to an Owner-lessor who is contemporaneously residing in another Townhouse within the Properties.

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

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

Whether or not such right is stated in any rental agreement, every Owner who rents his or her Townhouse automatically grants to the Association the right to determine a tenant's default under the Governing Documents and of terminating the tenancy and evicting the tenant for such default. If the Board takes such eviction action, either in its own name or in the Owner's name, the Owner shall be responsible for all costs thereof, including reasonable attorney's fees, and shall reimburse the Association upon demand for the entire amount of such costs. If the Owner refused to make such reimbursement, the sums shall constitute a special Individual Assessment (Article IV, section 4) for which a lien may be imposed against the Owner's Lot. The Association's right to maintain an eviction action hereunder is derived from sections 1165 and 374 of the California Code of Civil Procedure and shall only arise if the tenant's or lessee's conduct involves damage to or destruction of Common Areas or Common Facilities, or constitutes a nuisance or unreasonable interference with the quiet enjoyment of other residents.

Any fine or penalty levied pursuant to this section 4 shall be considered a Special Individual Assessment as defined in article IV, section 4, below. If a Special Individual Assessment is imposed as a result of the conduct of a renter or lessee, the renter or lessee agrees to be personally obligated for the payment of such assessments in the event the Owner-lessor fails to pay the assessments prior to the delinquency date. This provision, however, shall not be construed to release the Owner from any obligation, including the obligation to pay any duly imposed Special Individual Assessments, for which such Owner would otherwise be responsible. Any lessee charged with a violation of the Governing Documents is entitled to the same notice and hearing rights to which the Owner is entitled as provided in subparagraph (c) below. Any Owner who shall lease his or her Townhouse shall be responsible for assuring compliance by the lessee with the Governing Documents.

(c) Due Process Requirements for Disciplinary Action. Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction to the Properties or to preserve the rights of quiet enjoyment of other Owners, the Association shall have no right to initiate disciplinary action against an Owner-lessor (or the Owner's lessee or tenant) on account of the misconduct of the Owner's lessee or tenant unless and until the following conditions have been satisfied: (i) The Owner has received written notice from the Board, the Association's property manager detailing the nature of the lessee's or tenant's alleged infraction or misconduct and advising the Owner of his or her right to a hearing on the matter in the event the Owner believes that remedial or disciplinary action is unwarranted or unnecessary; (ii) the Owner has been given a reasonable opportunity to take corrective action on a voluntary basis or to appear at a hearing, if one is requested by the Owner; and (iii) the Owner has failed to prevent or correct the tenant's objectionable actions or misconduct. Any hearing requested hereunder shall be conducted in accordance with article XIV, section 6 hereof.

(d) Security Deposit. Through its rule-making power, exercised in accordance with article III, section 7 hereof, the Board of Directors is hereby authorized and empowered to establish and implement an Association security deposit procedure to protect the Association, the Common Area and Common Facilities from negligence, damage and/or destruction caused by the tenants, or lessees of any Owner, their families and guests. Said security deposit, if required, shall be payable by the owner and shall be fixed in an amount not to exceed the greater of \$250.00 or one month's Regular Assessment and shall be held by the Association in a separate security deposit fund in the name of the Association. Within two weeks following receipt of notice from the Owner-lessor that the Townhouse is no longer being leased, the Association shall furnish the Owner with an itemized statement indicating the basis for, and the amount of, any security received and the disposition of the security and shall return the remaining portion of the security to the Owner.

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

[2.4] Section 4. Obligations of Owners. Owners of Lots within the Properties shall be subject to the following:

(a) Owner's Duty to Notify Association of Tenants and Contract Purchasers. Each Owner shall notify the secretary of the Association or the Association's property manager, if any, of the names of any contract purchaser or tenant of the Owner's Lot. Each Owner, contract purchaser or tenant shall also notify the secretary of the Association of the names of all persons to whom such Owner, contract purchaser or tenant has delegated any rights to use and enjoy the Properties and the relationship that each such person bears to the Owner, contract purchaser or tenant.

(b) Contract Purchasers. A contract seller of a Lot must delegate his or her voting rights as a Member of the Association and seller's right to use and enjoy the Common Area and Common Facilities to any contract purchaser in possession of the property subject to the contract of sale. Notwithstanding the foregoing, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the property sold has been transferred to the purchaser.

(c) Notification Regarding Governing Documents.

(i) As more particularly provided in the California Civil Code section 1368, as soon as practicable before transfer of title or the execution of a real property sales contract with respect to any Lot, the Owner thereof must give the prospective purchaser (A) a current copy of the Governing Documents; (B) the Association's most current financial statement; and (C) a true statement in writing from the Association ("delinquency statement") as to the amount of any delinquent Assessments, together with information relating to late charges, attorneys' fees, interest, and reasonable costs of collection which, as of the date the statement is issued, are or may become a lien on the Lot being sold.

(ii) The Association shall, within 10 days of the mailing or delivery of a request for the information described in subparagraph (c)(i), above, provide the Owner with a copy of the current Governing Documents, together with the delinquency statement referred to in the immediately preceding paragraph. The Association shall be entitled to impose a fee for providing the Governing Documents and delinquency statement equal to (but not more than) the reasonable cost of preparing and reproducing the requested materials.

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

(e) Discharge of Assessment Liens. Each Owner shall promptly discharge any Assessment lien that may hereafter become a charge against his or her Lot.

(f) Joint Ownership of Lots. In the event of joint ownership of any Lot, the obligations and liabilities of the multiple Owners under the Governing Documents shall be

joint and several. Without limiting the foregoing, this subparagraph (f) shall apply to all obligations, duties and responsibilities of Owners as set forth in this Declaration, including, without limitation, the payment of all Assessments.

(g) Prohibition on Avoidance of Obligations. No Owner, by non-use of the Common Area or Common Facilities, abandonment of the Owner's Lot or otherwise may avoid the burdens and obligations imposed on such Owner by the Governing Documents, including, without limitation, the payment of Assessments levied against the Owner and his or her Lot pursuant to this Declaration.

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

ARTICLE III Homeowners Association

[3. 1] Section 1. Association Membership. Every Owner of a Lot shall be a Member of the Association. Each Owner shall hold one membership in the Association for each Lot owned and the membership shall be appurtenant to such Lot. Ownership of a Lot or interest in it shall be the sole qualification for membership in the Association. Each Owner shall remain a Member of the Association until his or her ownership in all Lots in the Properties ceases, at which time his or her membership in the Association shall automatically cease. Persons or entities who hold an interest in a Lot merely as security for performance of an obligation are not Members until such time as the security holder comes into title to the Lot through foreclosure or deed in lieu thereof.

[3.2] Section 2. Classes of Membership and Voting. The Association shall have two classes of membership and the rights, duties, obligations and privileges of the Members shall be as set forth in the Governing Documents. Class A members shall be all owners except Declarant. The Class B member shall be the Declarant. A Class A Member shall be entitled to one vote for each Lot owned by said Member. When more than one person holds an interest in any Lot, all such persons shall be Members, although in no event shall more than one vote be cast with respect to any Lot. The Class B Member shall be entitled to three votes for each Lot owned. Voting rights may be temporarily suspended under those circumstances described in article XIV, section 6 hereof.

Fractional votes shall not be allowed. When there is more than one record Owner of a Lot ("co-owners"), all of the co-owners shall be Members, but only one of them shall be entitled to cast the single vote attributable to the Lot. Co-owners should designate in writing one of their number two votes. If such a designation is made or if it is revoked, the Co-owners shall decide among themselves, by majority vote, how that Lot's vote is to be cast. Unless the Board receives a written objection in advance from a co-owner, it shall be

conclusively presumed that the voting co-owner is acting with a consent of his or her co owner's. No vote shall be cast for a Lot on a particular matter if the majority of the co owner is present in person or by proxy cannot agree on a vote.

As long as two classes of voting memberships exist, any provision of this Declaration, the Articles, or the Bylaws that require the approval of a specified percentage of the voting power of the Association (rather than simply requiring a written consent of a majority of a quorum) shall require the approval of a specified percentage of the voting power of each class of membership. When the Class B membership has terminated, any provision of this Declaration, the Articles, or the Bylaws that requires the approval of a specified percentage of the voting power of the Association shall require the vote or written consent of Owners representing the specified percentage of both the total voting power of the Association and the voting power of the Association residing in Owners other than Declarant.

[3.3] Section 3. Termination of Class B membership. The Class B membership shall cease and be converted to Class A membership on the occurrence of whichever of the following is first in time:

(a) On the second anniversary of the original issuance of the most recently issued Final Public Report for a phase of the Project; or

(b) On the fourth anniversary of the original issuance of the Final Public Report for the first phase of the Project.

[3.4] Section 4. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Lots within the Properties and to enforce payment of such Assessments in accordance with article IV of this Declaration. Any Assessments levied by the Association on its Members shall be levied in accordance with and pursuant to the provisions of this Declaration.

[3.5] Section 5. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale or encumbrance of the Lot to which it is appurtenant and then only to the purchaser. In the case of a sale, membership passes automatically to the purchaser upon recording of a deed evidencing transfer of title to the Lot. In the case of an encumbrance of such Lot, a Mortgagee does not have membership rights until he or she becomes an Owner by foreclosure or deed in lieu thereof. Tenants who are delegated rights of use pursuant to article II, section 4 hereof do not thereby become Members, although the tenant and Members of the tenant's family shall, at all times, be subject to the provisions of all Governing Documents. Any attempt to make a prohibited transfer is void. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in the Owner's name to the purchaser of his or her Lot, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void

[3.6] Section 6. Powers and Authority of the Association.

(a) Powers Generally. The Association shall have the responsibility of owning, managing and maintaining the Common Areas and Common Facilities and discharging the other duties and responsibilities imposed on the Association by the Governing Documents. In the discharge of such responsibilities and duties, the Association shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in the ownership and management of its properties and the discharge of its responsibilities hereunder for the benefit of its Members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents. The Association and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. The specific powers of the Association and the limitations thereon shall be as set forth in article IX of the Bylaws.

The powers of the Association shall include, but are not limited to, the following:

(i) The Association shall have the power to establish, fix, levy, collect and enforce the payment of assessments against the Owners in accordance with the procedures set out in Article IV of this Declaration.

(b) Association's Limited Right of Entry. The Association, and/or its agents shall have the right, when necessary, to enter any Townhouse to perform the Association's obligations under this Declaration, including (i) exterior maintenance or repair obligations with respect to buildings containing Townhouses; (ii) obligations to enforce the architectural minimum construction standards, and land use restrictions; (iii) any obligations with respect to construction, maintenance and repair of adjacent Common Facilities; or (iv) to make necessary repairs that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, Association property or the Owners in common.

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

(c) The Association, acting through the Board, shall have the power to delegate its authority, duties, and responsibilities to its officers, employees, committees, or agents,

including a professional management agent. The Association shall not enter into a Management Agreement with a manager unless the manager first provides the Board, as soon as practicable during the 90 day period preceding the execution of the Agreement, with a written disclosure statement required by Civil Code Section 1363. 1. This disclosure requirement shall not apply if the Manager will be a full time employee of the Association or is a regulated financial institution that will be operating within the normal course of its regulated business practice. The term of any agreement with a manager or the Declarant for the furnishing of maintenance, repair, and related services shall not exceed one year, renewable by agreement of the parties for a successive one year period. Such an agreement shall be terminable by either party (1) per cause on thirty (30) days written notice and (2) without cause for the payment of a termination on ninety (90) days written notice.

[3.7] Section 7. Association Rules.

(a) Rule-Making Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners of Lots within the Properties. Such rules may concern, but need not be limited to (i) matters pertaining to the maintenance, repair, management and use of the Common Area and Common Facilities by Owners, their tenants, guests and invitees, or any other person(s) who have rights of use and enjoyment of such Common Area and Common Facilities; (ii) architectural control and the rules of the Architectural Committee under article V, section 5 hereof; (iii) the conduct of disciplinary proceedings in accordance with article XIV, section 6 hereof; (iv) regulation of parking, pet ownership and other matters subject to regulation and restriction under article VII hereof; (v) collection and disposal of refuse; (vi) minimum standards for the maintenance of landscaping or other improvements on any Lot and (vii) any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

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

(b) Distribution of Rules. A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. A copy of the Association Rules shall also be available and open for inspection during normal business hours at the principal office of the Association.

(c) Adoption and Amendment of Rules. Association Rules may be adopted or amended from time to time by majority vote of the Board, provided, however, that no Association Rules or amendments thereto shall be adopted by the Board until at least 30 days after the proposed rule or rule amendment has been (i) published in the Association newsletter, if any, or otherwise communicated to the Owners in writing and (ii) posted in the

Association's principal office. The notice describing the proposed rule or amendment shall also set forth the date, time and location of the Board meeting at which action on the proposal is scheduled to be taken.

Any duly adopted rule or amendment to the Rules shall become effective immediately following the date of adoption thereof by the Board, or at such later date as the Board may deem appropriate. Any duly adopted rule or rule amendment shall be distributed to the Owners by mail.

[3.8] Section 8. Breach of Rules or Restrictions.

Any breach of the Association Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in article XIV hereof.

[3.9] Section 9. Limitation on Liability of Association's Directors and Officers.

(a) Claims Regarding Breach of Duty. No director or officer of the Association (collectively and individually referred to as the "Released Party") shall be personally liable to any of the Association's Members, or to any other person, for any error or omission in the discharge of their duties and responsibilities or for their failure to provide any service required hereunder or under the Bylaws, provided that such Released Party has, upon the basis of such information as may be possessed by the Released Party, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

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

(b) Other Claims Involving Tortious Acts and Property Damage. No Released Party shall be responsible to any Owner or to any member of his or her family or any of his or her tenants, guests, servants, employees, licensees, invitees or any other person for any loss or damage suffered by reason of theft or otherwise of any article, vehicle or other item of personal property which may be stored by such Owner or other person on any Lot or within any Townhouse or for any injury to or death of any person or loss or damage to the property of any person caused by fire, explosion, the elements or any other Owner or person within the Properties, or by any other cause, unless the same is attributable to his or her own willful or wanton act or gross negligence. It is the intent of this subparagraph to provide volunteer directors and officers with protection from liability to the full extent permitted by California Civil Code section 1365.7, or comparable superseding statute, and to the extent this provision is inconsistent with said section, the Civil Code shall prevail.

[3.10] Section 10. Duties of the Association

In addition to the duties delegated to the Association or its agents and employees elsewhere in these Governing Instruments, the Association shall be responsible for the following:

(a) The Association, acting through the Board, shall operate, maintain, repair, and replace the Common Area and its improvements [all landscaping, and the exterior surfaces of all structures in the Project,] or contract for the performance of that work, subject to the provisions of Article X of this Declaration relating to destruction of improvements, Article XI of this Declaration pertaining to eminent domain. The foregoing areas and improvements shall be kept in a clean, sanitary, and attractive condition. The Association shall not be responsible for maintaining Exclusive Use Common Areas. The Association shall also have the exclusive right and duty to acquire and maintain any furnishings and equipment for the Common Area that it determines are necessary and proper. As a general rule, maintenance costs shall be included in the regular assessments. However, if additional work is required for a particular Lot, the expenses of that additional work shall be charged solely to the Owner of the Lot in the month in which the work is performed. Further, the Owner of a Residence shall pay the costs of any temporary relocation of any occupant of the Residence occasioned by the presence of wood-destroying pests or organisms. If the Owner does not pay for the additional work within 20 calendar days after receiving the bill, the Association shall institute appropriate collection actions and shall recover the reasonable costs of collection, including attorney's fees and interest from the due date until paid at the rate of 12% percent per annum.

(b) The Association shall use the maintenance fund described in this Declaration to, among other things, acquire and pay for the following:

(c)

(1) Water, sewer, garbage, electrical, telephone, gas, elevator, and other necessary utility service for the Common Area, and, to the extent not separately metered and charged, for the Lots;

(2) The insurance policies described in Article VII of this Declaration;

(3) The services of any personnel that the Board determines are necessary or proper for the operation of the Common Area; and

(4) Legal and accounting services necessary or proper in the operation of the Common Area or the enforcement of this Declaration.

(c) If the Association is obligee under a bond or other arrangement to secure the performance of Declarant as to any Common Area improvements that were not completed prior to the issuance of the final public report on the Project, the following procedures shall govern the initiation of action to enforce the bond:

(1) The Board of Directors of the Association shall consider and vote on the

question of action by the Association to enforce the obligations under the bond with respect to any improvement for which a Notice of Completion has not been filed within 60 days after the completion date specified for the improvement in the Planned Construction Statement appended to the bond. If the Association has given an extension in writing for the completion of any Common Area improvement, the Board shall consider and vote on the above question if a Notice of Completion has not been filed within 30 days after the expiration of the extension.

(2) If the Board votes not to initiate action to enforce the obligations under the bond, or if it fails to consider and vote on the matter as required, a special meeting of the Owners of the Association shall be called for the purpose of overriding the Board's decision or for taking action on the matter, upon receipt of a petition calling for such a meeting signed by Owners representing at least 5 percent of the total voting power of the Association. The meeting shall be held not less than 35 days or more than 45 days after receipt of the petition by the Board. At the special meeting, only the Owners other than Declarant shall be allowed to vote on the matter. A vote by a majority of the voting power of the Association residing in Owners other than Declarant to take action to enforce the obligations under the bond shall be deemed to be the decision of the Association, and the Board shall implement this decision by initiating and pursuing appropriate action in the name of the Association.

(d) The Association shall prepare a pro forma operating budget for each fiscal year, and shall distribute a copy of the budget to each Owner not less than 45 and not more than 60 days before the beginning of the fiscal year. As an alternative to the foregoing distribution of the budget, the Association may elect to do all of the following in the manner required by statute: distribute a summary of the budget to each Owner, make the budget available for inspection at a designated location, and provide copies of the budget to Owners on request and at the expense of the Association. The budget shall contain at least the following:

(1) The estimated revenue and expenses on an accrual basis;

(2) A summary (printed in bold type) of the Association's reserves that is based on the most recent review or study conducted pursuant to Civil Code Section 1365.5. This summary shall include the following: (i) the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component that the Association is obligated to maintain (hereafter referred to as the 'major components'); (ii) the current estimate, as of the end of the fiscal year for which the study is prepared, of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components; (iii) the current amount, as of the end of the fiscal year for which the study is prepared, of accumulated cash reserves actually set aside to repair, replace, restore, or maintain the major components; (iv) the percentage that the amount described in (iii), above, is of the amount determined for purposes of (ii), above (that is, the percentage obtained by dividing the amount described in (iii), above, by the amount described in (ii), above).

(3) A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves for such work.

(4) A general statement addressing the procedures used for the calculation and establishment of reserves to defray the future repair, replacement, or additions to the major components.

(e) Within the 120 days after the close of each fiscal year, the Association shall prepare and distribute to the Owners an annual report consisting of the following:

(1) A balance sheet as of the end of the fiscal year.

(2) An operating (income) statement for the fiscal year.

(3) A statement of changes in financial position for the fiscal year.

(4) For any fiscal year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. If this report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared without independent audit or review from the books and records of the Association.

(t) Within 60 days before the beginning of each fiscal year, the Association shall prepare and distribute to the Owners a statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of assessments against Owners.

(g) The Association shall prepare a balance sheet as of an accounting date that is the last day of the month closest in time to six months from the date of closing of the first sale of a Lot in the Project, and an operating statement for the period from the date of the first closing to the foregoing accounting date. The Association shall distribute this statement to the Owners within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the Lot and the name of the Owner assessed.

(h) Each year, the Association must provide the Owners with a summary of the provisions of Civil Code Section 1354. Section 1354 requires that alternative dispute resolution be pursued before a civil action may be filed in connection with certain disputes relating to the enforcement of the Governing Instruments. The summary must include the following: a specific reference to Section 1354; and the statutory language set forth in Subsection (i) of Section 1354. This summary must be provided either (1) at the time the pro forma operating budget described in Section 3.10(d) of this Declaration is distributed, or (2) in the manner specified in Corporations Code Section 5016.

(i) The Association shall provide any Owner with the following documents within 10 days of the mailing or delivery of a written request therefore:

(1) A copy of the Governing Instruments.

(2) A copy of the most recent financial statement distributed pursuant to this Declaration.

(3) A written statement from an authorized representative of the Association specifying (i) the amount of any assessments levied on the Owner's Lot that are unpaid on the date of the statement; and (ii) the amount of late charges, interest and costs of collection that, as of the date of the statement, are or may be made a lien on the Owner's Lot pursuant to this Declaration. The Association may charge the Owner a reasonable fee to cover its cost to prepare and reproduce those requested items.

(j) The Association shall pay all real and personal property taxes and assessments levied against it, its personal property, the Common Area, and Exclusive Use Common Areas.

ARTICLE IV Assessments

[4.1] Section 1. Assessments Generally

(a) Covenant to Pay Assessments. Each Owner of one or more Lots, by acceptance of a deed or other conveyance therefore (whether or not it shall be so expressed in such deed or conveyance), covenants and agrees to pay to the Association (i) Regular Assessments, (ii) Special Assessments, and (iii) Special Individual Assessments. Each such Assessment shall be established and collected as hereinafter provided.

(b) Extent of Owner's Personal Obligation for Assessments. All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a debt and a personal obligation of the Person who was the Owner of the Lot at the time the Assessment was levied. Each Owner who acquires title to a Lot (whether at judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Lot so purchased which become due and payable after the date of such sale, and shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability. Any unpaid Assessment of a previous Owner shall remain the debt of such previous Owner against whom assessed.

(c) Creation of Assessment Lien. All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which such

Assessment is made. Any lien for unpaid Assessments created pursuant to the provisions of this article may be subject to foreclosure as provided in article IV, section 9(b) hereof.

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

[4.2] Section 2. Regular Assessments.

(a) Preparation of Annual Budget: Establishment of Regular Assessments. Not less than 45 nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Facilities) by preparing and distributing to all Association Members a budget satisfying the requirements of article XII, section 5 of the Bylaws. If the Board fails to distribute the budget for any fiscal year within the time period provided for in this section, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the approval of Owners, constituting a quorum, casting a majority of the votes at a meeting or election of the Association conducted in accordance with the Bylaws. If the Board fails to distribute the budget for any fiscal year within the **tune** period provided for in this action, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the approval of Owners, constituting a quorum, casting a majority of the votes of a meeting or election of the Association conducted in accordance with the Bylaws.

(b) Establishment of Regular Assessment by Board or Membership Approval Requirements. The total annual expenses estimated in the Association's budget (less projected income from sources other than assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year, provided that, except as provided in subparagraph (a) above, and subparagraph (c) below, the Board of Directors may not impose a Regular Assessment that is more than 20 percent greater than the Regular Assessment for the Association's immediately preceding fiscal year without the vote or written assent of Members, constituting a quorum, casting a majority of the votes at a meeting or election of the Association (see article IV, section 7, below).

(c) Assessments to Address Emergency Situations. The requirement of a membership vote to approve Regular Assessment increases in excess of 20 percent of the previous year's Regular Assessment shall not apply to assessment increases necessary to address emergency situations. For purposes of this subparagraph (c), an emergency situation is any of the following:

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

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

(iii) An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities or any portion of the separate interests which the Association is obligated to maintain that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to subparagraph (a) above, provided that, prior to the imposition or collection of an assessment under this paragraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of assessment.

(iv) Incurred in making the first payment of the earthquake insurance subcharge pursuant to Insurance Code Section 5003.

(v) Before the Board may impose or collect an assessment in the type of emergency described herein and above, it shall pass a resolution containing written findings as to the necessity of the extraordinary expense and why the expense was not or could not have been reasonably foreseen in the budgeting process, and shall distribute the resolution to the Owners or the Notice of Assessment.

(d) Allocation of Regular Assessment. The total estimated Common Expenses, determined in accordance with subparagraph (a), above, shall be allocated among, assessed against, and charged to each Owner on an equal basis for each Townhome owned.

(e) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member of the Association. The Assessment roll (which may be maintained in the form of a computer printout) shall show for each Lot the name and address of the Owner of Record, all Regular, Special and Special Individual Assessments levied against each Owner and his or her Lot, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by article II, section 4(c) hereof shall be conclusive upon the Association and the Owner of such Lot as to the amount of such indebtedness appearing on the Association's Assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

(f) Mailing Notice of Assessment. The Board of Directors shall mail to each Owner at the street address of the Owner's Lot, or at such other address as the Owner may from time

to time designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year no less than 45 days prior to the beginning of the next fiscal year.

(g) Failure to Make Estimate. If, for any reason, the Board of Directors fails to make an estimate of the Common Expenses for any fiscal year, then the Regular Assessment made for the preceding fiscal year, together with any Special Assessment made pursuant to article IV, section 3(a)(i) for that year, shall be assessed against each Owner and his or her Lot on account of the then current fiscal year, and installment payments (as hereinafter provided) based upon such automatic Assessment shall be payable on the regular payment dates established by the Association.

(li) Payment of Assessment. The total Regular Assessment levied against each Owner and his or her Lot shall be all due and payable to the Association on or before March 1, of each year.

[4.3] Section 3. Special Assessments.

(a) Purposes for Which Special Assessments May Be Levied. Subject to the membership approval requirements set forth in subparagraph (b) below, the Board of Directors shall have the authority to levy Special Assessments against the Owners and their Lots for the following purposes:

(i) Regular Assessment Insufficient in Amount. If, at any time, the Regular Assessment for any fiscal year is insufficient in amount due to extraordinary expenses not contemplated in the budget prepared for said fiscal year, then, except as prohibited by article IV, section 2(a), the Board of Directors shall levy and collect a Special Assessment, applicable to the remainder of such year only, for the purpose of defraying, in whole or in part, any deficit which the Association may incur in the performance of its duties and the discharge of its obligations hereunder. The Board's assessment authority pursuant to this section 3 subparagraph (a)(i) shall be subject to membership approval requirements under the circumstances described in article IV, section 2(a).

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

(b) Special Assessments Requiring Membership Approval. No Special Assessments described in (i) section 3(a) hereof, which in the aggregate exceed 5 percent of the budgeted

gross expenses of the Association for the fiscal year in which the Special Assessment(s) is levied; or (ii) in the last sentence of article IV, section 2(a), shall be made without the vote or written assent of Members, constituting a quorum, casting a majority of the votes at a meeting or election of the Association, provided that this membership approval requirement shall not apply to any Special Assessment levied to address “emergency situations” as defined in this article IV, section 2(c).

(c) Allocation and Payment of Special Assessments. When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against and charged to each Owner and his or her Lot in the same manner prescribed for the allocation of Regular Assessments pursuant to article IV, section 2(d), above. The Special Assessment so levied shall be recorded on the Association’s Assessment roll and notice thereof shall be mailed to each Owner.

Special Assessments for purposes described in this section 3(a)(i) shall be due as a separate debt of the Owner and a lien against his or her Lot, and shall be payable to the Association in equal monthly installments during the remainder of the then current fiscal year. Special Assessments for purposes described in this section 3(a)(ii) shall be due as a separate debt of the Owner and a lien against his or her Lot, and shall be payable in full to the Association within 30 days after the mailing of such notice or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment.

[4.4] Section 4. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments. In addition to the Special Assessments levied against all Owners in accordance with the provisions set forth in section 3, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (ii) below, provided that no Special Individual Assessments may be imposed against an Owner pursuant to this section 4 until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to article XIV, section 6 hereof, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Association’s Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

(i) Damage to Common Area or Common Facilities. In the event that any damage to, or destruction of, any portion of the Common Area or the Common Facilities, including any portion of the Townhouse which the Association is obligated to repair and maintain is caused by the willful misconduct or negligent act or omission of any Owner, any member of his or her family, or any of his or her tenants, guests, servants, employees, licensees or invitees, the Board shall cause the same to be repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

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

(iii) Required Maintenance on Lot. As more particularly described in article III, section 6(b) (and without limiting the generality of that subparagraph), if any Lot is maintained so as to become a nuisance, fire or safety hazard for any reason, without limitation, the accumulation of trash, junk automobiles, or improper weed or vegetation control, the Association shall have the right to enter said Lot, correct the offensive or hazardous condition and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner.

(b) Levy of Special Individual Assessment and Payment. Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed, in this section 4(a), such Special Individual Assessment shall be recorded on the Association's Assessment roll, notice thereof shall be mailed to the affected Owner and the Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within 30 days after the mailing of notice of the Assessment.

[4.5] Section 5. Purpose and Reasonableness of Assessments. Each Assessment made in accordance with the provisions of this Declaration is hereby declared and agreed to be for use exclusively (a) to promote the recreation, health, safety and welfare of individuals residing within the Properties; (b) to promote the enjoyment and use of the Properties by the Owners and their families, tenants, invitees, licensees, guests and employees; and (c) to provide for the repair, maintenance, replacement and protection of the Common Area and Common Facilities. Each and every Assessment levied hereunder is further declared and agreed to be a reasonable Assessment, and to constitute a separate, distinct and personal obligation (with respect to which a separate lien may be created hereby) of the Owner of the Lot against which the Assessment is imposed that shall be binding on the Owner's heirs, successors and assigns, provided that the personal obligation of each Owner for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

[4.6] Section 6. Exemption of Certain of the Properties From Assessments. The following real property subject to this Declaration shall, unless devoted to use as a residential dwelling, be exempt from the Assessments and the lien thereof provided herein:

- (a) Any portion of the Properties dedicated and accepted by a local public authority;
- (b) The Common Area and Common Facilities; and
- (c) Any Lot owned by the Association.

[4.7] Section 7. Notice and Procedure for Member Approval Pursuant to Sections 2 and 3. In the event that Member approval is required in connection with any increase or imposition of Assessments pursuant to sections 2 and 3 of this article IV, approval of the requisite percentage of the Members shall be solicited either by written ballot conducted in accordance with Corporations Code section 7513 and article IV, section 6 of the Bylaws or at a meeting of the Members called for that purpose, duly noticed in accordance with article V. section 4 of the Bylaws. The quorum required for such membership action shall be a majority of the Members.

[4.8] Section 8. Maintenance of Assessment Funds.

(a) Bank Accounts. All sums received or collected by the Association from Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more insured checking, savings or money market accounts in a bank or savings and loan association selected by the Board of Directors which has offices located within the State of California, County of Sacramento. In addition, the Board shall be entitled to make prudent investment of reserve funds in insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees. The Board, and such officers or agents of the Association as the Board, shall designate, shall have exclusive control of said account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof. The withdrawal of funds from Association accounts shall be subject to the minimum signature requirements imposed by California Civil Code section 1365.5 and article XII, section 2 of the Bylaws.

To preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one or more accounts and need not be deposited in separate accounts so long as the separate accounting records described herein are maintained. Any interest received on such deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Association as provided in subparagraph (b), below.

(b) Separate Accounts: Commingling of Funds. Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments. If the proceeds of any Special Assessment exceed the amount required to accomplish the purpose for which such Assessment was levied, such surplus may, in the Board's discretion, be returned proportionately to the contributors

thereof, reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, under funded or credited proportionately on account of the Owners' future Regular Assessment obligations.

For purposes of accounting, but without requiring any physical segregation of assets, the Association shall maintain a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made there from, provided that receipts and disbursements of Special Assessments made pursuant to this article IV, section 3(a)(i) shall be accounted for together with the receipts and disbursements of Regular Assessments; and separate liability accounts shall be maintained for each capital improvement for which reserve funds for replacement are allocated.

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

[4.9] Section 9. Collection of Assessments; Enforcement of Liens.

(a) Delinquent Assessments. If any installment payment of a Regular Assessment or lump sum or installment payment of any Special Assessment or Special Individual Assessment assessed to any Owner is not paid within 15 days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law from and after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code sections 1366(c) and 1366.1 or comparable superseding statutes.

(b) Effect of Nonpayment of Assessments.

(i) Creation and Imposition of a Lien for Delinquent Assessments. As more particularly provided in California Civil Code section 1367 or comparable superseding statute, the amount of any delinquent Regular or Special, or Special Individual Assessment, together with any late charges, interest and costs (including reasonable attorneys' fees) attributable thereto or incurred in the collection thereof, shall become a lien upon the Lot of the Owner so assessed only when the Association causes to be recorded in the Office of the County Recorder of the County, a Notice of Delinquent Assessment executed by an authorized representative of the Association, setting forth (A) the amount of the delinquent Assessment(s) and other sums duly imposed pursuant to this article IV and California Civil Code section 1366, (B) the legal description of the Owner's Lot against which the Assessments and other sums are levied, (C) the name of the Owner of Record of such Lot, (D) the name and address of the Association, and (E) the name and address of the trustee

authorized by the Association to enforce the lien by sale. Upon payment in full of the sums specified in the Notice of Delinquent Assessment, the Association shall cause to be recorded a further notice stating the satisfaction and release of the lien thereof.

(ii) Remedies Available to the Association to Collect Assessments. The Association may initiate a legal action against the Owner personally obligated to pay the delinquent Assessment, foreclose its lien against the Owner's Lot or accept a deed in lieu of foreclosure. Foreclosure by the Association of its lien may be by judicial foreclosure or by non-judicial foreclosure by the trustee designated in the Notice of Delinquent Assessment or by a trustee substituted pursuant to California Civil Code section 2934a. Any sale of a Lot by a trustee acting pursuant to this section 9 shall be conducted in accordance with California Civil Code sections 2924, 2924b and 2924c applicable to the exercise of powers of sale in mortgages or deeds of trust.

(iii) Non-judicial Foreclosure. Non-judicial foreclosure shall be commenced by the Association by recording in the Office of the County Recorder a Notice of Default, which notice shall state all amounts which have become delinquent with respect to the Owner's Lot and the costs (including attorneys' fees), penalties and interest that have accrued thereon, the amount of any Assessment which is due and payable although not delinquent, a legal description of the property with respect to which the delinquent Assessment is owed, and the name of the Owner of Record or reputed Owner thereof. The Notice of Default shall state the election of the Association to sell the Lot or other property to which the amounts relate and shall otherwise conform with the requirements for a notice of default under California Civil Code section 2924c, or comparable superseding statute.

The Association shall have the rights conferred by California Civil Code section 2934a to assign its rights and obligations as trustee in any non-judicial foreclosure proceedings to the same extent as a trustee designated under a deed of trust and for purposes of said section 2934a, the Association shall be deemed to be the sole beneficiary of the delinquent Assessment obligation. Furthermore, in lieu of an assignment of trusteeship, the Association shall be entitled to employ the services of a title insurance company or other responsible company authorized to serve as a trustee in non-judicial foreclosure proceedings to act as an agent on behalf of the Association in commencing and prosecuting any non-judicial foreclosure hereunder. The Association or its assignee shall mail a copy of the Notice of Default to the Owner or reputed Owner of the subject Lot at the Owner's last address appearing on the books or records of the Association, and to any person to whom the giving of a notice of default is required by applicable provisions of California Civil Code section 2924b. Following receipt of the Association's notice, the Owner and junior encumbrances shall have reinstatement rights identical to those provided by law for trustors or mortgagors, which rights must be exercised during the period specified by law for reinstatement of obligations secured by deeds of trust.

After the lapse of such time as may then be required by law following the recording of a Notice of Default under a deed of trust, the Association or its assignee may give Notice of Sale in the manner and for the period required in the case of deeds of trust. After the giving

of the Notice of Sale, the Association, or its assignee, without demand on the Owner, may sell the Lot at the time and place fixed in the Notice of Sale, at public auction to the highest bidder. At the Trustee's sale, the Trustee shall have the right to require every bidder to show evidence of his or her ability to deposit with the Trustee the full amount of his or her final bid in cash or a bank or savings and loan certified check and to require the last and highest bidder to deposit the full amount of his or her final bid in cash or a bank or savings and loan association certified check. The Association or its assignee may postpone the noticed sale by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement.

The Association shall deliver to the purchaser at such foreclosure sale the Association's deed conveying the Lot so sold, but without covenant or warranty, express or implied. The recitals in such deeds shall be conclusive proof of the truthfulness thereof. Any person, including the Association, may bid on the subject property and purchase the same at such sale.

After deducting from the sale proceeds all costs, fees, and expenses incurred by the Association, the net proceeds shall be applied to the payment of all sums secured by the Association's lien at the time of sale, including interest, costs and attorneys' fees, and the remainder, if any, shall be disbursed to the person or persons legally entitled thereto.

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

[4.10] Section 10. Transfer of Lot or Lot by Sale or Foreclosure. Except as otherwise provided herein, the sale or transfer of any Lot shall not affect any Assessment lien duly recorded with respect to such Lot prior to the sale or transfer. However, the sale or transfer of any Lot pursuant to the foreclosure of any first Mortgage or other mortgage or lien recorded prior to the Association's Assessment lien (collectively "prior encumbrance") shall extinguish the lien of such Assessments as to payments which become due prior to such sale or transfer. No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale or otherwise shall relieve the new Owner of such Lot, whether it be the former beneficiary of the first Mortgage or other prior encumbrance or a third party from liability for any Assessments thereafter becoming due or from the lien thereof.

Where the first Mortgagee or other purchaser of a Lot obtains title to the same as a result of foreclosure of any such first Mortgage or other prior encumbrance or exercise of a power of sale contained therein, the person acquiring title, his or her successors and assigns, shall not be solely liable for the Assessments chargeable to such Lot which became due prior to the acquisition of title. Instead, such unpaid Assessments shall be deemed to be Common Expenses collectible from the Owners of all of the Lots, including such acquirer, his or her successors and assigns. Furthermore, foreclosure shall not affect the Association's right to

maintain an action for the collection of delinquent Assessments against the foreclosed party personally.

[4.11] Section 11. Priorities. When a Notice of Delinquent Assessment has been recorded, such notice shall constitute a lien on the Lot prior and superior to all other liens or encumbrances recorded subsequent thereto, except (a) all taxes, bonds, Assessments and other levies which, by law, would be superior thereto, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage or deed of trust with first priority over other Mortgages or deeds of trust) made in good faith and for value, provided that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such first Mortgage or deed of trust, or other prior encumbrance.

[4.12] Section 12. Unallocated Taxes. In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than being assessed to the Lots, such taxes shall be included in the Regular Assessments imposed pursuant to this article IV. section 2 and, if necessary, a Special Assessment may be levied against the Lots in an amount equal to such taxes to be paid in two installments, thirty days prior to the due date of each tax installment.

[4.13] Section 13. Assignment of Rents. Each Owner does hereby presently assign to the Association, absolutely and regardless of possession of the property, all rents and other monies now due or hereafter to become due under any lease or agreement or otherwise for the use or occupation of any or all parts of any Lot owned by the Owner, now existing or hereafter made for the purpose of collecting all Assessments due the Association pursuant to this Declaration which are in default. The Association hereby confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable, provided that the Association at its sole discretion, may revoke such authority at any time, upon written notice to the Owner of a default in the payment of any Assessment due hereunder. Upon revocation of such authority the Association may, pursuant to court order or by court-appointed receiver, collect and retain such monies, whether past due and unpaid or current. The Association's rights under this section 13 shall be subordinate to the rights of any First Mortgagee.

[4.14] Section 14. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this article IV, the benefit of any homestead or exemption law of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed against the Owner's Lot.

[4.15] Section 14. Assessment. The fiscal year for the Association shall be a calendar year, unless the Board decides otherwise. The regular assessment period shall commence on January 1 and terminate on January 31 of each year; provided, however, that the first regular assessment period for all Lots in the Project shall commence on the date of the first conveyance of a Lot in the Project, and shall terminate on December 31 of that year

ARTICLE V
Architectural Committee

[5.1] Section 1. Improvements in General; Establishment of Architectural Committee. No “improvement” (as defined in article I, section 18) of any kind shall be commenced, erected or maintained within the properties, nor shall any exterior addition to or change or alteration be made in or to any Townhouse or to any Exclusive Use Common Area until the plans and specifications showing the nature, color, kind, shape, height (including front, side and rear elevations), materials, and location of the same shall have been submitted to and approved in writing by the Association’s Architectural Committee as to quality of workmanship and materials, harmony of external design and location in relation to surrounding structures, setback lines, topography and finish grade elevation.

[5.2] Section 2. Appointment of Architectural Committee. The Board of Directors may appoint an Architectural Committee composed of not less than three nor more than five members. Committee members appointed shall be from the membership of the Association. A majority of the Architectural Committee may designate a representative to act on its behalf. Members of the Committee shall serve for a term of one year. In the event of the death or resignation of any member of the Architectural Committee, a successor shall be appointed by the Board. Neither the members of the committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto. The Declarant shall appoint all of the original members and all replacements until the first anniversary of the issuance of the original public report for the first phase of the Project. Further, Declarant may reserve the power to appoint a majority of the Committee until ninety percent of all Lots have been sold on all phases of the Project or until the fifth anniversary date of the original issuance of the final public report for the first phase of the Project, which ever occurs later. Thereafter, the Board shall have the right to appoint all the members of the Committee.

Members appointed to the Committee by the Board shall be Members of the Association. Members appointed to the Committee by the Declarant need not be Members of the Association.

[5.3] Section 3. Submission of Plans; Action by Board or Committee. Plans and specifications for the proposed Improvement shall be submitted to the Architectural Committee by personal delivery or certified mail to the secretary of the Association or the chairman of the Architectural Committee. In the event the Committee fails to approve or disapprove such design and location within 45 days after said plans and specifications have been submitted to it, the request shall be deemed denied. Under such circumstances, the written request may be resubmitted. Approval of the Committee can contain conditions or requests for modification of particular aspects of the Owner’s plan and specifications.

[5.4] Section 4. Architectural Rules. The Architectural Committee may, subject to review by the Board of Directors, from time to time adopt, amend and repeal rules and regulations

to be known as “Architectural Rules.” Said rules shall interpret and implement the provisions of this Declaration by setting forth the standards and procedures for the review and approval of proposed Improvements and guidelines for architectural design, placement of any work of Improvement or color schemes, exterior finishes and materials and similar features which are recommended for use within the Properties, provided that said rules shall not be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Architectural Rules and this Declaration, the Declaration shall prevail.

[5.5] Section 5. Variances. The Architectural Committee shall be entitled to allow reasonable variances with respect to this article V or any restrictions specified in article VII in order to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships, provided that the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a property use restriction that would otherwise apply under this Declaration, the Committee must conduct a hearing on the proposed variance after giving at least 10 days’ prior written notice to the Board and to all Owners of Townhouses within 100 feet of the property for which the variance applies. The Owners receiving notice of the proposed variance shall have 30 days in which to submit to the Board or Committee written comments or objections with respect to the variance. No decision shall be made with respect to the proposed variance until the 30-day comment period has expired.

(b) The Committee must make a good faith determination that (i) the requested variance does not constitute a material deviation from the overall plan and scheme of development within the Properties or from any restriction contained herein or that the proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) the variance relates to a requirement hereunder that it is unnecessary or burdensome under the circumstances; or (iii) the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance, with respect to any other Townhouse, Common Area or Owner within the Properties.

[5.6] Section 6 Estoppel Certificate. Within 30 days after written demand is delivered to the Architectural Committee by any Owner, and upon payment to the Association of a reasonable fee (as fixed from time to time by the Board), the Committee shall execute an estoppel certificate, executed by any two of its members, certifying (with respect to any Townhouse owned by the applicant Owner) that as of the date thereof, either (i) all Improvements made and other work completed by said Owner with respect to the Townhouse comply with this Declaration; or (ii) that such Improvements or work do not so comply, in which event the certificate shall also identify the non-complying Improvements or work and set forth with particularity the bases of such noncompliance. Any purchaser from the Owner, or anyone deriving any interest in said Townhouse through the Owner, shall be entitled to rely on said certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners and any persons deriving any interest through them.

ARTICLE VI

Use of Properties and Restrictions

In addition to the restrictions established by law or Association Rules promulgated by the Board of Directors (consistent with this Declaration), the following restrictions are hereby imposed upon the use of Lots, Townhouses, Common Areas and other parcels within the Properties. All Common Areas, imposed with the restriction set forth in this Article VI shall be transferred to the Homeowners Association prior to or coincident with the first transfer of a Lot by the Declarant.

[6.1] Section 1. Single Family Residential Use. The use of the Townhouses within the Properties is hereby restricted to Single Family Residential Use, as defined in article I, section 28 hereof. In no event shall a Residence be occupied by more individuals than permitted by applicable zoning laws or governmental regulations. An Owner is permitted to lease or rent his or her Townhouse, subject to the provisions of article II, (“Delegation or Use”) of this Declaration.

[6.2] Section 2. Conveyance of Lots or Lots. Each Lot shall be conveyed as a separately designated and legally described fee simple estate subject to this Declaration.

[6.3] Section 3. Interior Improvements. Any interior Improvement to a Townhouse involving structural components of the building structure, other than non-load-bearing interior walls, shall require prior architectural approval in accordance with article V, above which will adversely affect any other Townhouses or their occupants.

[6.4] Section 4. Common Areas. The Common Areas other than Exclusive Use Common Areas shall be preserved as open space and used for recreational purposes and other purposes incidental and ancillary to the use of units. Such use shall be limited to the private use for aesthetic and recreational purposes by the Association’s Members, their tenants, families and guests, subject to the provisions of the Governing Documents. No Improvement, excavation or work which in any way alters any Common Area or Common Facility from its natural or existing state on the date such Common Area or Common Facility shall be made or done except by the Association and then only in strict compliance with the provisions of this Declaration. Each Owner shall be liable to the remaining Owners for any damage to the Common Area and Common Facilities that may be sustained by reason of the negligence of that Owner, that Owner’s family members, contract purchasers, tenants, guests, or invitees, but only to the extent that any such damage is not covered by casualty insurance in favor of the Association. Each Owner, by acceptance of his or her deed, agrees personally and for family members, contract purchasers, tenants, guests, and invitees, to indemnify each and every other Owner, and to hold such Owner(s) harmless from, and to defend him against, any claim of any person for personal injury or property damage occurring within the Townhouse of that particular Owner, including Exclusive Use Common Area, if any, except to the extent (i) that such injury or damage is covered by liability insurance in favor of the Association or other Owner or (ii) the injury or damage occurred by reason of the willful or

negligent act or omission of the Association or other Owner or other person temporarily visiting his or her Townhouse.

[6.5] Section 5. Prohibition of Noxious Activities. No illegal, noxious or offensive activities shall be carried out or conducted upon any Lot or Common Area nor shall anything be done within the Properties which is or could become an unreasonable annoyance or nuisance to neighboring property Owners. Without limiting the foregoing, no Owner shall permit noise, including but not limited to barking dogs, the operation of excessively noisy air conditioners, stereo amplifier systems, television systems, motor vehicles or power tools, to emanate from an Owner's Townhouse or from activities within the Common Area, which would unreasonably disturb any other Owner's or tenant's enjoyment of his or her Townhouse or the Common Area.

[6.6] Section 6. Household Pets. The following restrictions regarding the care and maintenance of pets within the Properties shall be observed by each Owner and resident:

(a) No more than two common household pets may be kept within an Owner's Townhouse so long as the same are not kept, bred or maintained for commercial purposes. No other animals, livestock, or poultry of any kind shall be kept, bred or raised within any Townhouse.

(b) Dogs shall be allowed on the Common Area only when they are leashed and are otherwise under the supervision and restraint of their Owners.

(c) No household pet shall be left chained or otherwise tethered in front of a Townhouse or in the Common Area. Pet owners shall be responsible for the prompt disposal of pet wastes deposited by their pets in the Common Area or on backyard patios.

(d) Each person bringing or keeping a pet on the Properties shall be solely responsible for the conduct of the Owner's pets. The Association, its Board, officers, employees and agents shall have no liability (whether by virtue of this Declaration or otherwise) to any Owners, their family members, guests, invitees, tenants and contract purchasers for any damage or injury to persons or property caused by any pet.

(e) The Board of Directors shall have the right to establish and enforce additional rules and regulations defining in a uniform and nondiscriminatory manner, what constitutes a "reasonable number" of pets depending on their size, disposition and/or maintenance requirements and imposing standards for the reasonable control and keeping of household pets in, upon and around the Properties to ensure that the same do not interfere with the quiet and peaceful enjoyment of the Properties by the other Owners and residents.

[6.7] Section 7. Signs. No advertising signs or billboards shall be displayed on any building containing Townhouses or posted within or upon any portion of the Common Area except that Owners may post in the windows of their Townhouses any signs required by legal proceedings and a single "For Rent," "For Lease" or "For Sale" sign of reasonable

dimensions. Signs permitted hereunder shall not be nailed to the exterior of any Townhouse or building containing Townhouses or staked in any lawn or green area in front of any Townhouse or building containing Townhouses. A-frame or other directional signs of real estate brokers advertising Townhouses for sale or lease shall only be allowed within the Common Area or roadways within the Properties in strict compliance with applicable Association Rules. The Architectural Committee, in its discretion, shall be entitled to regulate or prevent altogether the erection and maintenance of Owner's, agent's or broker's directional signs along roadways or on any Common Areas within the Properties.

[6.8] Section 8. Business Activities. No business or commercial activities of any kind whatsoever shall be conducted in any Townhouse, carport area or out building without the prior written approval of the Board, provided that the foregoing restriction shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities under the Governing Documents. Furthermore, no restrictions contained in this section 6.9 shall be construed in such a manner so as to prohibit any Owner from (a) maintaining his or her personal library in his or her Townhouse, (b) keeping his or her personal business records or accounts therein, (c) handling his or her personal or professional telephone calls or correspondence there from, (d) leasing or renting his or her Townhouse in accordance with article II, section 31 hereof, or (e) conducting any other activities within the Owner's Townhouse otherwise compatible with residential use and the provisions of this Declaration which are permitted under applicable zoning laws or regulations without the necessity of first obtaining a special use permit or specific governmental authorization. The uses described in (a) through (e), above, are expressly declared to be customarily incidental to the principal residential use of the Townhouse and not in violation of this section 6.9.

[6.9] Section 9. Garbage. No rubbish, trash, or garbage shall be allowed to accumulate outside of any Townhouse. Any trash that is accumulated by an Owner outside the interior walls of a Townhouse shall be stored entirely within appropriate covered disposal containers and facilities located within designated garbage areas within the Common Areas. Any extraordinary accumulation of rubbish, trash, garbage or debris (such as debris generated upon vacating of premises or during the construction of modifications and Improvements) shall be removed from the Properties to a public dump or trash collection area by the Owner or tenant at his or her expense. The Association shall be entitled to impose reasonable fines and penalties for the collection of garbage and refuse disposed in a manner inconsistent with this section.

[6.10] Section 10. Storage. Storage of personal property within any Townhouse shall be entirely within enclosed storage areas. There shall be no woodpiles nor storage piles accumulated on top, or outside, of any enclosed storage area. The Association shall have the right to establish and maintain on the premises appropriate storage yards and storage buildings for the maintenance of materials and equipment used by the Association in connection with its planting, building, repair, maintenance and preservation of the structures, gardens and other Improvements within the Common Areas which the Association is obligated to repair and maintain.

[6.11] Section 11. Clotheslines. No exterior clothesline shall be erected or maintained and there shall be no drying or laundering of clothes on the balcony or enclosed patio area of any Townhouse in a manner which is visible from any neighboring Lot or the Common Area.

[6.12] Section 12. Antennas and Similar Devices. In order to ensure adequate aesthetic controls and to maintain the general attractive appearance of the Properties, no Owner, resident or lessee shall, at his or her expense or otherwise, place or maintain any objects, such as masts, towers, poles, television and radio antennas, or television satellite reception dishes on or about the exterior of any building within the Properties unless architectural approval is first obtained in accordance with article V, hereof. Furthermore, no activity shall be conducted within any Townhouse which causes an unreasonable broadcast interference with television or radio reception on any neighboring Townhouse.

[6.13] Section 13. Burning. There shall be no exterior fires whatsoever except barbecue fires located only on the balcony or enclosed patio area of the Owner's Townhouse or the terrace area of the Clubhouse and contained within receptacles designed for such purpose.

[6.14] Section 14. Basketball Standards/Sports Apparatus. No basketball standards, volleyball poles, or fixed sports apparatus shall be permitted within the Properties except as may be constructed about the Clubhouse area by the Association.

[6.15] Section 15. Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of a private Townhouse or appurtenant structures within the Properties.

[6.16] Section 16. Diseases and Pests. No Owner shall permit any thing or condition to exist in his or her Townhouse, which shall induce, breed, or harbor infectious plant diseases, rodents or noxious insects.

[6.17] Section 17. Parking and Vehicle Restrictions. The following parking and vehicle restrictions shall apply within the Properties:

(a) Unless otherwise permitted by the Association, no vehicle or trailer shall be parked or left within the Properties other than within an assigned or appurtenant parking stall or space or in designated guest parking areas. Any and all vehicle used for purposes of moving to and from the Properties may be parked in the parking areas allocated for guest parking during the day of the move and overnight for one (1) night.

(b) Except as otherwise provided in subparagraph (D~ below, only the following vehicles ("authorized vehicles") shall be permitted to be parked by any Owner or resident within the Properties: standard passenger vehicles, including Bronco or Blazer type trucks, sports utility vehicles, minivans, jet skis and carriers, and trucks which do not exceed three-quarter tons in gross weight, recreational vehicles, motorcycles, and campers. Authorized vehicles are permitted within the Properties as provided in subparagraph (d)

below. Commercial vehicles and trucks in excess of three-quarter tons in gross weight are not “authorized vehicles” and shall only be permitted within the Properties as provided in subparagraph (f) below.

(c) All driveways shall be maintained in a neat and orderly condition. All garage doors shall be closed at all times when there is no activity occurring in or about the garage.

(d) Designated guest parking areas within the Common Areas are to remain open for use by guests only and are not to be used by Owners or other residents, either permanently or temporarily, for the parking of their authorized vehicles or the storage of boats, trailers or similar items of personal property. All Owners’ or residents’ authorized vehicles must be parked in the garage when not in use. Owners or residents may not use the parking areas designated for guest parking for personal use as overflow Owner or resident parking.

(e) No motor vehicle shall be constructed, reconstructed or repaired within the Properties and no dilapidated or inoperable vehicle, including vehicles without wheel(s) or an engine, shall be stored on the Properties; provided, however that the provisions of this section shall not apply to emergency vehicle repairs.

(f) Commercial vehicles and trucks in excess of three-quarter tons are not to be parked within the Properties, except for periods not to exceed three (3) hours for the purpose of loading and unloading. Parking by commercial vehicles for the purpose of making deliveries or service calls shall be permitted in accordance with the Association Rules.

(g) The Board shall have the authority to tow at the Owner’s expense, any vehicle parked or stored in violation of this section. The Board shall post such notices or signs within the Common Area as may be required by law to effectuate this towing provision.

(h) The Board shall have the authority to promulgate further reasonable rules and restrictions of uniform application regarding parking and vehicles within the properties as may be deemed prudent and appropriate.

(i) Parking shall not be permitted on any street within the Properties except within carports or designated parking areas.

[6.18] Section 18. Children. Each Owner and resident shall be accountable to the remaining Owners and residents, their families, visitors, guests and invitees, for the conduct and behavior of their children and any children temporarily residing in or visiting the Owner and for any property damage caused by such children.

[6.19] Section 19. Activities Affecting Insurance. Nothing shall be done or kept within any Townhouse or within the Common Area which will increase the rate of insurance relating thereto on any policy maintained by the Association without the prior written consent of the Association and no Owner shall permit anything to be done or kept within his or her Townhouse or within the Common Area which would cause any Improvements to be

uninsurable against loss by fire or casualty or result in the cancellation of insurance on any Townhouse or any part of the Common Area.

[6.20] Section 20. Variances. Upon application by any Owner, the Architectural Committee shall be authorized and empowered to grant reasonable variances from the property use restrictions set forth in this article VI, if specific application of the restriction will, in the sole discretion of the Board, either cause an undue hardship to the affected Owner or fail to further or preserve the common plan and scheme of development contemplated by this Declaration. In considering and acting upon any request for a variance, the Committee shall follow the procedures set forth in article V, for the granting of architectural variances.

[6.21] Section 21. Enforcement of Property Use Restrictions. The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and tenants with the environmental standards and property use restrictions contained herein. Accordingly, in the event that the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action under article XIV, section 6 hereof, the Owner or Tenant responsible for the violation shall receive written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the noncomplying condition, request that the Owner or tenant correct the condition within a reasonable time specified in the notice, and advise the Owner or tenant of his or her appeal rights.

[6.22] Section 22. Patios and Balconies. Decks and balconies may not be used for purposes of storage. Bicycles may not be stored on decks or balconies or any other location outside the Townhouse. Lawn and patio type furniture may be placed upon balconies and patios for use by the Owner and guests.

ARTICLE VII

Exterior Maintenance Responsibilities

[7.1] Section 1. Common Area and Recreation Area. The Association shall be solely responsible for all maintenance, repair, upkeep and replacement within the Common Area, including the Common Facilities. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any Improvement upon, or shall create any excavation or fill or change the natural or existing drainage of any portion of the Common Area and the Recreational Area. In addition, no person shall remove any tree, shrub or other vegetation from, or plant any tree, shrub, or other vegetation upon the Common Area or the Recreational Area without express approval of the Association.

[7.2] Section 2. Owner Maintenance Responsibilities.

(a) Each Owner of a Lot shall be responsible for maintaining his or her Townhouse, including the equipment and fixtures in the Townhouse and the interior walls, ceilings, windows and doors of the owned Townhouse in a clean, sanitary, workable, and attractive

condition. However, each Owner has complete discretion as to the choice of furniture, furnishings, and interior decorating, except that windows can be covered only by drapes, shutters, or shades and cannot be painted or covered by foil, cardboard, or other similar materials. Each Owner also shall be responsible for repair, replacement, and cleaning of the windows and glass of his or her Townhouse, both exterior and interior.

(b) Each Owner shall be responsible for cleaning, maintaining and repairing the Exclusive Use Common Areas appurtenant to his or her Townhouse, as more particularly described in article II, section 1(e), above.

[7.3] Section 3. Recovery of Costs of Certain Repairs and Maintenance.

(a) In the event that the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder is caused through the willful or negligent acts of an Owner, his or her family, guests, tenants, or invitees, and is not covered or paid for by Association insurance policies or any liability insurance maintained by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with article IV, section 4 hereof.

(b) In the event that an Owner fails to perform maintenance functions for which he or she is responsible, the Association may give written notice to the offending Owner with a request to correct the failure within 15 days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance, the Association may exercise its rights under article III, section 6(b) to enter the Owner's Townhouse and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing in accordance with article XIV, section 6, hereof.

[7.4] Section 4. Cooperative Maintenance Obligations. To the extent necessary or desirable to accomplish the Association's maintenance obligations hereunder, individual Owners shall cooperate with the Association and its agents and maintenance personnel in the prosecution of its work.

ARTICLE VIII
Easements

[8. 1] Section 1. Encroachment Easements. If any portion of the Common Area encroaches on any Townhouse or if any portion of a Townhouse encroaches on the Common Area, regardless of the cause, a valid easement exists for such encroachment and for the maintenance of it as long as it remains, and all Townhouses and the Common Area are made subject to such easements. If any structure containing a Townhouse is partially or totally destroyed and then rebuilt and any encroachment on the Common Area results, a valid easement exists for such encroachment and for the maintenance of it as long as it remains, and, all Townhouses and the Common Area are made subject to such easements.

[8.2] Section 2. Street Easements. Each Owner and the Association shall have and is hereby granted a nonexclusive easement for street, roadway and vehicular traffic purposes over and along the private streets and paved parking areas within the Properties, subject to termination of such easement and the rights and restrictions set forth in this Declaration. The nonexclusive easement granted hereby to each Owner and to the Association is subject to the offer of dedication of such streets made upon the Subdivision Maps and upon complete or partial acceptance of such offer by the County of Sacramento, said easement shall terminate and be of no further force or effect as to those streets or portions thereof accepted by the County. The streets within the Properties shall also be subject to an emergency vehicle access easement and public right-of-way easement, as shown upon and described by the Subdivision Map.

[8.3] Section 3. Blanket Utility Easement. There is hereby created a blanket easement upon, across, over and under all of the Properties for ingress, egress, installation, replacing, repairing and maintaining all utilities, including but not limited to water, sewers, gas, telephones, drainage and electricity and the master television antenna or cable television system. By virtue of this easement, it shall be expressly permissible for the providing utility company to erect and maintain the necessary equipment and underground facilities on the Common Area. Notwithstanding the foregoing, no sewer, electrical lines, water lines, or other utilities may be installed or relocated on said Properties except as initially designed and approved by the Declarant or thereafter approved by the Association's Board of Directors. The easements provided for in this section 3 shall in no way effect any other recorded easement on the Properties.

[8.4] Section 4. Maintenance Easements. An easement is hereby granted to the Association, its officers, agents, employees, and to any management company or contractor selected by the Association to enter in or to cross over the Common Area and any Lot to perform the duties of maintenance and repair of the Lots, Common Area, or Common Facilities, provided that any entry by the Association or its agents into any Townhouse shall only be undertaken in strict compliance with article III, section 6(b).

[8.5] Section 5. Other Easements. Each Townhouse and its Owner, and the Association as to the Common Area, are hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the Properties and each Townhouse and Common Area as shown on the Subdivision Map.

[8.6] Section 6. Priority of Easements. Wherever easements granted to the County are, in whole or in part, coterminous with any other easements, the easements of the County shall have and are hereby granted priority over said other easements in all respects.

[8.7] Section 8. Development Easement. The Declarant shall have access over or across the Common Areas for the purposes of (1) completion of construction of the Project, including subsequent phases of the Project and (2) the erection, construction, or maintenance of structures or other facilities designed to facilitate the completion of construction or marketing of Lots or improvements on them.

ARTICLE IX

Insurance

[9. 1] Section 1. Types of Insurance Coverage. The Association shall purchase, obtain and maintain, with the premiums therefor being paid out of Common Funds, the following types of insurance, if and to the extent such insurance, with the coverages described below, is available at a reasonable premium cost:

(a) Fire and Casualty Insurance. The Association shall obtain and maintain a master or blanket policy of fire and casualty insurance, for the full insurable value of all the buildings containing Townhouses within the Properties and on any Common Facilities. The insurance shall be kept in full force and effect at all times and the full replacement value of the insured property shall be redetermined on an annual basis.

Depending on the nature of the insured property and the requirements, if any, imposed by institutional Mortgagees having an interest in such property, the policies maintained by the Association pursuant to this section shall contain an agreed amount endorsement or its equivalent, in increased cost of construction endorsement or a contingent liability from operation of building laws endorsement or the equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement and a clause to permit cash settlements for full insurable value in case of partial destruction. The policies required hereunder shall provide amounts or coverage as shall be determined by the Board and shall name as insured the Association, all Owners and all Mortgagees as their respective interests may appear. The policies may contain a loss payable endorsement in favor of the trustee described in section 5 below.

(b) Public Liability and Property Damage Insurance. To the extent such insurance is reasonably obtainable, the Association shall obtain and maintain a policy of comprehensive public liability and property damage insurance naming as parties insured the Association, each member of the Association Board of Directors, any manager, the Owners and occupants of Townhouses, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the ownership and use of the Common Area and the Recreation Area and any other Association-owned or maintained real or personal property and including, if obtainable, a cross-liability or sever ability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than \$1 million covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location and use.

(c) Additional Insurance and Bonds. To the extent such insurance is reasonably obtainable, the Association may also purchase with Common Funds such additional insurance and bonds as it may, from time to time, determine to be necessary or desirable, including, without limiting the generality of this section, demolition insurance, flood insurance, and

workers' compensation insurance. The Board shall also purchase and maintain fidelity bonds or insurance in an amount not less than 90 percent of each year's estimated annual operating expenses and reserves and shall contain an endorsement of any person who may serve without compensation. The Board shall purchase and maintain such insurance on personal property owned by the Association and any other insurance, including directors and officers liability insurance, that it deems necessary or desirable.

[9.2] Section 2. Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by section 1 is for any reason not available, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage described above. The Board shall notify the Owners of any material adverse changes in the Association's insurance coverage.

[9.3] Section 3. Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

[9.4] Section 4. Individual Fire and Casualty Insurance Limited. Except as provided in this section, no Owner can separately insure his or her Townhouse or any part of it against loss by fire or other casualty covered by the Association's blanket insurance carried under this article IX, section 1(a). If any Owner violates this provision, any diminution in insurance proceeds otherwise payable pursuant to the provisions of section 1(a) that results from the existence of such other insurance will be chargeable to the Owner who acquired such other insurance, and the Owner will be liable to the Association to the extent of any diminution. An Owner can insure his or her personal property against loss. In addition, any Improvements made by an Owner within his or her Lot may be separately insured by the Owner, but the insurance is to be limited to the type and nature of coverage commonly known as 'tenant's Improvements.' All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other Owners, the Association, and any institutional first Mortgagee of such Lot.

[9.5] Section 5. Trustee. All insurance proceeds payable under this article IX, section 1 may, in the discretion of the Board of Directors, be paid to a trustee to be held and expended for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear. Said trustee shall be a commercial bank or other institution with trust powers within the County that agrees in writing to accept such trust. If repair or reconstruction is authorized pursuant to article X, below, the Association and any duly appointed trustee shall have the duty to contract for such work as provided in article X, section 5.

[9.6] Section 6. Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to this article IX, section 1. The Board is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

[9.7] Section 7. Owner's Liability Insurance. An Owner may carry whatever personal liability and property damage liability insurance with respect to his or her Lot that he or she desires. However, any such policy shall include a waiver of subrogation clause acceptable by the Board and to any institutional First Mortgagee.

ARTICLE X Damage or Destruction

[10. 1] Section 1. Destruction; Proceeds Exceed 85 Percent of the Reconstruction Costs. If there is a total or partial destruction of any Townhouse or Common Facility Improvements within the Properties, and if the available proceeds of the insurance maintained pursuant to article IX are sufficient to cover not less than 85 percent of the costs of repair and reconstruction, the Improvements shall be promptly rebuilt unless, within 90 days from the date of destruction, 75 percent of the total voting power "eligible Members" (as defined in section 4, below), determine that such repair and reconstruction shall not take place. If repair and reconstruction is to take place, the Board shall be required to execute, acknowledge and record in the office of the County Recorder, not later than 120 days from the date of such destruction, a certificate declaring the intention of the Members to rebuild.

[10.2] Section 2. Destruction; Proceeds Less Than 85 Percent of Reconstruction Costs. If the proceeds of insurance are less than 85 percent of the cost of repair and reconstruction, repair and reconstruction of the damaged or destroyed Improvements may nevertheless take place, if, within 90 days from the date of destruction, eligible Members then holding at least 51 percent of the total voting power determine that such repair and reconstruction shall take place. If a meeting or written ballot is called to vote on the matter, the Association shall solicit and obtain bids from at least two reputable contractors to repair and reconstruct the Improvements in accordance with the original plans and shall present this information to the Owners at the meeting. If repair and reconstruction are to take place, the Association shall execute, acknowledge, and record in the office of the County Recorder of the County not later than 120 days from the date of destruction a certificate declaring the intention of the Owners to rebuild.

[10.3] Section 3. Rebuilding Procedures. If the eligible Members determine to rebuild, pursuant to section 1 or 2, above, the Owners of each Townhouse located within a structure that has been totally or partially destroyed shall be obligated to contribute his or her proportionate share of the cost of reconstruction or restoration of the structure containing his or her Townhouse, over and above the available insurance proceeds. The Owners' proportionate share of the cost of reconstruction or restoration shall be based upon the ratio that the square footage of the living area of his or her Townhouse bears to the total square footage of the living area of all Townhouses. If any Owner fails or refuses to pay his or her proportionate share, the Board may levy a Special Individual Assessment against the Townhouse of such Owner which may be enforced under the lien provisions contained in article IV or in any other manner provided in this Declaration.

If any Owner disputes the amount of his or her proportionate liability under this section 3, such Owner may contest the amount of his or her liability by submitting to the Board, within 9 days after notice to the Owner of his or her share of the liability, written objections supported by cost estimates or other information that the Owner deems to be material and may request a hearing before the Board at which the Owner may be represented by counsel. Following such hearing, the Board shall give written notice of its decision to all Owners, including any recommendation that adjustments be made with respect to the liability of any Owners. If such adjustments are recommended, the notice shall schedule a special meeting of Members for the purpose of acting on the Board's recommendation, including making further adjustments, if deemed by the Members to be necessary or appropriate. All adjustments shall be affirmed or modified by 51 percent of the total voting power of the eligible Members. If no adjustments are recommended by the Board, the decision of the Board shall be final and binding on all Owners, including any Owner filing objections.

[10.4] Section 4. Definition of "Eligible Members" Entitled to Vote. For purposes of any vote pursuant to this article X, the Members eligible to vote shall be:

(a) the requisite percentage of the total voting power of the membership in the case of any damage to or destruction of Common Facilities other than buildings containing Townhouses, and

(b) in the case of any damage to or destruction of buildings containing Townhouses, the requisite percentage of the voting power of those members whose Townhouses are located in the damaged or destroyed structure(s). Any membership vote required hereunder shall be conducted either at a duly convened meeting at which a quorum is present or by written ballot conducted in accordance with article IV, section 6 of the Bylaws.

[10.5] Section 5. Rebuilding Contract. If the Eligible Members determine to rebuild, the Board shall reconstruct the damaged or destroyed portions of the Properties substantially in accordance with the original plan. The Board or its authorized representative shall obtain bids from at least two reputable contractors and shall award the repair and reconstruction work to the bidder the Association Board determines to be the most qualified (which need not be the lowest bidder).

The Board shall have the authority to enter into a written contract with the contractor for such repair and reconstruction on terms deemed reasonable by the Board. The insurance proceeds held by the trustee shall be disbursed to the contractor according to the terms and conditions of the agreement. It shall be the obligation of the Board to take all steps which are necessary or appropriate to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

[10.6] Section 6. Rebuilding Not Authorized. If the Eligible Members determine not to rebuild, then any insurance proceeds then available for rebuilding shall be used or distributed as follows:

(a) If, prior to the expiration of 120 days from the date of destruction, 75 percent of all Owners and institutional first Mortgagees with Mortgages encumbering the affected Townhouses within the Properties consent by vote or in writing, the Board acting on behalf of the Association shall have the right to purchase the Townhouses which were rendered uninhabitable by such damage or destruction at the fair market value thereof immediately prior to the damage or destruction (as determined by an appraiser in accordance with section 8, below), using the available proceeds of insurance for such purpose. Any shortage of insurance proceeds shall be made up by a Special Assessment levied against all remaining Owners (but without the consent or approval of Owners, despite any contrary provisions of this Declaration). The Board's decision as to whether or not a Townhouse is uninhabitable shall be final and binding on all parties. Any payment of the purchase price shall be made jointly to the selling Owner and all Mortgagees of his or her Townhouse and each Owner by accepting a deed to a Lot agrees to be bound by these provisions and to sell his or her Lot by grant deed to the Association as provided herein. Concurrently with such purchase, the Board or individuals authorized by the Board, acting as attorney-in-fact of all Owners shall amend the Subdivision Map and this Declaration to eliminate from the Properties the Lots so purchased and to adjust the undivided ownership interest of the remaining Owners to reflect the reduced number of Lots in the Project; and the Association shall convey to each remaining Owner a proportionate share of the undivided interests in the Common Area represented by the Lots purchased. This proportion shall be in the ratio that each remaining Owner's undivided interest in the Common Area bears to all remaining Owner's undivided interests in the Common Area.

(b) Notwithstanding the determination of eligible Members not to rebuild pursuant to section 1 or 2 of this article X, any Townhouses which are not rendered uninhabitable shall be repaired and restored to a condition as near as possible to their condition immediately before such damage or destruction. Such repair and restoration shall be paid first from the insurance proceeds remaining after the purchase of Lots pursuant to subparagraph (a), of this section 6, if any, and second from a Special Individual Assessment levied against all remaining Owners in the manner described in section 4 of this article X (but without the consent or approval of Owners, despite any contrary provisions of this Declaration).

(c) If the required 75 percent of all Owners and institutional first Mortgagees do not consent to purchase the Lots which were rendered uninhabitable, an appraiser shall determine the relative fair market values of all Lots in the Properties, as of a date prior to any damage or destruction and the proceeds of insurance shall be apportioned among all Owners, and their respective Mortgagees, in proportion to such relative values. The Board shall have the duty, within 120 days from the date of destruction, to execute, acknowledge and record in the office of the County Recorder, a certificate declaring the intention of the Members not to rebuild. On recordation of the certificate, the right of any Owner to partition through legal action as described in article XII shall revise immediately.

[10.7] Section 7. Minor Repair and Reconstruction. In any case, the Board shall have the duty to repair and reconstruct Improvements owned by the Association or improvements it is obligated to repair and maintain, without the consent of Members and irrespective of the

amount of available insurance proceeds, in all cases of partial destruction when the estimated cost of repair and reconstruction does not exceed \$20,000. Any amounts paid by the Board up to and including \$20,000 which are not covered by insurance shall be assessed to the Owners of Lots which are damaged upon the basis of the ratio of the square footage of the floor area of the Lot to be assessed to the total square footage of the floor area of all Lots to be assessed.

[10.8] Section 8. Appraiser. Wherever in this article X or article XI reference is made to a determination of the value or fair market value of one or more Lots by an appraiser, this shall mean an appraisal by an independent appraiser selected by the Board, who shall be a member of the Society of Real Estate Appraisers (SREA) or other nationally recognized appraiser organization and who shall apply its or such other organization's standards in determining the value or fair market value of each Lot. The costs of such appraisals shall be paid from the sale or insurance proceeds, as the case may be.

ARTICLE XI Condemnation

[11.1] Section 1. Sale by Unanimous Consent or Taking. If an action for condemnation of all or a portion of the Properties is proposed or threatened by any governmental agency having the right of eminent domain, then, on unanimous written consent of all of the Owners and all institutional Mortgagees, the Properties, or a portion thereof may be sold and conveyed to the condemning authority by the Board or its designees acting as the attorney-in-fact of all Owners under an irrevocable power of attorney, which each Owner by accepting a deed to a Lot in the Properties hereby grants and which shall be coupled with the interest of all other Owners, for a price deemed fair and equitable by the Board. If the requisite number of Owners or institutional Mortgagees do not consent to a sale of all or a portion of the Properties, and the condemning authority institutes condemnation proceedings, the court shall fix and determine the condemnation award.

[11.2] Section 2. Distribution and Sale Proceeds of Condemnation Award.

(a) Total Sale or Taking. A total sale or taking of the Properties bans a sale or taking that (i) renders more than 50 percent of the Lots uninhabitable (such determination to be made by the Board in the case of a sale and by the court in the case of a taking) or (ii) renders the Properties as a whole uneconomical as determined by the vote or written consent of 66-2/3 percent of those Owners and their respective institutional Mortgagees whose Lots will remain habitable after the taking. However, any determination that a sale or taking is total must be made before the proceeds from any sale or award are distributed. The proceeds of any such total sale or taking of the Properties, after payment of all expenses relating to the sale or taking, shall be paid to all Owners and to their respective Mortgagees in the proportion that the fair market value of each Lot bears to the fair market value of all Lots on the Properties. The fair market value of Lots shall be determined in the condemnation action, if such be instituted, or by an appraiser.

(b) Partial Sale or Taking. In the event of a partial sale or taking of the Properties, meaning a sale or taking that is not a total taking, as determined in section 2(a), above, the proceeds from the sale or taking shall be paid or applied in the following order of priority and any judgments of condemnation shall include the following provisions as part of its terms:

(i) To the payment of expenses of the Association in effecting the sale or to any prevailing party in any condemnation action to whom such expenses are awarded by the Court to be paid from the amount awarded; then

(ii) To Owners and to their respective Mortgagees, as their interests may appear, of Lots on the Properties whose Lots have been sold or taken, an amount up to the fair market value of such Lots as determined by the court in the condemnation proceeding or by an appraiser, less such Owners' share of expenses paid pursuant to section 2(b)(i) (which share shall be in proportion to the ratio that the fair market value of each Owner's Lot bears to the fair market value of all Lots). After such payment, the recipient shall no longer be deemed an Owner and the Board or individuals authorized by the Board, acting as attorney-in-fact of all Owners shall amend the Subdivision Map and this Declaration to eliminate from the Properties the Lots so sold or taken; then

(iii) To any remaining Owner(s) and to his or her Mortgagees, as their interests may appear, whose Lot has been diminished in value as a result of the sale or taking disproportionate to any diminution in value of all Lots, as determined by the Court in the condemnation proceeding or by an appraiser, an amount up to the total diminution in value; then

(iv) To all remaining Owners and to their respective Mortgagees, as their interests may appear, the balance of the sale proceeds or award in proportion to the ratio that the fair market value of each remaining Owner's Lot bears to the fair market value of all remaining Owners' Lots as of a date immediately prior to commencement of condemnation proceedings, as determined by the Court in the condemnation proceeding or by an appraiser.

[11.3] Section 3. Appraiser.

Wherever in this article XI reference is made to a determination of the value or fair market value of one or more Lots by an appraiser, this shall mean an appraisal by an independent appraiser selected by the Board, who shall be a member of the Society of Real Estate Appraisers (SREA) or other nationally recognized appraiser organization and who shall apply the SREA or other national appraisal organization's standards in determining the value or fair market value of each Lot. The costs of such appraisals shall be paid from the condemnation proceeds as an expense of the Association.

ARTICLE XII
Partition of Common Area

[12.1] Section 1. Suspension or Right of Partition. Except as expressly provided in this article XII, an Owner shall have no right to partition or divide his or her ownership of the Common Area. Partition of the Common Area can be had on a showing that the conditions to such partition as stated in article XI, or in article X or in California Civil Code section 1359 have been met. Nothing in this Declaration shall prevent partition of a co tenancy in a Lot.

[12.2] Section 2. Distribution of Proceeds Upon Partition. Proceeds of property resulting from a partition shall be distributed to and among the respective Owners and their Mortgagees as their interests appear in proportion to the ratio that the fair market value of each Owner's Lot bears to the fair market value of all Owners' Lots determined by appraisal as provided herein, but as of a date immediately prior to the event giving rise to the right of Owners to partition the Common Area.

[12.3] Section 3. Power of Attorney. Pursuant to California Civil Code section 1355(b)(9) each of the Owners irrevocably appoints the Association as attorney-in-fact and irrevocably grants to the Association full power in the name and stead of such Owner to sell the entire Project, and to execute deeds and conveyances to it, in one or more transactions, for the benefit of all Owners when partition of the Project may be had under Civil Code section 1359 and under the circumstances authorizing partition under this Declaration. The power of attorney shall (a) be binding on all Owners, whether they assume the obligations under this Declaration or not; (b) be exercisable by a majority of the Board acting on behalf of the Association, subject to obtaining the prior approval by vote or written consent of 75 percent of the Owners and 75 percent of all institutional first Mortgagees; and (c) be exercisable only after recordation with the County Recorder of a certificate executed by those who have power to exercise the power of attorney that the power of attorney is properly exercisable under Civil Code section 1359. This certificate shall be conclusive evidence of proper exercise in favor of any person relying on it in good faith.

ARTICLE XIII
Non-sever ability of Component Interests

[13.1] Section 1. Severance Prohibited. An Owner shall not be entitled to sever his or her Townhouse in any Lot from his or her membership in the Association, and shall not be entitled to sever his or her Townhouse or his or her membership from the Owner's undivided interest in the Common Area for any purpose. None of the component interests in a Lot can be severally sold, conveyed, encumbered, hypothecated, or otherwise dealt with; and any violation or attempted violation of this provision shall be void. Similarly, no Owner can sever any exclusive easement appurtenant to his or her Townhouse over the Common Area from the Owner's Lot, and any attempt to do so shall be void. The suspension of such right

of sever ability will not extend beyond the period set forth in article XII respecting the suspension of partition.

[13.2] Section 2. Limitation on Interests Conveyed. After the initial sales of the Lots, unless otherwise expressly stated, any conveyance of a Townhouse or any portion of it by an Owner shall be presumed to convey the entire Lot. However, nothing contained in this section 2 shall preclude the Owner of any Lot estate from creating an estate for life or an estate for years or from creating a co tenancy or joint tenancy in the ownership of the Lot with any other person or persons.

ARTICLE XIV Breach and Default

[14.1] Section 1. Remedy at Law Inadequate. Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration are inadequate and that the failure of any Owner, tenant, occupant or user of any Lot, or any portion of the Common Area or Common Facilities, to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

[14.2] Section 2. Nuisance. Without limiting the generality of the foregoing section 1, the result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

[14.3] Section 3. Costs and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party hereto under this Declaration, the court may award to any party in any such action such attorneys' fees and other costs as the court deems just and reasonable.

[14.4] Section 4. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Declaration.

[14.5] Section 5. Failure Not a Waiver. The failure of any Owner, the Board of Directors, the Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of

the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or the Board, or any of its officers or agents.

[14.6] Section 6. Rights and Remedies of the Association.

(a) Rights Generally. In the event of a breach or violation of any Association Rule or of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such Rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use recreational Common Facilities or suspension of the Owner's voting rights as a Member of the Association; provided that the Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this section 6.

The initiation of legal action shall be subject to section 8, below.

The decision of whether it is appropriate or necessary for the Association to initiate enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Association's Board or its duly authorized enforcement committee. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement as may exist by virtue of the California Civil Code section 1354 or otherwise by law.

(b) Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring; in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles). Once imposed, a fine or penalty may be collected as a Special Individual Assessment.

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

(d) Limitations of Disciplinary Rights.

(i) Loss of Rights: Forfeitures. The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his or her Lot due to the failure by the Owner (or his or her family members, tenants, guests or invitees) to comply with any provision of the Governing Documents or of any duly enacted Association Rule except where the loss or forfeiture is the result of the judgment of a court of competent

jurisdiction, a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Association or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Association's actions satisfy the due process requirements of subparagraph below.

(e) Hearings. No penalty or temporary suspension of rights shall be imposed pursuant to this article unless the Owner alleged to be in violation is given at least 15 days prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Board of Directors or appropriate committee established by the Board with respect to the alleged violation(s) at a hearing conducted at least 5 days before the effective date of the proposed disciplinary action.

Notwithstanding the foregoing, under circumstances involving conduct that constitutes (i) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (ii) a traffic or fire hazard; (iii) a threat of material damage to, or destruction of, the Common Area or Common Facilities; or (iv) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations), the Board of Directors or its duly authorized agents may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Association, in writing, within five days following the Association's disciplinary action), or on its own initiative, conduct a hearing as soon thereafter as reasonably possible.

If the Association acts on its own initiative to schedule a hearing, notice of the date, time and location of the hearing shall accompany the notice of disciplinary action. If the accused Owner desires a hearing, a written request therefore shall be delivered to the Association no later than five days following the date when the fine is levied. The hearing shall be held no more than 15 days following the date of the disciplinary action or 15 days following receipt of the accused Owner's request for a hearing, whichever is later. Under such circumstances, any fine or other disciplinary action shall be held in abeyance and shall only become effective if affirmed at the hearing.

(f) Notices. Any notice required by this article shall, at a minimum, set forth the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation of the Governing Documents and a reference to the specific Governing Document provision alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice, provided that if notice is given by mail it shall be sent by first-class or certified mail sent to the last address of the Member shown on the records of the Association.

(g) Rules Regarding Disciplinary Proceedings. The Board, or a Covenants Committee appointed by the Board to conduct and administer disciplinary hearings and related proceedings pursuant to section 7, below, shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Association Rules.

[14.7] Section 7. Covenants Committee

(a) Appointment of Committee. Acting pursuant to article X, section 1 of the Bylaws, the Board of Directors may establish a Covenants Committee to hear and decide cases involving alleged violations of the Governing Documents. If no committee is established, the Board shall perform this function.

(b) Jurisdiction and Hearing Procedures of the Committee. The Covenants Committee shall review written complaints from Lot Owners, the General Manager, or the Architectural Committee (for violations other than those relating to specific Improvement projects within the jurisdiction of the Architectural Committee) regarding alleged violations of the Governing Documents or Association Rules, and, when determined appropriate, conduct hearings and make findings regarding the alleged violation(s). The Covenants Committee may levy penalties and/or fines (pursuant to a Board-approved fine schedule) in the event the allegations regarding such violations are found to be true. To perform the foregoing, the Covenants Committee shall adopt rules of procedure for enforcement hearings and shall conduct its hearings in accordance with such rules after they have been approved by the Board. Notwithstanding the foregoing, enforcement of specific violations of architectural requirements relating to Improvement projects submitted to, and reviewed by, the Architectural Committee shall remain the jurisdiction of the Architectural Committee pursuant to article V.

(c) Appeals. The decisions of the Covenants Committee, if established, shall be appealable to the Board of Directors within 9 calendar days following receipt of the committee's decision. The Board shall have the discretion to hear any appealed matter or decline to take the appeal and thus affirm the decision of the Covenants Committee. Any decision to decline an appeal shall be based on a reasonable determination from the record that the appeal lacks merit. Decisions of the Board shall be final. Procedures for appeal and the hearing of appeals shall be set forth in the Association Rules.

[14.8] Section 8. Court Actions; Arbitration; Mediation.

(a) Court actions to enforce the Governing Documents may only be initiated on behalf of the Association upon approval of the Board and shall comply with California Civil Code §1354.

(b) Before instituting any judicial action, arbitration, or other proceeding arising out of any Owner's or resident's failure or alleged failure to comply with any provision of section 2.4 (Delegation of Use), Article V (Architectural Control), or Article VII (Use of

Properties and Restrictions), or for declaration, or injunctive relief to enforce the Governing Documents, the Association or Owner who desires to initiate such action (“Complaining Party”) must make a good faith attempt to mediate the dispute pursuant to this paragraph. The Complaining Party shall send the other party (the “Responding Party”) written notice of the nature of the dispute, the facts giving rise to its claim and its desire to mediate (the “Mediation Notice”). Should either party commence a judicial action, arbitration, or other proceeding without sending a Mediation Notice, the Responding Party shall be entitled to stay the action and request a Mediation Notice from the Complaining Party. The Mediation Notice shall name a mediator. Seller shall be obligated to pay any fee to initiate mediation, but the cost of mediation, including any attorneys’ fees, shall ultimately be borne as determined by the parties if the mediation results in a settlement of the dispute. If the Responding Party does not agree with the complaining Party’s choice of a mediator, the parties shall ask that the American Arbitration Association pick a mediator from its panel within ten (9) days from the Responding Party’s receipt of the Mediation Notice. Within thirty (30) days after the mediator is chosen, the parties shall schedule and attend a mediation and attempt in good faith to resolve their dispute. If the mediation does not resolve the dispute or if the Responding Party refuses to attend, the Complaining Party shall be free to commence litigation. The requirements of this paragraph shall not apply under circumstances where the Complaining Party is entitled to a temporary restraining order or preliminary injunction in order to avoid irreparable harm or injury.

(c) If the Association and an owner are unsuccessful at resolving any failure or alleged failure by the owner or by the owner’s tenant to comply with any provision of section 2.4 (“Delegation of Use”), Article V (“Architectural Control”), or Article VII (“Use of Properties and Restrictions”), the dispute shall be submitted to, and conclusively determined by, binding arbitration in accordance with this subparagraph (c), provided, however, that the provisions of this subparagraph shall not preclude any party from seeking injunctive or other provisional or equitable relief in order to preserve the status quo of the parties pending resolution of the dispute, and the filing of an action seeking injunctive or other provisional relief shall not be construed as a waiver of that party’s arbitration rights.

The arbitrators shall be selected and the arbitration conducted in accordance with the Commercial Arbitration rules of the American Arbitration Association

Except as provided above, the arbitration procedures set forth in the California arbitration act statutes (CCP §~1282-1294.2) shall apply to the arbitration.

The arbitration shall proceed with due dispatch and a decision shall be rendered within 60 days after appointment of the arbitrator(s). The arbitrator(s)’ decision shall be in writing and in a form sufficient for entry of a judgment in any court of competent jurisdiction and in a form sufficient for entry of a judgment in a court of competent jurisdiction in the state of California. Any decision of the arbitrator(s) shall be subject to the limitations set forth in the immediately succeeding paragraph.

The arbitrator(s)’ decision shall pertain, and shall be limited to, the granting of damages not to exceed any party’s actual out-of-pocket expenses and the costs of undertaking any repairs,

maintenance or reconstruction relating to the dispute and the award of any injunction or other equitable relief. In no event shall the arbitrator(s)' award include any component for punitive or exemplary damages. Costs of the arbitration proceeding shall be borne as determined by the arbitrator(s).

[14.8] (d)(i) Association as party to disputes: The Association, subject to the provisions of Civil Code § 1354, shall have the right to institute, defend, settle actions in law or equity or intervene as a party, in any dispute regarding (a) enforcement of these Covenants, Conditions and Restrictions, Bylaws of the Association, or Articles of Incorporation of the Association, (b) damage to the Common Areas, (c) damage to the separate interests of members which the Association is obligated to maintain or repair, or (d) damage to the separate interests of members due to damage to the common areas or separate interests that the Association is obligated to maintain or repair.

[14.8] (d)(ii) Prior to initiating any action to enforce the Governing Documents, the Board may provide one hundred twenty (120) days advance notice of the Board's interest to initiate civil action to every member of the Association and to all prospective parties to the action provided that such notice does not allow any pertinent statute of limitations to expire, does not prejudice the Association's right to enforce the Governing Documents, such notice is not necessary to actions brought in small claims court or to solely enforce assessment obligations.

[14.8] (e) The Association, except to comply with California Civil Code §1354(b), shall not be required to submit civil claims to binding or non-binding mediation or arbitration.

[14.8] (f) The Association shall not be required to, as a prerequisite to initiating any civil action, conduct inspections, inspect records, exhaust applicable casualty insurance coverage, provide opportunities to cure, meet with members, or obtain the consent of members.

[14.9] Section 14. Late Charges. Late charges may be levied by the Association against it and Owner for the delinquent payment of regular or special assessments. An assessment is delinquent 15 days after its due date. If an assessment is delinquent the Association may recover all of the following from the Owner:

(a) Reasonable costs incurred in collecting the delinquent assessment including reasonable attorney's fees.

(b) A late charge not exceeding 10% of a delinquent assessment or \$10.00, which ever is lower.

(c) Interest on the foregoing sum at an annual percentage rate of 12%, commencing 30 days after the assessment becomes due.

(d) No late charge may be imposed more than once for the delinquency of the same

payment. However, the imposition of late charge on any delinquent payment shall not eliminate or supersede charges on prior delinquent payments.

ARTICLE XV
Notices

[15. 1] Section 1. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

If to any Owner: To the street address of his or her Lot or to such other address as he or she may from time to time designate in writing to the Association.

If to the Association: Park River Oaks Association at the principal office of the Association (or to such other address as the Association may from time to time designate in writing to the Owners).

[15.2] Section 2. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-Owners of any Lot, to any general partner of a partnership which is the Owner of Record of the Lot, or to any officer or agent for service of process of a corporation which is the Owner of Record of the Lot, shall be deemed delivered to all such co-owners, to such partnership, or to such corporation, as the case may be.

[15.3] Section 3. Deposit in United States Mails. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered four days after deposit in the United States mail in Sacramento County, California.

ARTICLE XVI
No Public Rights in the Properties

[16. 1] Section 1. No Public Rights. Nothing contained in this Declaration shall be deemed to be a gift or a dedication of all or any portion of the Properties to the general public or for any public use or purpose whatsoever.

ARTICLE XVII
Amendment of Declaration

[17.1] Section 1. Amendment in General. This Declaration may be amended or revoked in any respect by the vote or assent by written ballot of the holders of not less than fifty-one percent (51 %) of the Owners entitled to vote and holding at least 66 percent (66%) of the voting power of the Association. Notwithstanding the foregoing, the percentage of the

Owners necessary to amend a specific clause or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

With respect to any vote hereunder the Association shall be entitled to accept the vote of any Owner of Record of a Lot as the vote of all Owners of Record of such Lot unless the Association receives more than one vote from said co-Owners, in which case the vote of a majority of the co-owners shall bind all.

[17.2] Section 2. Effective Date of Amendment. The amendment will be effective upon the recording in the Office of the Recorder of Sacramento County a Certificate of Amendment, duly executed and certified by the president and secretary of the Association setting forth in full the amendment so approved and that the approval requirements of section 1, above, have been duly met. Notwithstanding anything to the contrary herein contained, no such amendment shall affect the rights of the holder of any first deed of trust or Mortgage recorded prior to the recording of such amendment. If the consent or approval of any governmental authority, Mortgagee or other entity is required under this Declaration to amend or revoke any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained.

[17.3] Section 3. Reliance on Amendments. Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE XVIII

Annexation of Properties

[18.1] Section 1. Scope of Article; Nature of Annexation. An annexation is defined, for purposes of this Article XVIII, as any addition of property to the Properties included within the jurisdiction of this Declaration and the Association. Once annexation occurs, the newly annexed territory and the Owners of property therein shall have the same rights, duties, and obligations as any other property included within the Properties and the Owners of such Properties. Any owner of real property which is adjacent to any border of the Properties, including the Association if it owns any such property, can make a written request to the Association board that a proposed annexation be submitted to the Members for approval in accordance with section 2, below. For purposes of this Article XVIII, a parcel or parcels of property shall be considered contiguous to the Properties and thus eligible for annexation (“annexable property”) if the property shares a common boundary with any portion of the Properties or with any other parcel (“adjoining parcel”) which shares a common border with the Properties and is proposed for annexation contemporaneously with the adjoining parcel. Parcels proposed for annexation must be separate legal parcels and all governmental approvals required as a condition for annexation must be obtained by the owner of the annexable property at his or her sole cost and expense.

[18.2] Section 2. Application for Annexation. In order to initiate a membership vote on the proposed annexation, the owner of the annexable property shall present a written proposal for annexation to the Association’s Board of Directors which shall include at least the following:

(a) A copy of the Declaration of Annexation (see section 5, below) which will be recorded with the County Recorder's Office upon approval of the proposed annexation by the Members;

(b) A detailed description of the owner's intentions with respect to the development, subdivision, and use of the annexable property, including any special development conditions imposed by the County in connection with the approval of a Subdivision Map for the annexable property or any proposal to create any local districts or County Service Areas which will have jurisdiction over the annexable property or any portion thereof;

(c) If any additional Common Areas or Common Facilities are proposed within the annexable property, detailed financial budgets and projections disclosing the maintenance, repair, operations, and capital reserve obligations which are likely to be incurred by the Association as a result of the annexation.

(d) If the proposed annexation will involve the formation of any sub-associations with jurisdiction within the annexable property or the recordation of a supplemental declaration as provided in section 5, below, copies of all relevant documentation shall be furnished to the Board.

[18.3] Section 3. Board Approval. Upon receipt of a complete application for annexation, the Board shall have a period of 60 days to evaluate and act upon the proposal. The board's action shall be to (a) approve the proposal and call for a membership vote thereon by written ballot in accordance with section 4, below; (b) disapprove the proposal; or (c) approve the proposal subject to the satisfaction of specified conditions. Unless board approval is obtained, no annexation proposal need be presented to the Members unless a petition requesting a membership vote on the matter is signed by at least five percent of the Members and presented to the Board (see Article V, section 6 of the Bylaws). Among other requirements, the Board's approval can be conditioned upon the owner of the annexable property agreeing to defray the costs of photocopying and mailing to the Members of all relevant documentation, the ballot and appropriate solicitation materials.

[18.4] Section 4. Membership Approval Required. Additional real property meeting the requirements of section 1, above (the "annexable property"), may be annexed to the Properties and brought within the general plan and scheme of this Declaration upon the approval by vote or written consent of Members entitled to exercise not less than a majority of the voting power of the Association's membership. The Member vote shall be conducted by written ballot in accordance with Article IV, section 6 of the Bylaws and the solicitation materials accompanying the ballot shall include a copy of the proposed Declaration of Annexation as well as any other information considered by the Board to be necessary or appropriate for an informed decision by the Members. To effect the annexation described herein approval must consist of not less than two-thirds of the total votes residing in Association members other than Declarant unless the proposed annexation is in substantial

conformance with the detailed plan of phase development submitted to the Commissioner of the Department of Real Estate where the application for a public report for the first phase of the subdivision.

The detailed plan for the phase development through an annexation referred to hereinabove must include but not be limited to proof to the Commissioner that no proposed annexation will result in an overburdening of common facilities, proof satisfactory to the Commissioner that no proposed annexation will cause a substantial increase in assessments against existing Owners which was not disclosed in Subdivision Public Reports under which pre-existing Owners purchased their interests, a bonification of the land proposed to be annexed and the total number of residential units contemplated by Declarants for the overall subdivision development, provisions setting forth that annexation of a new phase will be effected prior to the third anniversary of the issuance of the original public report for the immediately preceding phase, and a written commitment by Declarant to pay to the Association, closing of the escrow for the first sale of a Lot and in the annex phase, appropriate amounts for reserves or replacement or deferred maintenance of Common Area improvements in the annex phase necessitated by or arising out of the use and occupancy of residential units and their rental program conducted by Declarant which had been effect for a period of at least one year as of the date of closing of the escrow for the first sale of a residential unit in annex phase.

[18.5] Section 5. Declaration of Annexation; Supplemental Declarations. Any annexations of real property to the Properties authorized under sections 3 and 4, above, shall be effected by filing with the Office of the County Recorder a Declaration of Annexation, or other similar instrument, with respect to the annexable property. The Declaration of Annexation (a) shall be executed by the owner of the annexable property; (b) shall extend the general plan and scheme of this Declaration to such real property; and (c) may include, as an exhibit, a supplemental declaration (the "Supplemental Declaration") applicable to the annexable property only, which may contain such additions to, and modifications of, the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the annexable property, so long as the Supplemental Declaration is submitted to the Members for consideration at the time their votes are solicited and the supplemental restrictions are consistent with the general plan and scheme of this Declaration and all applicable laws and governmental regulations.

Without limiting the foregoing, it is expressly agreed that any Supplemental Declaration may set forth property use restrictions and design and building standards which shall apply solely to Lots or parcels within the annexed property and any Improvements constructed thereon. Supplemental Declarations may also establish a separate architectural review committee to perform the review and approval functions set forth therein, or may indicate that those functions are to be performed by the architectural review committee referred to in article V of this Declaration. If a particular Lot or parcel is affected by a Supplemental Declaration which establishes an architectural review committee, then that committee shall have jurisdiction over the initial design and construction of any Improvements proposed for construction on such Lot or parcel.

This Declaration shall control if there is any conflict between any Supplemental Declaration and the provisions of this Declaration, although the documents shall be construed to be consistent with one another to the extent possible. The inclusion in any Supplemental Declaration of conditions, covenants, land uses and limitations which are more restrictive or are inclusive than the restrictions contained in this Declaration shall not be deemed to constitute a conflict with the provisions of this Declaration.

[18.6] Section 6. Annexation by Declarant. Notwithstanding other sections of Article 18 annexation of additional property may occur at the sole discretion of Declarant, any or all of the property described in Exhibit "C" may be annexed to and become a part of the Properties, subject to this Declaration, and subject to the jurisdiction of the Association, without the necessity of amending individual sections of this Declaration, without the ascent of the Association or its members, or without the ascent of the Lot Owners, on condition that;

(a) Any annexation pursuant to this section shall be made prior to the third anniversary of the issuance of the original public report for the immediately preceding phase of the project; and

(b) The annexation and development of additional phases shall be in accordance with a Plan of Development approved by the Department of Real Estate of the State of California; and

(c) A Declaration of Annexation shall be recorded covering the applicable portion of the property to be annexed. The Declaration may contain such complimentary additions and modifications of the Covenants and Restrictions contained in this Declaration as may be necessary. To reflect a different character, if any, of the added property, and as are not inconsistent with the scheme of this Declaration.

[18.7] Section 6. Effect of Annexation. The filing of a Declaration of Annexation shall constitute and effectuate the annexation of the annexable property described therein, and thereupon the annexable property shall become and constitute a part of the Properties, and be subject to, and encompassed within, the general plan and scheme of this Declaration, subject only to such modifications in said general plan as may be imposed by the Supplemental Declaration. Lots or parcels within the annexed property shall thereupon become subject to Assessment by the Association and to the functions, powers, and jurisdiction of the Association, and the Owners of Lots or Units within the annexed real property shall automatically become Members of the Association. Any Common Areas (including private roads) which are included within the annexed property shall be conveyed to the Association, free of all liens and encumbrances, other than liens, rights-of-way, or other encumbrances disclosed on the preliminary title report for the annexed property and approved by the Association. The conveyance of any Common Areas to the Association shall occur immediately following recordation of the Declaration of Annexation unless otherwise agreed in writing by the owner of the annexed property and the Association Board.

ARTICLE XIX
General Provisions

[19.1] Section 1. Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with, and shall benefit and burden the Lots and the Common Area as herein provided, and shall inure to the benefit of and be binding upon the Owners, the Association, its Board of Directors, and its officers and agents, and their respective successors in interest, for the term of 60 years from the date of the recording of this Declaration, after which time the same shall be automatically extended for successive periods of 9 years each unless, within 6 months prior to the expiration of the initial 60-year term or any such 9-year extension period, a recordable written instrument, approved by Owners entitled to vote and holding at least 66 percent of the voting power of the Association terminating the effectiveness of this Declaration shall be filed for recording in the Office of the County Recorder of Sacramento County, California.

[19.2] Section 2. Construction of Declaration.

(a) Restrictions Construed Together. All of the covenants, conditions, and restrictions of this Declaration shall be liberally construed together to promote and effectuate the fundamental concepts of the development of the Properties as set forth in the Recitals of this Declaration. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision in a subsequent application or any other provision hereof.

(b) Restrictions Severable. Notwithstanding the provisions of subparagraph (a) above, the covenants, conditions, and restrictions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

(c) Singular Includes Plural. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine or neuter shall each include the masculine, feminine and neuter, as the context requires.

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

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

ARTICLE XX
Reasonable Arrangements Inspection of Association's Documents

[20. 1] Section 1. Delivery of Documents.

Commencing not later than 90 days after the close of escrow of the first interest in the property, copies of the documents listed below, as soon as readily obtainable, shall be delivered by the Declarant of the Association at the office of the Association, or at such other Board of the Association shall prescribe. The obligation to deliver the documents listed below shall apply to any documents obtained by the Declarant no matter when obtained, provided, however, such obligation shall terminate upon the earlier of (1) the conveyance of the last subdivision interest covered by a subdivision public report or (2) three years after the expiration of the most recent public report, on the subdivision:

- (1) The recorded subdivision map or maps for the project.
- (2) The recorded condominium plan, if any, and all amendments thereto.
- (3) The deeds and easements executed by the subdivider conveying the common area or other interest to the Association, to the extent applicable.
- (4) The recorded covenants, conditions and restrictions for the subdivision, including all amendments and annexations thereto.
- (5) The Association's filed articles of incorporation, if any, and all amendments thereto.
- (6) The Association's bylaws and all amendments thereto.
- (7) All architectural guidelines and all other rules regulating the use of an owner's interest in the subdivision or use of the common area which have been promulgated by the Association.
- (8) The plans approved by the local agency or county where the subdivision is located for the construction or improvement of facilities that the Association is obligated to maintain or repair; provided, however, that the plans need not be as-built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.
- (9) All notice of completion certificates issued for common area improvements (other than residential structures).
- (10) Any body or other security device in which the Association is the beneficiary.

- (11) Any written warranty being transferred to the Association for common area equipment, fixtures or improvements.
- (12) Any insurance policy procured for the benefit of the Association, its governing board or the common area.
- (13) Any lease or contract to which the Association is a party.
- (14) The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the members,, of the governing body and of committees of the governing body of the Association.
- (15) Any other instrument which establishes or defines the common, mutual or reciprocal rights or responsibilities of members of the Association.

[20.2] Section 2. Delivery of the Annexation.

Commencing not later than 90 days after the annexation of additional phases to the Property, copies of those documents listed under subdivision (1) which are applicable to that phase, shall, as soon as readily obtainable, be delivered by the Declarant to the Board of the Association at the office of the Association, or at such other place as the Board of the Association shall prescribe. The obligation to deliver the documents listed in subsection (a) shall apply to any documents obtained by the Declarant no matter when obtained, provided, however, such obligation shall terminate upon the earlier of (1) the conveyance of the last subdivision interest covered by a subdivision public report or (2) three years after the expiration of the most recent public report, on the subdivision.

Dated This 1st Day of August, 1995.

**PARK RIVER ESTATES, a California
Limited Partnership**

**A.H.Y. ENTERPRISE, INC.
General Partner**

By: _____


**Frank Hao, Jr., Vice President
and Chief Financial Officer**

STATE OF CALIFORNIA

County of Sacramento

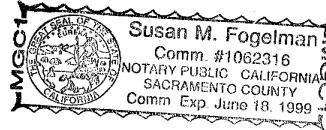
Title or type of Document Declaration-Park River Estates
Number of Pages _____ Date of Document _____
Signer(s) Other than named below _____

On August 1, 1995 before me the undersigned personally appeared
Frank S. Hao Jr.

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

WITNESS my hand and official seal.

Signature Susan M. Fogelman (Seal)
Notary Public in and for said County and State



UD01 (Rev. 4/94)

STATE OF CALIFORNIA

County of _____

Title or type of Document _____
Number of Pages _____ Date of Document _____
Signer(s) Other than named below _____

On _____ before me _____ personally appeared

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

WITNESS my hand and official seal.

Signature _____ (Seal)
Notary Public in and for said County and State

UD01 (Rev. 4/94)

EXHIBIT "A"

DESCRIPTION OF PROPERTY SUBJECT TO DECLARATION

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

Lots 11 through 14, inclusive, Lots 23 through 28, inclusive, Lots 67 through 70, inclusive, Lots 75 through 78, inclusive, and Common Area Lots B, E, F, and O, as shown on the Map entitled "Park River Oaks Estates", filed for record February 24, 1995, in Book 236 of Maps, Page 9, Sacramento County Records.

EXHIBIT "B"

RECREATIONAL AREA

That certain real Property situated in the City of Sacramento, County of Sacramento, State of California, described as follows:

Lot 0, as shown on the Map entitled "Park River Oaks Estates", filed for record February 24, 1995, in Book 236 of Maps, Page 9, Sacramento County Records.

EXHIBIT "C"

DESCRIPTION OF ANNEXABLE PROPERTY

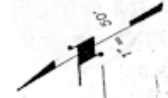
That certain real Property situated in the City of Sacramento, County of Sacramento, State of California, described as follows:

Lots 1 through 10, inclusive, Lots 15 through 22, inclusive, Lots 29 through 66, inclusive, Lots 71 through 74, inclusive, Lots 79 through 82, inclusive, and Common Area Lots A, C, and D, as shown on the Map entitled "Park River Oaks Estates", filed for record February 24, 1995, in Book 236 of Maps, Page 9, Sacramento County Records.

RECEIVED
MAR 23 1995

031-147

POR. SEC. 9 & 10 T.7N., R.4E., M.D.B.&M.



POCKET RD



CITY OF SACRAMENTO
Assessor's Map Bk. 031 Pg. 147
County of Sacramento, Calif.

For Mineral Rights, See 08C0060-006-0080 (136)
Park River Oak Estates, R.M. 5Bk. 236, Pg. 2 (2-24-95)

This plat is for your aid in locating your land with reference to street and other parcels. While this plat is believed to be correct, the Company assumes no liability for any loss occurring by reason of reliance there on.

PARK RIVER OAK ESTATES
LOT A AS SHOWN ON "PLAT OF RIVER LANDING",
FILED IN BOOK 190 OF MAPS, MAP NO. 2.



STATE OF CALIFORNIA

CAL ENGINEERING INC.
 SHEET 1 OF 2

CITY OF SACRAMENTO
 JANUARY, 1953

LEGAL DESCRIPTION:

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

LOT A AS SHOWN ON THE OFFICIAL PLAT OF "RIVER LANDING", FILED ON FEBRUARY 2, 1949 IN BOOK 190 OF MAPS, MAP NO. 2, RECORDS OF SACRAMENTO COUNTY.

THIS SCHEDULED CONTAINS 3.007 ACRES MORE OR LESS.

OWNER'S STATEMENT:

THE UNDERSIGNED HEREBY CONSENT TO THE PREPARATION AND FILING OF THIS PLAT OF MAP FOR THE GAS AND WATER MAINS AND TO THE ISSUANCE AND RECORDING OF THIS PLAT OF MAP AS SHOWN HEREON AND ALSO OFFERS FOR DECISION AND DOES HEREBY DELEGATE TO SPECTER PURPOSES THE FOLLOWING:

- A. FILING UTILITY CONTRACTS FOR INSTALLATION AND MAINTENANCE OF GAS PIPES AND UNDERGROUND MAINS AND CONNECTIONS THEREWITH AND ALL APPURTENANCES PERTAINING THEREON OR ON OTHER LOTS AND ALSO OFFERS FOR DECISION AND DOES HEREBY DELEGATE TO SPECTER PURPOSES THE FOLLOWING:
 - 1. FILING UTILITY CONTRACTS FOR INSTALLATION AND MAINTENANCE OF GAS PIPES AND UNDERGROUND MAINS AND CONNECTIONS THEREWITH AND ALL APPURTENANCES PERTAINING THEREON OR ON OTHER LOTS AND ALSO OFFERS FOR DECISION AND DOES HEREBY DELEGATE TO SPECTER PURPOSES THE FOLLOWING:
 - a. FILING UTILITY CONTRACTS FOR INSTALLATION AND MAINTENANCE OF WATER PIPES TOGETHER WITH ANY AND ALL APPURTENANCES PERTAINING THEREON OR ON OTHER LOTS AND ALSO OFFERS FOR DECISION AND DOES HEREBY DELEGATE TO SPECTER PURPOSES THE FOLLOWING:

NOTARY'S STATEMENT:

STATE OF CALIFORNIA
 COUNTY OF SACRAMENTO
 I, Richard H. ... Notary Public in and for the State of California, personally appeared Full name and address of person whose name is subscribed to the instrument and who is known to me and who is believed by me to be the person or persons who executed the instrument and acknowledged to me that he executed the instrument for the purposes and consideration therein expressed.

ENGINEER'S STATEMENT:

I HEREBY CERTIFY THAT THIS PLAT OF MAP FOR RIVER OAK ESTATES WAS PREPARED BY ME OR UNDER MY CLOSE PERSONAL SUPERVISION AND THAT THE INFORMATION CONTAINED THEREIN IS TRUE AND CORRECT AND THAT I AM A LICENSED PROFESSIONAL ENGINEER IN THE STATE OF CALIFORNIA.

DATE: 1/15/53
 SHEET 1 OF 2

CITY ENGINEER'S STATEMENT:

I HEREBY CERTIFY THAT I HAVE EXAMINED THIS PLAT OF MAP FOR RIVER OAK ESTATES AND THAT THE INFORMATION CONTAINED THEREIN IS TRUE AND CORRECT AND THAT I AM A LICENSED PROFESSIONAL ENGINEER IN THE STATE OF CALIFORNIA.

DATE: 1/15/53
 SHEET 1 OF 2

CITY CLERK'S STATEMENT:

I HEREBY CERTIFY THAT THE CITY ENGINEER HAS REVIEWED THIS PLAT OF MAP FOR RIVER OAK ESTATES AND HAS ACCEPTED IT FOR RECORD AND OFFERED FOR RECORD.

DATE: 1/23/53
 CITY CLERK OF THE CITY OF SACRAMENTO

RECORDER'S STATEMENT:

I HEREBY CERTIFY THAT THIS PLAT OF MAP FOR RIVER OAK ESTATES WAS FILED IN THE OFFICE OF THE COUNTY ENGINEER OF SACRAMENTO COUNTY IN BOOK 190 OF MAPS, MAP NO. 2, RECORDS OF SACRAMENTO COUNTY, AND THAT THE SAME IS CORRECTLY RECORDED IN THIS OFFICE.

DATE: 1/23/53
 COUNTY ENGINEER

P-91174