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RECORDING REQUESTED BY:

NORTH AMERICAN TITLE COMPANY

WHEN RECORDED RETURN TO:

LENNAR HOMES OF CALIFORNIA, INC.
Lennar – LA/Ventura Division
Attn: K. Alsbrook
23823 Valencia Blvd.
Valencia, CA 91355

This is to certify that this is a True and Correct copy of the original recorded, May 31,2006 as Instrument Number 06 1189752

NORTH AMERICAN TITLE COMPANY
Mark Wardle
By: Mark Wardle
Chief Title Officer

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DECLARATION

OF

COVENANTS, CONDITIONS, AND RESTRICTIONS

AND RESERVATION OF EASEMENTS

FOR

THE MADISON AT TOWN CENTER

A Mixed-Use Condominium Community

THIS DECLARATION IS FOR A CONDOMINIUM CONVERSION COMMUNITY. THE CONDOMINIUMS ARE NOT NEW CONSTRUCTION AND HAVE BEEN RENTED AS APARTMENTS. THIS DECLARATION CONTAINS (I) A WARRANTY DISCLAIMER, AND (II) A BINDING ARBITRATION PROVISION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT.

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
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FOR
THE MADISON AT TOWN CENTER

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR THE MADISON AT TOWN CENTER ("***Declaration***"), is made by PRADO TOWN CENTER WEST, LLC, a Delaware limited liability company ("***Declarant***"), being the Owner of that certain real property subject to this Declaration, as hereinafter more particularly described.

WITNESSETH

WHEREAS, Declarant is the owner of the following real property located in the City of Santa Clarita, County of Los Angeles, State of California ("***Properties***"), more particularly described on ***Exhibit "A"*** attached hereto and incorporated herein by this reference.

WHEREAS, it is the desire and intention of Declarant to sell the Properties as a mixed-use residential and commercial subdivision ("***Community***"). Declarant proposes to sell and convey interests in said real property to various individuals and entities subject to certain basic protective restrictions, limitations, easements, covenants, reservations, liens and charges between it and the acquirers or users of said real property, as hereinafter set forth.

WHEREAS, Declarant intends to sell Properties in the Community pursuant to the terms of this Declaration, the Condominium Plan for the Community, and the grant deeds conveying Condominium interests to Owners. The Community will consist of three hundred forty-one (341) Residential Condominium Units and one (1) Commercial Condominium Units, as shown and described in the Condominium Plan for the Community, Association Property, and Common Area. The Properties will be sold as part of a multi-phase planned development. There is no guarantee that all phases will be completed, or that the number of Units or the Association Property facilities and amenities will be developed as described above. Owners of a Condominium will receive title to a Unit plus an undivided fractional interest as tenant in common to Common Area in the Module in which an Owner's Unit is located.

NOW, THEREFORE, Declarant hereby declares that all of the real property described above, is held and shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved, subject to the following protective restrictions, limitations, conditions, covenants, reservations, liens and charges, all of which are declared and agreed to be in furtherance of a plan for the subdivision, improvement and sale of "condominiums" as defined in Section 783 of the California Civil Code, in a "condominium project", as that term is defined in Section 1351(f) of the Civil Code, and are established and agreed upon for the purpose of enhancing and protecting the value, desirability and attractiveness of the condominium project and every part thereof. Each and all of the restrictions herein contained shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in the described real property, or any part thereof. The condominium project comprising the real property above described, is intended to be made subject to each and all of the provisions of the Davis-Stirling Common Interest Development Act (Section 1350 et seq. of the California Civil Code) and any comparable statute or amendment thereto hereinafter enacted. There has been or will be recorded, a "condominium plan" for the real property, as defined herein, which is intended to satisfy the provisions of Section 1352 of the California Civil Code. The provision of this Declaration shall be enforceable by any of the Owners of an interest in the real property above described, against any other Owner or Owners thereof, and shall also be enforceable by the Board of Directors of the Association, which shall be created for the purpose of governing this Community.

ARTICLE 1
DEFINITION OF TERMS

Section 1.1. Terms. Whenever used in this Declaration, the following terms shall have the following meanings:

1.1.1 Annexable Property shall mean and refer to the real property that may be annexed to the Community by Declarant, without the consent of the Association, in accordance with the provisions of Article 22 hereof. The Annexable Property is that certain real property described in ***Exhibit "B"*** attached hereto and incorporated herein by this reference.

1.1.2 Annexation shall mean the addition of Residential Units, Common Areas, Association Property, and all improvements thereto into the scheme created by this Declaration. Upon such annexation, the Annexable Property shall be governed by, and subject to each and every provision of this Declaration and any amendments thereto. The procedures for annexation of property are set forth in Article 22.

1.1.3 Articles shall mean and refer to the Articles of Incorporation of the Association as same may be amended from time to time.

1.1.4 Association shall mean and refer to The Madison At Town Center Community Association, a California nonprofit mutual benefit corporation, having a membership of all Owners of condominiums within the Community. Each Owner shall be and become a Member of the Association contemporaneously with such Owner's acquisition of a Condominium, without further documentation of any kind. Transfer of a membership shall be only by conveyance of the Condominium.

1.1.5 Association Property shall mean all of the real and personal property and improvements to which the Association shall hold fee title or an easement for the benefit and/or the common use and enjoyment of the members, as provided herein. The term Association Property shall include the entire Community, excepting therefrom any portion of the Residential and Commercial Condominium Units and the Common Area, as defined herein. The Association Property shall extend indefinitely upwards, excepting therefrom areas that are Common Area, and its lateral boundaries shall be the same as the lateral boundaries for the Common Area. The Association

Property shall include, but not be limited to, the following: guest parking spaces, if any, lobby areas, exercise rooms, courtyard areas, elevators, stairwells, hallways, swimming pool, recreational facilities, private streets and driveways, the Residential Parking Structure, as shown in the Condominium Plan and other Association Property facilities and improvements. All Association Property within a phase shall be conveyed to the Association upon the closing of the sale of the first Unit in such phase.

1.1.5.1 Exclusive Use Association Property shall mean and refer to those portions of the Association Property to which an exclusive easement and right of use is granted to an Owner which shall be appurtenant to his Unit. Exclusive Use Association Property, as shown and described on the Condominium Plan, shall consist of: parking spaces, patios and balconies. The Exclusive Use easements shall be conveyed to an Owner in the Grant Deed to such Owner's Unit at the time of acquisition.

1.1.6 Board of Directors or Board shall mean and refer to the governing body of the Association.

1.1.7 Budget shall mean and refer to the annual pro forma operating statement for the Association described in Section 18.2 hereof, and shall consist of a residential expense component that shall contain items solely benefiting the Residential Unit Owners ("***Residential Expense***") and a separate common expense component that shall contain items benefiting both the Residential Unit Owners and Commercial Unit Owner ("***Common Expense***") and that shall contain the financial information required by Section 18.2. The Budget will include the Residential Expense and the Common Expense as follows:

(a) Residential Expense which shall mean and refer to those Budget items allocable solely to Residential Unit Owners, for items including but not limited to, maintenance of residential hallways, lobby, interior Association Property lighting, fitness room, swimming pool, recreation facilities, elevators, entry directory system, decking, railing, mailboxes, Association Property furnishings, pumps and motors, and other operational costs and related utility and reserve funding items.

(b) Common Expense which shall mean and refer to those Budget items allocable to the Residential Unit Owners and Commercial Unit Owner collectively, for items including but not limited to, general building maintenance, exterior Association Property lighting, fire suppression system, fire extinguishers, landscaping, private streets, driveways, landscaped and hardscaped areas and other operational, administrative expenses and related utility and reserve funding items.

1.1.8 Bylaws shall mean and refer to the duly adopted Bylaws of the Association as the same may be amended from time to time.

1.1.9 City shall mean and refer to the City of Santa Clarita in the County of Los Angeles, State of California.

1.1.10 Commercial Condominium or Commercial Unit shall mean and refer to the Condominium Unit and the Commercial Parking Structure 1 (North Parking Garage) located within "Module 2", as defined herein, and as shown and depicted in the Condominium Plan, intended for commercial purposes.

1.1.11 Commercial Unit Owner shall mean and refer to the record owner, whether one or more persons or entities, including Declarant, of a Commercial Condominium Unit, excluding those having such interest merely as security for the performance of an obligation.

1.1.12 Common Area shall mean and refer to those portions of a three-dimensional airspace envelope, the lower vertical boundary of which commences at an elevation that is One Thousand feet (1,000') above sea level. The upper vertical boundary of the Common Area is a horizontal plane ten feet (10') above the lowest vertical boundary, as described in the Condominium Plan. The Common Area shall be owned in undivided interests by the Owner(s) of the Condominium(s), as described in the Condominium Plan.

1.1.13 Common Property shall mean the Common Areas and the Association Property.

1.1.14 Community or Condominium Community shall mean and refer to the entire parcel of real property subject to this Declaration, located in the City of Santa Clarita, County of Los Angeles, State of California, more particularly described on ***Exhibit "A"*** hereto, including all improvements erected or to be erected thereon, and such additions and annexed properties as may hereafter be brought within the jurisdiction of the Association, including all improvements thereon. The Community, as planned, will consist of the real property together with the Units and all other improvements located thereon. Subject to Declarant's modification rights reserved herein, the Community shall consist of three hundred forty-one (341) Residential Units, and one (1) Commercial Unit, as shown and described in the Condominium Plan, and Common Property.

1.1.15 Condominium shall mean and refer to a Condominium as defined in Section 783 of the California Civil Code, and shall be an estate in real property consisting of (a) a separate fee interest in and to the space within the boundaries of a Unit as further shown and described in the Condominium Plans for the Community and all easements appurtenant thereto, and (b) an undivided fractional fee interest as a tenant in common in and to the Common Area in the Phase in which the Unit is located, and (c) easements for the exclusive use and enjoyment of any Exclusive Use Association Property appurtenant to such Condominium. The undivided interest in the Common Area hereby established and which shall be conveyed with each respective Unit in Lot 1 of Tract 62464 shall be an undivided one ninety-seventh (1/97th) fractional fee interest, with the ownership thereof held as a tenant in common with the other Condominium Owners of Units in said Tract. The undivided interest in the Common Area hereby established and which shall be conveyed with each respective Unit in any Annexable Property shall be a fraction equaling one over the total number of Units in such Annexable Property. The above-referenced undivided interests established and to be conveyed with the respective Units, cannot be changed, and Declarant, its successors, assigns, and grantees, covenant and agree that the undivided interest in the Common Areas and the fee title to the respective Unit conveyed therewith, shall not be separated from or separately conveyed or encumbered without its respective Unit, although the description in the instrument of conveyance may refer only to the fee title to the

Unit. Additionally, each Owner of a Condominium shall receive a membership in the Association.

1.1.16 Condominium Plan shall mean and refer to that certain Condominium Plan recorded pursuant to California Civil Code Section 1351(e) covering the Condominiums, which term is defined hereinbelow, including such amendments thereto as may from time to time be recorded, consisting of (a) a description or survey map for the Condominiums, which shall refer to or show monumentation on the ground, (b) a three-dimensional description of the Condominiums, one or more dimensions of which may extend for an indefinite distance upwards or downwards, in sufficient detail to identify the Common Area and each Condominium Unit, and (c) a certificate consenting to the recordation of the Condominium Plan signed and acknowledged by all persons required by Civil Code Section 1351(e).

1.1.17 County shall mean and refer to the County of Los Angeles, California.

1.1.18 Declarant shall mean PRADO TOWN CENTER WEST, LLC, a Delaware limited liability company, or any successor in interest to Declarant by merger or express assignment of the rights of Declarant hereunder by an instrument executed by Declarant, recorded with the County Recorder of Los Angeles County and filed with the Secretary of the Association.

1.1.19 Declarant Party shall mean and refer to any director, officer, partner, member, employer, contractor, design professional, consultant, subcontractor or agent of Declarant.

1.1.20 Declaration shall mean and refer to this Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Madison At Town Center, as the same may be amended, changed or modified from time to time.

1.1.21 Designated Exclusive Use Association Property Walls shall mean and refer to those portions of the Association Property consisting of walls, and the internal utility lines, improvements and/or equipment located within such walls, such as plumbing, ventilating and electrical wires, which are located between two (2) adjacent Residential Units (either horizontally or vertically) over which an Exclusive Use Easement may be assigned by the Declarant or the Board of the Association to an Owner, if such Owner acquires fee title to two (2) or more adjacent Residential Units separated by such wall, subject to compliance with Section 3.6 below and the other applicable requirements of this Declaration.

1.1.22 DRE shall mean and refer to the California Department of Real Estate.

1.1.23 Eligible Insurer or Guarantor shall mean and refer to an insurer or governmental guarantor who has requested notice from the Association of those matters which such insurer or guarantor is entitled to notice of by reason of this Declaration or the Bylaws of the Association.

1.1.24 Eligible Mortgage Holder shall mean and refer to a holder of a first Mortgage on a Condominium who has requested notice from the Association of those matters of which such holder is entitled to notice by reason of this Declaration or the Bylaws of the Association.

1.1.25 FHA shall mean the Federal Housing Administration of the United States Department of Housing and Urban Development and its successors.

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

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

1.1.28 GNMA shall mean the Government National Mortgage Association administered by the United States Department of Housing and Urban Development and its successors.

1.1.29 Governing Documents shall mean and refer to this Declaration, the Articles of Incorporation and Bylaws of the Association, the Rules and Regulations adopted by the Board, and the Design Guidelines.

1.1.30 Institutional Lender shall mean and refer to a Mortgagee that is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

1.1.31 Invitee shall mean and refer to any person whose presence within the Community is approved by or is at the request of a particular Owner, including, but not limited to, family members, lessees, tenants, guests, employees, licensees or invitees of Owners, tenants or lessees.

1.1.32 Maintenance Manual shall mean and refer to the manuals which may be prepared by the Declarant or its agents and provided to the Association, and to the Owners, specifying the standards for inspection, maintenance, repair and/or replacement of the elements of the Association Property or Units, to be performed by the Association or Owners respectively, as updated and amended from time to time, as provided herein, and as further defined in Section 9.3.2.

1.1.33 Member shall mean and refer to an Owner with a membership in the Association.

1.1.34 Module shall mean and refer to a three-dimensional airspace envelope designated and described on and in the Condominium Plan for the Community, with the exception of Module "Z" (for future Phases). A Module may include Residential or Commercial Condominium Units, Association Property and Common Area. Units shall not, in and of themselves, constitute a Module. Each Phase will include one or more Modules, and may include one or more Modules containing only Association Property.

1.1.34.1 Module "1" is a "three-dimensional portion" of the Community created pursuant to California Government Code Section 66427, and consists of that portion of Association Property (including airspace, earth, water, and improvements), excepting all Residential Units and Common Area, shown and described in the Condominium Plan. Module "1" is Association Property.

1.1.34.2 Module "2" is a "three-dimensional portion" of the Community created pursuant to California Government Code Section 66427 (airspace and improvements), and consists of that portion of the Commercial Unit and Commercial Parking Structure 1, as shown and described in the Condominium Plan Module "2" shall exclude Association Property.

1.1.34.3 Module "3" is a "three-dimensional portion" of the Community created pursuant to California Government Code Section 66427, and consists of the Residential Parking Structure 2(including airspace, earth, water and improvements), as shown and described in the Condominium Plan. Module 3 is Association Property.

1.1.34.4 Module "4" is a "three-dimensional portion" of the Community created pursuant to California Government Code Section 66427, and consists of the Association Property, including but not limited to private streets, driveways, landscaped and hardscaped areas, as shown and described in the Condominium Plan.

1.1.34.5 Module "5" is a "three-dimensional portion" of the Community created pursuant to California Government Code Section 66427 (airspace and improvements), and consists of the Residential Units within Module 1, as shown and described in the Condominium Plan. Module "5" excludes all Association Property and Common Area.

1.1.34.6 Module "6" is a "three-dimensional portion" of the Community created pursuant to California Government Code Section 66427, and consists of Common Area (including airspace, earth, water and improvements), as shown and described in the Condominium Plan. Module "6" excludes all Units Association Property.

1.1.35 Mortgage shall mean and include a deed of trust as well as a Mortgage.

1.1.36 Mortgagee shall mean a person or entity to whom a Mortgage is made, and shall include the beneficiary of a deed of trust.

1.1.37 Mortgagor shall mean a person or entity who mortgages his, her or its Condominium to another, i.e., the maker of a Mortgage, and shall include the trustor of a deed of trust.

1.1.38 North Parking Structure shall mean and refer to a parking facility for the sole use of the Commercial Condominium Unit Owners, their tenants, guests, customers, vendors, affiliates and invitees, as shown and described in the Condominium Plan as the Commercial Parking Structure 1, and shown on the Map for Tract 62464.

1.1.39 Owner shall mean and refer to the record Owner or Owners, if more than one, of a Condominium in the Community, including Declarant so long as a Condominium belonging to Declarant remains unsold to a member of the general public.

1.1.40 Phase shall mean one of the proposed multi-phases of development of this residential and commercial planned development for which a separate Final Subdivision Public Report is issued by the California Department of Real Estate. Declarant intends to annex certain residential dwelling units and Association Property improvements according to a general plan of development submitted to the California Department of Real Estate.

1.1.41 Properties shall mean and refer to that certain real property located the City of Santa Clarita, Los Angeles County, California, hereinbefore described and such additions and annexed properties thereto as may hereafter be brought within the jurisdiction of the Association through the annexation procedures set forth in Article 22.

1.1.42 Residential Condominium(s) shall mean and refer to the Condominium(s) intended for residential use as designated on the Condominium Plan and/or in this Declaration.

1.1.43 Residential Condominium Owner(s) shall mean and refer to the record owner(s), whether one or more persons or entities, including Declarant, of the Residential Condominium(s), excluding those having such interest merely as security for the performance of an obligation.

1.1.44 Rules and Regulations shall mean and refer to the Rules and Regulations adopted by the Association, as may be promulgated and amended from time to time by the Board in accordance with Section 5.1.8 herein, and which are not inconsistent with the provisions of this Declaration, including, but not limited to, Rules and Regulations relating to the use of the Common Property.

1.1.45 Unit shall mean and refer to the elements of a Condominium that are not owned in common with Owners of other Condominiums in the Community and consists of a separate interest in space, as defined in Section 1351(f) of the California Civil Code. As shown on the Condominium Plans for the Community, there are two (2) kinds of Units in the Community, Residential Units and the Commercial Unit. Each Unit shall be a separate freehold estate, as separately shown, numbered and designated in the Condominium Plan. Each Unit includes both the portion of the building so described and the airspace so encompassed, and all windows and doors in said Unit, but the following are not a part of the Unit: bearing walls, columns, floors, roofs, foundations, pipes, ducts, flues, chutes, conduits, wires, exterior lighting, and other utility installations, including fire protection sprinkler system, wherever located (except all utility installations and/or outlets thereof when located within the Units). In interpreting deeds, declarations and plans, the existing physical boundaries of the Unit shall be conclusively presumed to be its boundaries, rather than the description expressed in the deed, the Condominium Plan, or Declaration, regardless of settling or lateral movement of the buildings and regardless of minor variances between boundaries, as shown on the Condominium Plan, or defined in the deed and Declaration, and those of the buildings as constructed or reconstructed.

1.1.46 Utility Facilities shall mean and refer to all utility facilities including intake and exhaust systems, elevators, storm and sanitary sewer systems, drainage systems, ducting systems for ventilation and utility services, domestic water systems, natural gas systems, heating and air conditions systems, electrical systems, fire protection water and sprinkler systems, telephone systems, cable television systems, telecommunications systems, water systems, sump pumps, pool equipment, central utility services and all other utility systems, improvements and facilities reasonably necessary to service any Condominium, or Association Property in the Community.

1.1.47 Voting Power shall mean and refer to the voting power of the Members of the Association. Due to the distinct interests of the Commercial Unit Owner and the Residential Unit Owners, there are certain issues that may only be voted upon by Residential Unit Owners, other issues that may only be voted upon by Commercial Unit Owner, as defined below.

1.1.47.1 Residential Unit Owner Issues shall mean and refer to those matters and issues that require a vote of only the Residential Condominium Owners as more particularly described in Section 4.2.2 below.

1.1.47.2 Commercial Unit Owner Issues shall mean and refer to those matters and issues that require a vote of only the Commercial Condominium Owner as more particularly described in Section 4.2.3 below.

1.1.47.3 Association Issues shall mean and refer to those matters and issues that require a vote of all the Owners, which for purposes of the Governing Documents means any matter that is not a Residential Owner Issue or a Commercial Owner Issue.

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

Section 1.2. Applicability of Terms. The aforesaid definitions shall be applicable to this Declaration and to any supplements or amendments thereto, (unless the context shall prohibit), filed or recorded pursuant to the provisions of this Declaration.

ARTICLE 2
OWNERSHIP AND EASEMENT RIGHTS

Section 2.1. Establishment of Easements. The ownership interests in the Common Areas, Association Property and Units described in this Article are subject to the easements granted and reserved in this Declaration. Each of the easements reserved and/or granted under this Declaration shall be deemed to be established upon the recordation of this Declaration and shall henceforth be deemed to be covenants running with the land for the use and benefit of the Owners, their respective Condominiums, the Association, the Association Property, the Common Areas, and Declarant, and shall be superior to any and all other encumbrances against or in favor of any portion of the Community. Individual grant deeds to Condominiums may, but shall not be required to, set forth the easements specified in this Article.

Section 2.2. Declaration Subject to Easements. Notwithstanding anything herein expressly or impliedly to the contrary, this Declaration and the Community shall be subject to all of the easements shown on the Final Subdivision Map, the Condominium Plan, and to all easements heretofore or hereafter granted by Declarant for the installation and maintenance of utilities and drainage facilities and such other improvements as are necessary for the Community.

Section 2.3. Owner's Easements of Use and Enjoyment. Each Owner shall have nonexclusive easements for access, ingress and egress over the Common Areas and those portions of the Association Property as may be reasonably necessary for ingress and egress to their Condominiums. The Commercial Unit Owner shall not have access to those portions of Association Property for which they have no obligation to pay assessments. Each Owner shall have a nonexclusive easement appurtenant to such Owner's Condominium as reasonably necessary for ingress, egress, use and enjoyment to and over the Common Property and all improvements thereon. Said easement shall include, but not be limited to, the reasonable right of access for the purposes of maintaining internal and external telephone and cable television lines appurtenant to the Condominium; provided, however, that the Association may condition its approval, which shall not be unreasonably withheld, upon submission of plans showing such external wiring within the Association Property and such other conditions as the Association deems reasonable. Said easements shall be appurtenant to and shall pass with the title to each and every Condominium, as applicable.

Section 2.4. Owner's Easements for Vehicular Access. In addition to the general right to use and enjoy said easements for ingress and egress granted herein, there shall be and Declarant hereby covenants for itself and its successors and assigns that each and every Owner shall have a nonexclusive easement appurtenant to such Owner's Condominium for vehicular traffic over the Association Property private drive within the Community, and, to the extent necessary for Owners to access their Assigned Parking Space, Owners shall have easements of vehicular access, ingress and egress over any other Phase which has been annexed into the Community, and over any portion of the Annexable Property.

Section 2.5. Support, Maintenance and Repair. Declarant expressly reserves for the benefit of the Association nonexclusive easements over the Common Property as necessary for the support, maintenance and repair of the Common Property, and for all Units to the extent necessary, to perform all other obligations of the Association in accordance with the provisions of this Declaration. Such easements over the Common Property shall be appurtenant to, binding upon, and shall pass with the title to, every Condominium conveyed. Without limiting the generality of the foregoing, each Unit shall have an easement for support, maintenance, repair and encroachment on, over, through and across the Association Property and, to the extent necessary, each other Unit in the Community.

Section 2.6. Reciprocal Easements for Commercial Unit. Declarant expressly reserves for the benefit of the Association nonexclusive easements in, through, under and over the Commercial Unit, including the Commercial Parking Structure, as necessary for the inspection, support, maintenance, repair and replacement of any Utility Systems which may be located in the Commercial Unit and Commercial Parking Structure, that may serve the Association Property and/or any Units within the Community. The Owner of the Commercial Condominium Unit shall have a nonexclusive easement, in through, under and over the Association Property located in Buildings 6 and 7, as shown in the Condominium Plan, as necessary for the inspection, support, maintenance, repair and replacement of any Utility Systems that may serve the Commercial Unit, including the Commercial Parking Structure. The Commercial Owner may not engage in any activity, while exercising its easement rights herein, which may unreasonably disrupt or interfere with the use and enjoyment of any Association Property or Unit.

Section 2.7. Utility Easements.

2.7.1 Declarant hereby expressly reserves for the benefit of the Association the right of Declarant to grant additional easements and rights-of-way over the Property to utility companies and public agencies, as necessary, for proper sales of the Properties. Such right of Declarant shall expire upon the later of (i) the close of escrow for the sale of all Condominiums in the Community by Declarant, or (ii) expiration of seven (7) years from the date of issuance by the DRE of the Final Subdivision Public Report for the Community.

2.7.2 Declarant hereby expressly reserves and grants for the benefit of each Unit, as dominant tenement, over, under, across and through the Community (including the Common Areas, the Association Property and each Unit), as the servient tenement, and for the benefit of the Association Property, as dominant tenement, over, under and across each Unit and the Common Areas, as servient tenement, non-exclusive easements for the inspection, maintenance, repair and replacement of the Utility Facilities.

2.7.3 Declarant hereby expressly reserves, for its benefit and the benefit of the Association and each Owner of a Condominium, nonexclusive easements on, over, across and through all Units for the installation, inspection, maintenance, repair and replacement of drainage lines and improvements, and sub-drain lines, access ports, and the like, wherever same may be located, in accordance with the provisions of this Declaration. Such easements over such portions of each Unit shall be appurtenant to, binding upon, and shall pass with the title to, every Condominium conveyed.

Section 2.8. Encroachments. Declarant, the Association and Owners of contiguous Units shall have reciprocal easements appurtenant to each of the Units and the Association Property, over the other Units and the Common Property for the purpose of (1) accommodating any existing encroachment of any Utility Facilities, wall, overhang, or other improvement constructed by the original builder of the Properties as part of the original construction of improvements within a Unit or the Association Property, and (2) the maintenance of same and to accommodate authorized reconstruction, repair, shifting, deterioration, movement or natural settling or subsidence of the improvements or any other portion of the Community housing their respective Units or the Association Property. In the event any portion of the Community is partially or totally destroyed, the encroachment easement shall exist for any replacement structure that is rebuilt pursuant to the original construction design. Easements and reciprocal negative easements for utility services and repairs, replacement and maintenance of same over all of the Common Property are specifically reserved for the benefit of the Owners. The foregoing easements shall not unreasonably interfere with an Owner's use and enjoyment of such Owner's Unit. The easements for the maintenance of the encroaching improvement shall exist for as long as the encroachments exist; provided, however, that no valid easement of encroachment shall be created due to the willful misconduct of the Association or any Owner. Any easement of encroachment may, but need not be, cured by repair and restoration of the structure. Upon the annexation of additional Phases into the Community, as provided in Article 22, the Owners of Units in the Annexable Property shall have nonexclusive easements for ingress, egress, and recreational use over the Common Property within the Community. Similarly, the Owners of Units within the original scheme of this Declaration, shall have nonexclusive easements for ingress, egress, and recreational use over the Common Property of the newly annexed areas.

No portion of the Common Property, including without limitation parking spaces and other amenities contemplated as a part of the Property, are proposed to be leased by Declarant to the Owners or to the Association.

Section 2.9. Completion of Improvements. Declarant expressly reserves the right and easements to enter the Properties to complete any improvements which Declarant deems desirable to implement Declarant's plan of sales of the Properties and to enter any portion of the Properties in order to perform necessary repair work thereon; provided, however, that such right shall terminate upon close of escrow of the last Unit in the last Phase to be annexed into the Community by Declarant. Termination of such right does not apply to any repairs Declarant may be obligated to perform pursuant to this Declaration or any other agreement between Declarant and Owner. Such use of the Property by Declarant shall not unreasonably interfere with the use thereof by the Members of the Association.

Section 2.10. Right of Entry by the Association. The Association shall have a limited right of entry in and upon all Units, for the purpose of inspection, and to take whatever corrective action may be deemed necessary or proper by the Board of Directors, consistent with the provisions of this Declaration. Such entry upon a Unit shall be made, except to effect emergency repairs or other emergency measures, only after three (3) days prior written notice to the Owner of such Unit and after authorization of two-thirds (2/3rds) of the Board of Directors. Nothing contained herein shall be construed to impose any obligation upon the Association to maintain or repair any Unit or improvements required to be maintained or repaired by the Owners. Nothing in this Article 2 shall in any manner limit the right of an Owner to exclusive occupancy and control over such Owner's Unit. In the case of an emergency, an Owner shall be deemed to have given permission of entry to the Board of Directors or any other person authorized by the Board of Directors, as reasonably necessary, whether the Owner is present or not. Any damage caused to a Unit by such entry by the Board of Directors shall be repaired by the Association as a common expense of the Association, provided that this shall not be interpreted in any way to create any liability by the Board of Directors or the Association to bear any cost or expense for damages that are the direct responsibility of an Owner.

Section 2.11. Right of Entry by Other Owners. An Owner shall permit other Owners, or their representatives, to enter such Owner's Unit for the purpose of performing required installations, alterations or repairs to the mechanical or electrical services to a Unit, provided that such requests for entry are made in advance and entry is made at a time reasonably convenient to the Owner whose Unit is to be entered; and provided further, that the entered Unit is left in substantially the same condition as existed immediately preceding such entry. In case of an emergency, such right of entry shall be immediate. Any damage caused to a Unit by such entry by an Owner or its representative shall be repaired by such Owner. Any permission required by an Owner as stated forth herein, shall not be unreasonable withheld or delayed

Section 2.12. Commercial Condominium Unit. The Commercial Unit shall have direct access, ingress and egress to and from the building in which the Commercial Unit is located and the public ways. No new Commercial Unit may be established which does not have such access for ingress and egress.

Section 2.13. Parking Spaces. Declarant hereby reserves the exclusive easement to use each parking space located within the Association Property. Declarant shall have the right to transfer Declarant's exclusive easement to use particular parking spaces within the Association Property for the exclusive use by the Owners and successive Owners of particular Units. Each Unit shall be deeded a minimum of at least one (1) Exclusive Use Association Property parking space. The following provisions shall apply to each parking spaces:

(a) The Owner and all successive Owners of a Unit to which a parking space has been deeded shall have the exclusive right to use the parking space, subject to the provisions of this Section 2.12. The transfer of a Unit shall automatically transfer any parking space to the transferee. No Owner shall transfer such Owner's parking space(s) to any third party, except as provided in Section 2.12(d) below, provided that an Owner may sublease his/her parking space to any other Owner in the Community. The terms of such lease shall be strictly between said Owners and shall not involve Declarant or the Association in any manner, provided that any party using a parking space, whether an Owner or sublessee of Owner shall be subject to the terms of this Declaration and shall abide by the Rules and Regulations of the Association regarding parking spaces.

(b) The transfer by grant deed of a parking space by Declarant shall be irrevocable.

(c) Declarant and the Association shall each have the right to require temporary relocation of a parking space to reasonably accommodate emergency, construction, maintenance or repair purposes.

(d) The following provisions shall apply with respect to a parking space if it has been designated by Declarant as a handicap parking space. If an exclusive right to use a handicap parking space has not been previously transferred by Declarant, it shall be transferred to a Unit in which a handicapped person resides. Should the exclusive right to use a handicap parking space have been transferred to a Unit in which a handicapped person does not reside, the Board shall, on a first-come, first-served basis, allow an Owner or occupant of a Unit in the Community who is or becomes handicapped for an extended or continuous period (regardless of whether the handicapped Owner is a new Owner) the exclusive right to use such handicap parking space. In such event, there will be an exchange of parking spaces between the Unit in which a handicapped person resides and the Unit in which no handicapped person resides. Handicap status shall be evidenced by a distinguishing license plate or placard issued by the California Department of Motor Vehicles. The Association shall have the authority and the responsibility for coordinating the exchange of parking spaces pursuant to this Section 2.12 and shall adopt rules and regulations with respect thereto, including (i) the procedure to be followed should an Owner or occupant be handicapped and wish to use a handicap parking space, (ii) notice to be given to the Association of handicap status, and (iii) review of the required evidence of a handicap. The Association shall maintain appropriate records of such exchanges, including a copy of the evidence of a handicap provided.

(e) Each Owner shall have the exclusive right to use the Owner's parking space for parking of automotive vehicle(s) (including cars, passenger vans and trucks, unless otherwise prohibited herein). No Owner shall convert any parking space to any use that would prevent the use of the parking space for vehicle parking.

(f) Declarant's right to so transfer the exclusive right to use parking spaces pursuant to this Section 2.12 shall expire twelve (12) months following the conveyance of all of the Units within the Community. Thereafter, the Board shall have the right to transfer the exclusive right to use the parking spaces.

(g) This Section 2.12 shall not be amended to impair an Owner's right to use such Owner's parking space without the prior written consent of such Owner and such Owner's Mortgagees.

Section 2.14. Storage Spaces. The Community features several storage spaces, as shown and depicted on the Condominium Plan. There are an insufficient number of storage spaces to provide one storage space for each Unit in the Community. Declarant shall, so long as Declarant owns any portion of the Property and thereafter the Association shall have the sole right to assign to Owners an exclusive license and right to a Storage Space. Declarant shall, upon assigning a Storage Space to an Owner of a Condominium designate such assignment in the records of the Association. Upon such assignment, such Owner shall have the exclusive right to the use of the Assigned Storage Spaces, subject to the rights of the Declarant and Association set forth herein. Upon such assignment by Declarant, the Association shall not have the right to change the location of such Assigned Storage Space except as provided below. Upon conveyance of the last Condominium to an Owner by Declarant, the Declarant may assign to the Association any Storage Spaces not previously assigned and/or sold by Declarant for use by the Association for guest or Owner storage.

2.14.1 The right of an Owner to use or occupy an Assigned Storage Space shall be subject to the rights of the Declarant and the Association to relocate such Assigned Storage Space as described below. Declarant, so long as Declarant owns any Units and thereafter, the Association, upon reasonable notice, shall have the right to temporarily relocate an Assigned Storage Space in order to accommodate any construction, maintenance or repairs of Improvements located within the Community. If any Assigned Storage Space is affected by such construction, maintenance or repair, Declarant or the Association shall have the right (but not the obligation) to exchange the affected Storage Space for another available Storage Space. Each Owner acknowledges that such activities of the Declarant and/or the Association may impair the use of such Owner's Assigned Storage Spaces and may constitute an inconvenience or nuisance to the Owners and hereby consents to such impairment, inconvenience or nuisance, and hereby releases the Declarant and the Association from any claims with respect to such matters.

2.14.2 Notwithstanding, storage spaces shall be maintained by the Owner having rights to such storage spaces, in accordance with any standards set forth by the Association. Each Owner, at that Owner's cost, shall periodically clean, maintain and repair any exterior doors, including hardware and locks for such Owner's storage space. Any broken doors on said storage spaces shall be replaced and repaired by the Association and the Association may charge the Owner the cost of replacement of said doors. The Association may levy special assessments for the cost of such repair and maintenance of such storage space, in the event that an Owner with rights to a storage space fails to repair and maintain his/her space in accordance with said standards. Hazardous materials may not at any time, for any purpose, be stored in any Storage Space.

ARTICLE 3
OWNERS' PROPERTY RIGHTS AND RESTRICTIONS

Section 3.1. Delegation of Use. Any Owner may delegate such Owner's right to the use and enjoyment of the Common Property to the members of such Owner's family, guests and invitees, tenants, or contract purchasers who reside within the Community. All such use shall be subject to restrictions contained in this Declaration and the Rules and Regulations. If an Owner rents his or her Unit, the Owner, members of the Owner's family, and the Owner's guest shall not be entitled to use any Association Property, including the recreational facilities, other than such use as is directly related to the Owner's rights and duties as a landlord. Such rights may be enjoyed by the tenant and the tenant's family members and guests during the term of the rental agreement.

Section 3.2. Personal Liability of Owner. No Owner may be exempt from personal liability for assessments duly levied by the Association, nor release the Condominium owned by such Member from the liens and charges thereof, by waiver of the use and enjoyment of the Common Property and the facilities thereon or by abandonment of such Member's Unit.

Section 3.3. Leasing of Units. If permitted under the terms of the Owner's purchase agreement, any Owner may lease such Owner's Unit subject to the following:

3.3.1 No Residential Owner may lease less than the entire Unit, unless the Owner remains in occupancy.

3.3.2 Any lease agreement is required to provide that the terms of said lease shall be subject in all respects to the provisions of the Declaration and the Bylaws and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. A copy of this Declaration shall be made available to each tenant or lessee by the Owner so renting or leasing. Owners shall, at all times, be responsible for their tenant's or lessee's compliance with all of the provisions of the Governing Documents in the occupancy and use of the Units. A lessee shall have no obligation to the Association to pay assessments imposed by the Association nor shall any lessee have any voting rights in the Association.

3.3.3 All leases are required to be in writing.

3.3.4 Any Owner leasing such Owner's Unit must provide the Association with the name(s) of the tenant(s) and each tenant's family member(s) who is/are living in the Unit and the address and telephone number where the Owner of the Unit can be contacted.

3.3.5 No Owner shall be permitted to lease such Owner's Unit for transient, time-share (as defined in the California Business and Professions Code, Section 11003.5) or hotel purposes or for a period of less than thirty (30) days.

3.3.6 The Commercial Unit Owner may reconfigure the Commercial Unit to allow for multiple tenants in accordance with all applicable governmental rules, regulations and codes.

This Section 3.3 shall not apply to any leases entered into by Declarant for any Units owned by Declarant and until such time that said Units are sold by Declarant.

Section 3.4. Right to Sell, Partition, Encroach and Support. The Declarant, its successors and assigns, and all future Owners of Condominiums, by their acceptance of their respective deeds, covenant and agree as follows:

3.4.1 Except as provided herein, no Owner may sell, assign, lease or convey such Owner's interest in the Common Areas separate and apart from such Owner's Unit nor (ii) such Owner's interest in any Exclusive Use Association Property, if any, separate and apart from such Owner's interest in the Common Area and such Owner's Unit.

3.4.2 Each of the Owners of a Condominium, whether such ownership is in fee simple or as a tenant in common, is hereby prohibited from partitioning or in any other way severing or separating such ownership from any of the other ownerships in the Condominium Property except upon the showing that: (i) more than three (3) years before the filing of the action, the Community was damaged or destroyed so that a material part thereof was unfit for its use and the Community has not been rebuilt or that Owners holding, in the aggregate, more than a fifty percent (50%) interest in the Common Area are opposed to repair or restoration of the Community, or (ii) that the Community has been in existence in excess of fifty (50) years, that it is obsolete and uneconomic, and that Owners holding, in the aggregate, more than a fifty percent (50%) interest in the Common Area are opposed to repair or restoration of the Community.

3.4.3 In the event a Unit or any part thereof is partially or totally destroyed, and then rebuilt, all Owners agree that minor encroachments of parts of the Common Property due to construction shall be permitted and that valid easements for said encroachment and the maintenance thereof shall exist.

3.4.4 A nonexclusive easement for ingress, egress and support through the Common Property shall be appurtenant to each Unit.

Section 3.5. Right of Owner to Improve and Modify Unit. Subject to the provisions of this Declaration and other applicable provisions of law, the Owner of a Unit shall have the right to do the following:

(a) Make any improvements or alternations within the boundaries of the Unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the Community or increase the sound transmissions, resonance, or reverberations from such Owner's Unit to any other Unit or the Association Property.

(b) Modify the Unit at the Owner's expense, to facilitate access for persons who are blind, visually handicapped, deaf, or physically disabled, or to alter conditions that could be hazardous. These modifications may also include modifications of the route from the public way to the door of the Unit. The right granted by this Section is subject to the following conditions:

(i) The modifications shall be consistent with all applicable governmental rules, regulations and codes.

(ii) The modifications shall be consistent with the intent of otherwise applicable provisions of this Declaration pertaining to safety or aesthetics.

(iii) Modifications external to the Unit shall not prevent reasonable passage by other Owners and shall be removed by the Owner when the Unit is no longer occupied by persons requiring those modifications who are blind, visually handicapped, deaf, or physically disabled.

(iv) Any Owner who intends to modify a Unit pursuant to this Article shall submit his or her plans and specifications to the Design Review Committee for review to determine whether the modifications will comply with the provisions of this Section. The Committee shall not deny approval of the proposed modifications under this Section without good cause.

Owners shall not under any circumstances, modify, alter or otherwise make any changes to any portion of the Association Property.

Section 3.6 Combining of Residential Units; Designated Exclusive Use Association Property. The Declarant and, subject to the provisions of Article 10 of this Declaration, the Association, shall have the right to grant to an Owner who acquires fee title to two (2) or more adjacent Residential Units, without amending this Declaration or the Condominium Plan, an Exclusive Use Easement on and through any demising wall(s) separating two (2) or more Residential Units, and the right to alter, modify or remove such demising walls, subject to the consent of the Declarant and conformance with the requirements of the Association, pursuant to the provisions of the Section 10.2. In the event that two (2) adjoining Residential Units are combined into one residential living space by the removal of the walls as contemplated by this Section, they shall continue to be considered as two (2) Units for all purposes of Membership in the Association, Voting Power, and assessments. Notwithstanding the foregoing, the consent of the Board is not required for any combination of Residential Units by Declarant.

Section 3.7 Liens Against Other Property. No labor performed or services or materials furnished with the consent of, or at the request of, an Owner or his or her agent or his or her contractor shall be the basis for the filing of a lien against any other property of any Owner in the Community unless that other Owner has expressly consented to or requested the performance of the labor or furnishing of the materials or services. However, express consent shall be deemed to have been given by the Owner of any Condominium in the case of emergency repairs thereto. Labor performed or services or materials furnished for the Common Property, if duly authorized by the Association, shall be deemed to be performed or furnished with the express consent of each Owner. The Owner of any Condominium may remove his or her Condominium from a lien against two or more Condominiums or any part thereof by payment to the holder of the lien of the fraction of the total sum secured by the lien, which is attributable to his or her Condominium.

Section 3.8 Owner's Duty to Maintain. Each Owner is responsible for maintaining his, her or its separate Unit and any Exclusive Use Association Property appurtenant to the Unit and all improvements therein in good condition and repair at all times, including, but not limited to, interior doors, windows and walls, cabinets, floors, appliances, trade fixtures, and all electrical, heating, plumbing and other utility fixtures situated within the Unit or partially within the Unit and partially within the Association Property and exclusively serving the Unit, such as electrical outlets. Each Owner, at that Owner's cost, shall periodically clean, maintain and repair any exterior doors, including hardware and sidelights. Each Owner, at that Owner's cost, shall periodically clean the exterior doors (including sliding glass doors) and windows within such Owner's Exclusive Use Association Property balcony. Any broken windows that are not accessible from the outside to an Owner shall be replaced and repaired by the Association and the Association may charge the Unit Owner the cost of replacement of said windows.

Each Owner shall maintain, repair and replace any smoke, natural gas or carbon monoxide detectors located in the Owner's Unit, if any.

Any electrical wiring, plumbing pipes, drains, flues, heating ducts or other utility equipment that exclusively serves one Unit but is located in the Association Property shall be maintained and repaired by the Association; however, the maintenance, repair and/or replacement costs shall be paid by the Owner of the Unit. If the Owner fails to pay the cost, the Association may levy a reimbursement assessment against the Owner's Unit. If the utility equipment serves two or more Units, the costs shall be borne by the Association. If the maintenance, repair and/or replacement involves equipment that exclusively benefits one Unit and equipment that benefits two or more Units, the Board shall allocate the cost between the Unit Owner and the Association in a fair and equitable manner. If the Association cannot determine with a reasonable degree of certainty whether the equipment served one or more Units, it shall be presumed that the equipment served more than one Unit.

In order to reduce the presence of molds, fungi, spores, pollens, other botanical substances, or other allergens within the Unit ("***Mold***"), Owners shall perform each of the following steps: (i) inspect the Unit (both exterior, to the extent that it is accessible, and interior) not less frequently than once each quarter to check for water leaks or other breaches of the watertight integrity of the Unit and for the presence of Mold; (ii) if any water leaks and/or Mold are detected, immediately take appropriate corrective steps to repair the leak and/or remove the Mold; (iii) maintain proper ventilation (particularly in bathrooms) and humidity levels to reduce the risk of Mold growth; (iv) periodically inspect refrigerator condensation pans, air conditioners (if applicable), and any other water-retaining appliances for the presence of Mold; (v) avoid carpeting or similar types of floor covering in bathrooms that may be conducive to Mold growth; (vi) replace heating and air conditioning filters not less frequently than quarterly or as recommended by the manufacturer; and (vii) take such other prudent steps as may be appropriate to prevent Mold growth or eliminate any existing Mold.

In addition to the foregoing, each Owner shall comply with any maintenance manual(s) provided by Declarant, any maintenance guidelines provided by the manufacturer of any appliance and any commonly accepted maintenance practices in performing the Owner's maintenance obligations.

If any Owner fails to maintain his or her Unit or Exclusive Use Association Property as required herein, the Association, after notice and hearing as described in the Bylaws, may, but is not obligated to, enter the Unit or the Exclusive Use Association Property and perform the necessary maintenance and repair. The Association may levy a reimbursement assessment against the Unit in accordance with Section 7.6 of this Declaration.

ARTICLE 4
OWNERS' ASSOCIATION
A CALIFORNIA NONPROFIT CORPORATION

Section 4.1. Formation, Membership and Voting Rights. Declarant has, at its cost and expense, formed an incorporated association known as "The Madison At Town Center Community Association", a California nonprofit mutual benefit corporation, which has the powers, rights and duties hereinafter set forth:

4.1.1 There shall be one membership in the Association for each Unit owned in the Community, which membership shall be appurtenant to the Condominium, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except on a transfer of title to each such Condominium, or interest therein, and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Condominium or interest therein shall operate automatically to transfer the appurtenant membership right in the Association to the new Owner.

4.1.2 All such memberships shall initially be the property of Declarant or its successors in interest, and shall pass automatically to the respective purchasers of Condominiums in the Community.

4.1.3 Each Member shall be obligated promptly, fully and faithfully to comply with the provisions of this Declaration, and the Bylaws of the Association, and any Rules and Regulations from time to time which may be prescribed by its officers or directors.

4.1.4 The Association shall have three (3) classes of voting membership as follows:

Class A. Class A Members shall be all Owners, with the exception of the Declarant, and shall be entitled to one (1) vote for each Condominium owned. When more than one person holds an interest in any Condominium, all such persons shall be Members. The vote for such Condominium shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Condominium.

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

(a) Two (2) years from the date of the first conveyance of a subdivision interest in the most recent phase of the Community; or

(b) Four (4) years from the date of the first conveyance of a subdivision interest covered by the original Final Subdivision Public Report for the overall development; provided however, that, if as of such fifth anniversary ninety percent (90%) of the Condominiums in the overall development have not yet been sold, then the conversion date shall be extended to the seventh (7^{th}) anniversary of the issuance of said Final Subdivision Public Report.

Class C. The Class C Member shall be Declarant (whether or not Declarant is an Owner). The Class C membership shall not be considered part of a the voting power of the Association and Declarant shall not be entitled to exercise any Class C votes except for the purpose of electing a majority of the members of the Board pursuant to the provisions set forth in this Declaration and the Bylaws of the Association. The Class C Member shall be solely entitled to elect a majority of the members of the Board until the day after the first annual meeting of the Members of the Association as further provided in the Bylaws; provided that during the initial terms of the Board members elected by the Class C Member, the Class C Member shall be entitled to replace any Member of the Board initially elected by Declarant using its Class C membership upon the death, resignation or removal of any such Board member. The Class C Member shall have the right to elect a majority of the Board members who shall serve the longest terms, as prescribed in the Bylaws.

4.1.5 Any provision in the Articles, Bylaws or the Declaration calling for membership approval of action to be taken by the Association except provisions with respect to the action to enforce the obligations of the subdivider under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two (2) outstanding classes of membership. Any requirement elsewhere in the Articles of Incorporation, Bylaws, and Declaration, except with respect to the action to enforce the obligations of the subdivider under any completion bond, that the vote of the Declarant shall be excluded in any such determination, shall be applicable only if there has been a conversion of Class B Members to Class A Members, and the same shall be read as requiring the vote of the prescribed percentage of the Class A Members and the vote of the prescribed percentage of the Class A Members other than the Declarant.

4.1.6 The voting rights attributed to any given Condominium in the Community as provided for herein, shall not vest until the assessments provided for hereinbelow have been levied by the Association as against said Condominium.

4.1.7 The Association membership held by any Owner shall not be transferred, pledged, or alienated in any way, except upon the sale or encumbrance of such Condominium. In the event of such sale or encumbrance, the Association membership may only be transferred, pledged or alienated to a bona fide purchaser of the Condominium, or to the Mortgagee (or third-party purchaser) of such Condominium upon a foreclosure sale. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association.

4.1.8 Membership is not intended to apply to those persons or entities who hold an encumbrance or an interest as security for the performance of an obligation to pay money, including, without limitation, any Mortgagee, until such Mortgagee becomes an Owner.

4.1.9 The purpose of the Association is to further and promote the common interest and welfare of its Members, and to operate, preserve and maintain the Community.

Section 4.2. Special Voting Rights.

4.2.1 Notwithstanding the foregoing provisions of Section 4.1, if any matter requiring the vote or written assent of Members is a Residential Unit Owner Issue or a Commercial Unit Owner Issue, then for purposes of such vote or written assent, or the determination of a quorum, only the vote or a quorum of the Residential Unit Owners or the Commercial Unit Owner, as applicable, shall be required.

4.2.2 Vote of Residential Unit Owners. Any issue relating to the following shall be deemed to be a "Residential Owner Issue", and shall require the approval of only the Residential Unit Owners:

(a) Any matter requiring a vote of Owners relating to the allocation, increase or decrease of a Residential Expense and/or Common Expense component(s) of annual assessments or special assessments, except that, if Section 1366 of the California Civil Code or any similar applicable statute or law requires the approval of all Owners, then this provision shall not apply.

4.2.3 Vote of Commercial Unit Owner. Any issue relating to the following shall be deemed to be a "Commercial Unit Owner Issue", and shall require the approval of the Commercial Unit Owner:

(a) Any matter requiring a vote of Owners relating to the allocation, increase or decrease of the Common Expense component of the annual assessments or special assessments, except that, if Section 1366 of the California Civil Code or any similar applicable statute or law requires the approval of all Owners, then this provision shall not apply.

(b) Any matter that would materially adversely affect the Commercial Unit Owner or the operation of its business.

ARTICLE 5
POWERS OF THE ASSOCIATION

Section 5.1. Powers of the Association. The Association, in its sole and absolute discretion, and as more fully set forth in its Bylaws, shall have the power to perform the following acts:

5.1.1 Except as may be otherwise provided herein with respect to specific Exclusive Use areas, the Association shall have the sole and exclusive right and duty to manage, operate, control, repair, replace, or restore all the improvements within the Association Property of the Community, including but not limited to the following: the exterior entry balconies and stairs, mail kiosks, stairways, fire boxes and chimneys, landscaped areas, open space areas, Community walls, fences, driveways, elevators, sidewalks, roofs, parking areas, storage areas, lighting, exercise rooms, courtyards, elevators, meeting rooms, and other Association Property facilities and improvements. The Association shall also have the sole and exclusive right and duty to clean and maintain all exterior windows of Units not accessible to Owners from the outside. Any broken windows within the Community shall be replaced by the Association and the cost thereof shall be charged to the Owner.

5.1.2 The Association acting by and through the Board shall have the right to delegate its powers, duties, and responsibilities to committees or employees, including a professional management company or agent ("***Manager***"); provided, however, that the Association shall not hire a professional manager as an employee. The Manager for the Association shall at all times be a professional community association property manager employed as an independent contractor with its own place of business. Nothing contained herein shall limit the Association from hiring other employees for the Property. In the event the Association hires an employee, the Association shall obtain insurance as stated in Section 15.6 below. Any agreement for professional management of the Community or any agreement providing for services of the Declarant shall be for a term not to exceed one (1) year without the consent of fifty-one percent (51%) of each class of Members; provided, however, that in no event shall such an agreement exceed a term of three (3) years. Any such agreement shall provide that the agreement may be terminated by either party without cause and without payment of a termination fee upon not more than ninety (90) days written notice.

5.1.3 The Association shall have the right and power to grant permits, licenses and easements over, under and across the Common Property for utilities, access and other purposes reasonably necessary or useful for the proper maintenance or operation of the Community, without the necessity of obtaining the consent of the Owners.

5.1.4 The Association shall have the right and power to levy and collect assessments.

5.1.5 The Association shall pay the taxes and assessments, if any, which may be levied by any governmental authority on the Community or any part thereof.

5.1.6 The Association shall maintain a bank account or accounts for funds coming under the control of the Association.

5.1.7 The Association shall have the right and power to adopt and enforce Design Guidelines ("***Design Guidelines***") for the Community.

5.1.8 The Association shall adopt Rules and Regulations that are not inconsistent with the provisions of this Declaration and that are subject to Civil Code Sections 1357.100 *et seq.* regarding "operating rules." The Rules and Regulations shall include but not be limited to the use of the Common Property of the Community. A copy of the Rules and Regulations as adopted, amended or reppealed shall be mailed or otherwise delivered to each Owner; and a copy shall be posted in a conspicuous place within the Community, if an appropriate space is available for such posting. If any provision of this Declaration, the Articles or the Bylaws is inconsistent with or materially alters any Rules and Regulations, the Declaration, the Articles and the Bylaws shall control to the extent of any such inconsistencies. Members shall have the same access to the Rules and Regulations as they have to the accounting books and records of the Association.

5.1.9 The Association shall have the power to form and administer the Association Property, whether benefiting solely the Residential Condominium Units or the Residential and Commercial Condominium Units collectively, in accordance with the terms and provisions of this Declaration and the Bylaws. The Association may establish additional areas, improvements, and/or services within the Community which directly benefit the Residential Condominium Units and/or the Commercial Condominium Units, either separately or collectively, and may levy special assessments for the costs of such improvements or services against the Owners of the Condominiums directly receiving such special benefit, upon the approving vote or written consent by a majority of the Owners of such benefited Condominiums. Upon such approval, the new area as described above, shall be established by a Supplementary Declaration recorded by the Declarant or, if Declarant no longer owns any portion of the Property, the Association, which describes the improvements or services providing such special benefit and the Condominiums receiving such special benefit that are to be assessed for the costs thereof. Such new area shall be administered by the Association in the same manner as all other areas subject to this Declaration. Nothing contained herein shall give the Association any rights to approve or disapprove such areas established by the Declarant upon the recordation of this Declaration or the recordation of a Supplementary Declaration.

5.1.10 The Association shall have the right and power to enforce the provisions of this Declaration; nothing, however, contained in this Section shall be construed to prohibit enforcement of this Declaration by any Owner.

5.1.11 The Association shall have the right to limit, on a reasonable basis, the number of guests and tenants of the Owners using the recreational and other facilities situated within the Association Property and Common Areas. Any such limitation or restrictions shall be set forth in the Rules and Regulations.

5.1.12 The Association has the right and power to contract for and maintain fire, casualty, liability, workers' compensation, medical, hospital, and other insurance insuring Owners, members of the Board, and other persons.

5.1.13 The Association has the right and power to contract, provide and pay for (i) maintenance, utility, gardening and other services benefiting the Community; (ii) payment of persons necessary to accomplish the obligations of the Association; and (iii) legal and accounting services.

5.1.14 The Association has the right and power to contract, provide and pay for any commonly metered utilities, such as water utility service, and trash collection, for the common use and benefit of all Owners. In such event, each Owner shall pay a proportionate share of the costs thereof as a part of the annual assessments.

5.1.15 Notwithstanding any of the foregoing, the Association, acting through its Board, may not enter into any contract binding for a term longer than one (1) year from the effective date thereof without the vote or written consent of a majority of a quorum consisting of more than fifty percent (50%) of the voting power of the Members of the Association other than the Declarant, except as specifically authorized herein.

5.1.16 The Association has the right and power to contract for the purchase of tools, equipment, supplies and other personal property and services for the maintenance and repair of the facilities and improvements of the Community.

5.1.17 The Association has the right and power to contract for and pay for reconstruction of any portion or portions of the Association Property damaged or destroyed.

5.1.18 The Association has the right, power and obligation to cause a yearly inspection to be made by a private engineer of all improvements that are the responsibility of the Association to maintain. The Association shall undertake any reasonable maintenance or corrective measures recommended by the engineer.

5.1.19 The Association has the right and power to delegate its powers to others where such delegation is proper.

5.1.20 The Association has the right and power to prosecute or defend, and to perform any act reasonably necessary to resolve by alternative dispute resolution proceedings, under the name of the Association, any action affecting or relating to the Community or the personal property thereon, or any action in which all of the Owners have an interest in the subject of the action.

5.1.21 Subject to the vote or written consent therefore from a majority of the voting power of the membership, excluding the vote of the Declarant, the Association may borrow money, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

5.1.22 The Association may do any and all things that a nonprofit mutual benefit corporation organized under the laws of the State of California may lawfully do, and generally may do and perform any and all other acts which may be either necessary for, or incidental to, the exercise of any of the foregoing powers, and any other such powers as are granted by the provisions of the laws of the State of California to such a corporation.

5.1.23 The Association may acquire by gift, purchase or otherwise, own, hold, enjoy, lease, operate, maintain, convey, sell, transfer, mortgage, or otherwise encumber, dedicate for public use, or otherwise dispose of real and/or personal property in connection with the business of the Association; provided, however, that the Association shall not acquire or sell any real property by purchase or lease without first obtaining the vote or written consent therefore from a majority of the voting power of the membership, excluding the vote of the Declarant, except as is provided pursuant to the annexation of subsequent phases to this Community. Only with the approving vote or written consent therefore from sixty-six and two-thirds percent (66-2/3%) of the voting power of the membership, may the Association grant to an Owner an easement for the exclusive use of any portion of the Common Area, except as otherwise permitted by Section 1363.07 of the Civil Code.

5.1.24 The Association shall have the right and power to suspend a Member's voting rights for any period during which any assessment against such Member's Condominium remains unpaid and delinquent; and for a period not to exceed thirty (30) days for any single infraction of the Rules and Regulations of the Association, provided that any suspension of such voting rights, except for failure to pay assessments, shall be made only by the Association or a duly appointed committee thereof, after notice and hearing given and held in accordance with the Bylaws of the Association.

5.1.25 The Association may not cause a forfeiture of an Owner's right to use and enjoy such Owner's Condominium for failure of a Member to comply with the provisions of this Declaration, or the Bylaws or Rules and Regulations of the Association, except (1) by judgment of a court or decision arising out of arbitration, or (2) on account of a foreclosure or sale under a power of sale for failure of the Owner to pay assessments duly levied by the Association, as set forth in Article 7 hereof.

5.1.26 The Association may take any and all lawful action which may be advisable, proper, authorized or permitted by the Association under and by virtue of any condition, covenant, restriction, reservation, charge or assessment affecting the Community, or any portion thereof, and to do and perform any and all acts which may be either necessary for or incidental to the exercise of any of the foregoing powers, or for the peace, health, comfort, safety or general welfare of its Members.

5.1.27 Except in the case of emergencies, in which case no prior notice need be given, the Board or any authorized representative thereof shall have the right, upon twenty-four (24) hours prior notice and during reasonable hours, to enter into a Unit for the purpose of maintenance or repair for the benefit of the Common Property, or the other Condominiums or to perform its obligations under the Declaration or to cure any default by an Owner under this Declaration. Such persons shall not be deemed guilty of trespass by reason of such entry.

5.1.28 The Association, through its duly authorized agents or employees, shall also have the right to enter into any Unit to effect emergency or other necessary repairs which the Unit Owner has failed to perform.

5.1.29 The Association may impose monetary penalties upon Owners as a disciplinary measure (1) for failure of an Owner to comply with the Bylaws, the Rules and Regulations of the Association or the Declaration, or (2) as a means of reimbursing the Association for costs by the Association in the repair of damages to Common Property and recreational facilities, if any, for which the Owner is allegedly responsible, or (3) to bring an Owner or its Condominium into compliance with the Declaration, Bylaws or the Rules and Regulations of the Association.

5.1.30 The Association shall collect, maintain and disburse the capital contributions pursuant to Section 7.13 below.

5.1.31 The Association shall have the power to enter into a Joint Use Agreement ("***Joint Use Agreement***") with Declarant regarding use of Association Property facilities by any Owner or tenant in the Community, including use by tenants residing in the Annexable Property. Said Joint Use Agreement shall provide for the payment by Declarant to the Association for use of Association Property by Declarant's tenants in the Annexable Property, provided that Declarant shall not be required to pay more than one third (1/3) of any monthly assessment due for each unit owned by Declarant in the Annexable Property.

5.1.32 The Association has the right and power to enter into a contract to obtain bulk standard, basic cable or satellite television service for each Condominium in the Community from a service provider in which Declarant does not have a direct or indirect ownership interest of ten percent (10%) or more, for an initial period of five (5) years, automatically renewable for up to two (2) successive additional five (5) year terms, unless terminated by the Association not less than sixty (60) days in advance of such renewal date. The charges for such service shall be included in the annual assessments levied against each Condominium in the Community. Declarant has entered into contracts for the provision of multi-channel video and television, telephone services and related services to be provided to the Community by Pacific Bell ("***Media Contracts***"), which Media Contracts are scheduled to expire in 2010. Declarant may assign to the Association and the Association may assume the Media Contracts from Declarant. Notwithstanding, neither Declarant, nor the Association has any responsibility or liability of any kind with respect to the commencement, continuation or guarantee of cable television, broadband, or Internet service and makes no representation or warranty as to the quality or availability of such services.

5.1.33 The Association has the right and power to convey, grant and otherwise transfer easements or other interests in any portion of the Association Property, if said portion of the Association Property is taken by condemnation, eminent domain or any proceeding in lieu thereof, for a public purpose, and pursuant to Article 17 of this Declaration.

5.1.34 The Association shall adopt rules, in accordance with Civil Code Section 1363.03 regarding the election of candidates for the Board of the Association. Among other things, such rules must ensure equal access to Association media and Association Common Area meeting spaces for all candidates, specify qualifications for candidates and qualification for voting powers of the Members and proxies, and set forth the procedure for nomination of candidates and voting periods. Votes concerning assessments, selection of the Board of directors, amendments to the governing documents, and grant of Exclusive Use Common Area shall be held by secret ballot. Such rules shall also provide for the selection of independent third party inspectors of elections, whose number, qualifications, duties and standard of performance shall comply with Civil Code Section 1363.03(d). The Association shall comply with Civil Code Section 1363.03(e) through (j) as to voting procedures, including distribution of ballots, tabulation, reporting, recordation, custody and storage of votes. The Association is prohibited from using any Association funds for any campaign purposes as set forth in Civil Code Section 1363.04.

Section 5.2. Fidelity Bond. The Association shall maintain a fidelity bond or insurance in an amount at least equal to the estimated maximum of funds, including reserves, in the custody of the Association or a management agent at any given time during the term of the fidelity bond; provided, however, that the bond shall not be less than a sum equal to three (3) months aggregate regular assessments on all Units, which names the Association as obligee and insures against loss by reason of acts of members of the Board of Directors, officers and employees of the Association and any management agent and its employees, whether or not such persons are compensated for their services.

Section 5.3. Title to the Association Property. Declarant hereby covenants for itself, its successors and assigns, that it will convey title to the Association Property to the Association, free and clear of all encumbrances and liens, except easements, covenants, conditions and reservations then of record, including those set forth in this Declaration. Said conveyance shall be made to the Association prior to the conveyance of the first Condominium Unit to an Owner. Said conveyance for each Phase annexed to the Properties shall be made to the Association prior to the close of escrow for the conveyance of the first residential Unit in such Phase to an Owner.

5.3.1 The Association's responsibility to maintain the Association Property conveyed to the Association shall commence concurrently with the recordation of the Grant Deed conveying the Association Property to be maintained. Notwithstanding the foregoing, if the contractors or subcontractors of Declarant are contractually obligated to maintain or warrant the landscaping or other improvements on the Association Property for a specified period in which said contractors or subcontractors shall perform such maintenance, the Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. Maintenance performed by such contractors or subcontractors shall not serve to postpone the commencement of assessments pursuant to this Declaration, nor entitle an Owner to claim any offset or reduction in the amount of such assessments.

5.3.2 The nature, design, quality and quantity of all improvements in the Association Property shall be determined by Declarant in its sole discretion. The Association shall be obligated to accept title to the Association Property, and shall assume and undertake all maintenance responsibilities for the Association Property when title is conveyed and/or maintenance responsibilities are tendered by Declarant pursuant to subparagraphs 5.3.1 and this

Section 5.3.2. In the event that a dispute arises between Declarant and the Association with respect to the nature, design, quality or quantity of the improvements in the Association Property, or the acceptance of maintenance responsibilities therefore, the Association shall be obligated to accept title to the Association Property and to assume and undertake maintenance responsibilities pending resolution of the dispute, in accordance with the provisions set forth in the Article herein entitled "Dispute Mechanisms."

Section 5.4. Membership Meetings.

5.4.1 Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. Notwithstanding any other provision of law, notice of meetings of the Members shall specify those matters the Board intends to present for action by the Members but, except as otherwise provided by law, any proper matter may be presented at the meeting for action. Members of the Association shall have access to Association records in accordance with Article 18 (commencing with Section 8330) of Chapter 13 of Part 3 of Division 2 of Title 1 of the Corporations Code. Any Member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider litigation, matters that relate to the formation of contracts with third parties, Member discipline, or personnel matters. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors. In any matter relating to the discipline of a Member, the Board of Directors shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session. For a period of ten (10) years after the close of escrow for the sale of the last Unit in the Community covered by a Final Subdivision Public Report, in addition to Declarant's rights as an Owner and a Member, Declarant shall be entitled to access to the Association books and records, including maintenance records, and to attend and speak at meetings of the Board of Directors and meetings of the Members. Any comments made by Declarant at any meeting shall be accurately noted in the minutes prepared for such meetings.

5.4.2 The minutes, minutes proposed for adoption that are marked to indicate draft status or a summary of the minutes, of any meeting of the Board of Directors of the Association, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member of the Association upon request and upon reimbursement of the Association's costs in making that distribution. For a period of ten (10) years after the close of escrow for the sale of the last Unit in the Community covered by a Final Subdivision Public Report, Declarant shall have the right to receive all distributions of minutes, proposed minutes or summary minutes upon request and reimbursement of the Association's actual copying and mailing costs for making the distribution to Declarant.

5.4.3 Members of the Association shall be notified in writing at the time that the Budget required in Section 18.2 below is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board of Directors and how and where those minutes may be obtained, and the cost of obtaining such copies. For a period of ten (10) years after the close of escrow for the sale of the last Unit in the Community covered by a Final Subdivision Public Report, Declarant shall also receive notice of its right to have copies of the minutes of the meetings and how to obtain such minutes.

ARTICLE 6
MANAGEMENT OF THE COMMUNITY

Section 6.1. Management Responsibility. The management and complete control of the Association's affairs and the Community itself will be the direct responsibility of the Board of Directors ("***Board***"), which is to consist of Members of the Association who will be elected by the total membership of the Association, and any interim Board appointed by the Declarant prior to the election referred to hereinabove.

Section 6.2. Interim Board. Declarant shall appoint an interim Board to govern the Community, which Board shall have the same rights, privileges, duties and characteristics as detailed in the Declaration and the Articles and Bylaws of the Association, and which interim Board shall serve at the pleasure of the Declarant until the first annual meeting of the Association when the Members shall elect directors as provided in the Bylaws of the Association. Said Declarant and appointed interim directors are not required to be Owners.

Section 6.3. Powers of Board. The Board shall have all the rights and powers of the Association as they are delineated in Article 5 of this Declaration and as are further provided in the Bylaws of the Association.

Section 6.4. Extent of Declarant's Management and Control. Declarant will manage and control the Community until such time that the Board has its first meeting. Notwithstanding the foregoing, Declarant reserves the right to engage a management company to maintain the Association Property in the Community, on behalf of the Association, and the Association Property in the Annexable Properties. Declarant's right to enter into such management agreement shall be on a month-to-month basis.

ARTICLE 7
ASSESSMENTS

Section 7.1. Creation of Lien and Personal Obligation to Pay Assessments. The Declarant, for each Condominium owned within the Community, hereby covenants, and each Owner of any Condominium by acceptance of a grant deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, with such assessments to be established and collected as so directed by the Board of Directors. The annual and special assessments, together with interest, costs, and reasonable attorneys' fees, shall be a charge on the Condominium and shall be a continuing lien upon the Condominium against which each such assessment is made, the lien to be effective upon recordation of a Notice of Delinquent Assessment. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Condominium at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to such Owner's successors in title unless expressly assumed by them.

Section 7.2. Purpose of Assessments. The annual assessments levied by the Association through the Board shall be used exclusively to promote the recreation, health, safety, and welfare of the Owners and residents in the Community and for the maintenance of the Common Property and the facilities therein. The Association shall maintain an adequate reserve fund for maintenance, repairs and replacement of those common elements that must be replaced on a periodic basis, and such reserve shall be funded by annual assessments. The portion of assessments levied to pay the costs related to Residential Expenses and Common Expenses shall be used exclusively for the purposes for which they were levied.

Section 7.3. Funds Held in Trust. The assessments collected by the Association shall be held by the Association in trust for and on behalf of each Owner, and shall be used solely for the management, operation, care and maintenance of the Community as provided in this Declaration. Upon the sale or transfer of any Condominium, the Owner's interest in the funds of the Association shall be deemed automatically transferred to the successor in interest of such Owner. The Board shall establish and maintain at least the following funds and accounts into which shall be deposited all monies received by to the Association from the collection of assessments, and from which authorized disbursements shall be made by the Board and/or the Manager for the performance of the Association's functions:

7.3.1 General Operating Fund. A General Operating Fund for payment of the current expenses of the Association, in accordance with the Budget, and which designates expenses allocable solely to the Residential Unit Owners, the Resident Expense, and those allocable to both the Residential Unit Owners and the Commercial Unit Owner collectively, the Common Expense.

7.3.2 General Reserve Fund. An adequate General Reserve Fund for the deposit of Reserves repair and/or replacement of the capital improvements within the Common Property that are the responsibility of the Association to repair and/or replace, and which designates Reserves allocable solely to the Residential Unit Owners and those allocable to both the Residential Unit Owners and Commercial Unit Owner collectively.

7.3.3 Miscellaneous Maintenance Funds. Any other Maintenance Funds which the Association may deem necessary.

Section 7.4. Rate and Apportionment of Assessment. Assessments shall be allocated to all Condominiums as provided herein, and shall be collected on a monthly basis, or as otherwise determined by the Board. The proportion of the annual expenses of the Association to be paid, respectively, by the Owners of the Residential Condominiums, and the Owner of the Commercial Condominium, shall be as provided in the Budget, and shall not be subject to change without the approval of a majority of the Board and the written consent of the Commercial Condominium Owner.Rate of Assessment for Residential and Commercial Units. Both annual and special assessments for all Residential Units shall be fixed at a uniform rate, except as may otherwise be provided in Sections 7.5 and 15.3 of this Declaration. The annual and special assessments for the Commercial Unit will be assessed at a rate based on the total square footage of the Commercial Condominium, including the Commercial Parking Structure, as provided in the approved Budget. All assessments shall be collected on a monthly basis, or as otherwise determined by the Board of Directors.

7.5.1 Allocation of Budget Components. The respective line item costs, and portions thereof, in the Budget of the Association, shall be allocated annually to the Residential Condominiums and the Commercial Condominium Unit in the same proportion as provided in the initial budget of the Association approved in connection with the issuance by the California Department of Real Estate of the first Final Subdivision Public Report for the Community.

Section 7.6. Maximum Annual Assessment. The Board of Directors shall abide by the following provisions for establishing the maximum annual assessments.

7.6.1 Until January first of the year immediately following the conveyance of the first Condominium to an Owner, the maximum annual assessment for each Condominium in the Community shall be as provided for in the budget approved by the California Department of Real Estate and disclosed in the Final Subdivision Public Report, for the particular Phase of the Community in which such sale occurred, and any amendments thereto. Thus, notwithstanding the limitation on increases in the maximum annual assessments and related time periods contained in this Article, whenever a new Phase is annexed to the Properties, upon the first closing of a sale in such new Phase the amount of the maximum annual assessment for all Units in the Properties will increase or decrease to the amount stated in the budget approved by the California Department of Real Estate for such new Phase

7.6.2 From and after January first of the year immediately following the conveyance of the first Condominium to an Owner, the maximum annual assessment may be increased effective January first of each year by the Board of the Association without a vote of the membership, provided that (i) any such increase shall not be more than twenty percent (20%) of the previous year's most recent assessment level (including any increase in such assessment resulting from new Phases being annexed to the Properties during such year), and (ii) the Board of Directors has complied with Section 18.2 with respect to that fiscal year, including, but not limited to, the preparation and distribution of a pro forma operating budget to all Members of the Association as provided in Section 18.2 below, or the Board of Directors has obtained 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 Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code. For the purposes of this Article 7 "quorum" shall mean more than fifty percent (50%) of the Owners of the Association. Such annual assessment shall continue in effect for the following twelve (12) calendar months, which period shall be deemed to be the assessment period. In addition, the Association shall maintain adequate Reserve Funds, with a separate fund for the Residential Expense and the Common Expense, for the maintenance, repairs and replacement of the facilities and improvements benefiting the Residential Unit Owners and the Residential and Commercial Unit Owners collectively, and such reserves shall be funded by annual assessments levied only against Condominiums having special benefit from the respective areas and improvements and facilities located thereon, in accordance with the amounts therefore contained in the approved Budget for Residential Expense and Common Expense.

7.6.3 From and after January first of the year immediately following the conveyance of the first Condominium to an Owner, the maximum annual assessment may be increased by the Board in an amount greater than that provided for in Section 7.5 hereof for the next succeeding twelve (12) months and at the end of each such period for each succeeding period of twelve (12) months, provided that (i) any such change shall be approved by the vote or written consent of at least a majority of the voting power of the Members constituting a quorum, and (ii) provided that the Board of Directors has prepared and distributed a pro forma operating budget to all Members of the Association as provided in Section 18.2. The Association shall provide notice by first-class mail to each Owner of any increase in the regular assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

7.6.4 Said maximum assessment may be reduced by maintenance or subsidy agreements approved by the California Department of Real Estate ás reflected in the Final Subdivision Public Report.

7.6.5 After consideration of current maintenance costs and future needs of the Association, the Board of Directors may fix the annual assessment at a lesser amount than provided for above.

7.6.6 The restrictions on increases in assessments contained in this Section shall be applied separately to the annual assessments applicable to all Condominiums. Increases in the Resident Expense assessments for the Residential Condominium Units above the stated limits shall require the approving vote or written consent of a majority of a quorum of the Members who are Residential Unit Owners, in accordance with the procedures of this Article as applied to such Members. Increases in the Common Expense assessments for both the Residential and Commercial Condominium Units, above the stated limits shall require the approving vote or written consent of a majority of a quorum of the Members, in accordance with the procedures of this Article as applied to such Members. In the event that a vote requires the participation of both Commercial and Residential Owners and there is not a quorum, then after a fourteen (14) day written notice to all Owners requesting their participation, said vote may be taken again and shall require only the approving vote or written consent of a majority of a quorum of twenty-five (25%) the Members.

Section 7.7. Special Assessments. In any fiscal year, the Board of Directors may not, without the vote or written consent of a majority of the voting power of the Association residing in Members constituting a quorum, levy special assessments for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Property, including fixtures and personal property related thereto, which individually or in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. In addition, any such assessment for capital improvements that benefit solely the Residential Condominium Units, which total more than five percent (5%) of the budgeted gross expenses of the Association with respect to the Residential Expense for that fiscal year, shall require the vote or written assent of a majority of the Residential Unit Owners subject to assessments for such area constituting a quorum. In addition, any such assessment for capital improvements that benefit both the Residential and Commercial

Units, which total more than five percent (5%) of the budgeted gross expenses of the Association with respect to the Common Expense for that fiscal year, shall require the vote or written assent of a majority of the Owners subject to assessments for such area constituting a quorum. The above provisions with respect to special assessments do not apply in the case where a monetary penalty is imposed against a Member as a disciplinary measure imposed by the Association for the following reasons: (1) for failure of an Owner to comply with the Bylaws, the Rules and Regulations of the Association, or the Declaration, or (2) as a means of reimbursing the Association for costs incurred by the Association to repair damages to Common Property and facilities for which the Owner is allegedly responsible, or (3) to bring an Owner, its Condominium into compliance with provisions of this Declaration, the Bylaws and/or the Rules and Regulations of the Association. The Association shall provide notice by first-class mail to each Owner of any increase in the special assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

Section 7.8. Notice and Quorum for Actions Regarding Assessments. Any action authorized under Sections 7.4 and 7.5 shall be taken at a meeting duly called for that purpose, written notice of which shall be sent to all Members not less than ten (10) days nor more than ninety (90) days in advance of the meeting. If the proposed action is favored by a majority of the votes cast at such meeting, but such vote is less than the requisite percent for passage, Members who were not present in person or by proxy may give their assent in writing, provided the same is obtained by the Board of Directors not later than thirty (30) days from the date of such meeting. There shall be no votes attributable to the Declarant until Declarant begins paying assessments on Condominiums.

Section 7.9. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Condominiums in that Phase covered by this Declaration on the first day of the month following the conveyance of the first Condominium in such Phase by Declarant to an individual Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Condominium at least thirty (30) days in advance of each annual assessment period, and such amount is subject to change upon closing of the sale of the first Unit within any newly annexed Phase in accordance with the approved budget for such Phase. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. All Units within the real property annexed into the Community under the procedure hereinafter set forth in Article 22 shall be obligated to pay annual assessments to the Association as hereinbefore provided. The annual assessments shall automatically commence as to all Units within the annexed areas on the first day of the first month following the conveyance of the first Unit within such annexed area to an Owner. The due dates for assessments shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Condominium have been paid. If any payment of an assessment installment from a Residential Unit Owner is less than the amount assessed and the payment does not specify the assessment fund or account into which it is to be deposited, it shall first be applied to pay regular Common Expense annual assessments until the amount due therefore is satisfied, then to pay the

Residential Expense assessments (if any) due from such Owner until the amount due therefore is satisfied.

7.9.1 Notwithstanding any other provision of this Declaration, conveyance of a Unit which is being used by Declarant for model home, sales office, design center, construction office or similar purposes (any of which uses are referred to herein as "Model Home") shall not commence the annual assessments against such Unit or the other Units within the same Phase of development until discontinuance of such use of such Unit as a Model Home, or conveyance of any other Unit in such Phase not being used as a Model Home to a member of the general public, whichever occurs first. During the period of time commencing on the first day of the calendar month following the sale of a Unit being used by Declarant as a Model Home, and ending on the date annual assessments commence against such Unit, Declarant shall be responsible for the maintenance of all portions of such Phase of development in which such Model Home Unit is located.

7.9.2 Declarant shall be exempt from the payment of that portion of annual assessments designated for payment of Budget Line Item 205, Cable TV/Master Antenna. The line item assessments for satellite TV services will only be assessed to end user Owners.

Section 7.10. Assessment Limitation Not Applicable. The limitation on percentage increases of annual assessments shall not limit assessment increases by the Board for the following emergency situations:

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

(b) An extraordinary expense necessary to repair or maintain the Community or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered.

(c) An extraordinary expense necessary to repair or maintain the Community or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro-forma operating budget pursuant to Article 18 hereof. However, prior to the imposition or collection of an assessment under this subparagraph (c), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolutions shall be distributed to the Members with the notice of assessment.

Section 7.11. Association Statement at Transfer of Title. At the request of any Owner transferring title to such Owner's Condominium, the Association shall provide (i) a true statement in writing from an authorized representative of the Association as to the amount of the Association's current regular and special assessments and fees, as well as any assessments levied upon the Owner's Condominium which are unpaid on the date of the statement, and (ii) any change in the Association's current regular and special assessments and fees which have been approved by the Association's Board of Directors, but have not become due and payable as of the date disclosure is provided pursuant to this Section.

Section 7.12. Failure to Approve Budget or Levy Assessments. The failure by the Board to approve an annual Budget within the designated period of time, or to fix or levy the assessments hereunder before the expiration of any year, shall not be deemed either a waiver or modification in any respect of the provisions of this Declaration or a release of the Owners from the obligation to pay the assessments or any installment thereof for that or any subsequent year, but the assessment fixed for the preceding fiscal year shall continue in effect and be collected until a new Budget is approved and/or new assessments are fixed and levied.

Section 7.13. Exemption From Assessments For Association Property. Notwithstanding any other provisions of this Declaration, Declarant or any other Owner shall not be obligated to pay any portion of any assessments, which is for the purpose of defraying expenses and establishing reserves directly attributable to the existence and use of an Association Property improvement that is not complete at the time assessments commence. Any such exemption for the payment of assessments shall be in effect only until a Notice of Completion of the Association Property improvement has been recorded or the Association Property improvement has been placed into use, whichever shall first occur.

Section 7.14. Capitalization of Association. Upon acquisition of record title to a Condominium Unit from Declarant, each Owner shall contribute to the capital of the Association an amount equal to One Hundred and Fifty Dollars ($150.00). This amount shall be deposited by the Owner into the purchase and sale escrow for his or her Condominium Unit and disbursed therefrom to the Association or to reimburse Declarant for any capital contributions paid by Declarant to the Association on behalf of Owners.

Section 7.15. Range of Assessments. It is contemplated that the Community will be developed in a number of Phases, and, as each Phase is annexed to the Community, the regular annual assessments necessary to pay all of the Association's costs and expenses for the performance of its duties and obligations as set forth in this Declaration and in the approved Budgets will vary with the actual number of Condominium Units and the Association Property in the Community. Declarant has prepared a series of Budgets for each Phase of development of the Community. Notwithstanding any other provision of this Declaration to the contrary, the Budget applicable to the Community for each Phase shall be that Budget which corresponds to the number of Condominium Units then comprising the Community. It is therefore acknowledged that during the development of Community, the applicable Budget will vary from time to time as Phases are annexed to the Community and the regular annual assessments to be paid by each Owner will be based upon the applicable Budget and will vary within the range of assessments set forth in the approved Budgets for the Community.

ARTICLE 8
EFFECT OF NON-PAYMENT OF ASSESSMENTS - REMEDIES OF THE ASSOCIATION

Section 8.1. Assessment As Debt; Late Charges. Any assessment made in accordance with this Declaration shall be a debt of the Owner of a Condominium from the time the assessment is levied. With respect to each assessment not received by the Association within fifteen (15) days after its due date, the Board may, at its election, require the Owner to pay a late charge in a sum to be determined by the Board, but not to exceed ten percent (10%) or Ten Dollars ($10.00), whichever is greater. A late charge may not be imposed more than once on any delinquent assessment, but it shall not eliminate or supersede any charges imposed on prior delinquent assessments. If any such assessment is not paid within thirty (30) days after the date said assessment is due, the assessment shall bear interest from the due date at the rate of twelve percent (12%) per annum. The Association may bring an action at law against the Owner personally obligated to pay same, and in addition thereto, or in lieu thereof, after the expiration of thirty (30) days following recordation thereof, may foreclose the lien provided hereinbelow against the Condominium.

Section 8.2. Delinquent Assessments. Any assessment not received by the Association within fifteen (15) days after the due date shall be delinquent. At least thirty (30) days before the Association may place a lien upon the Condominium of an Owner as provided herein, the Association shall notify such Owner in writing by certified mail of the fee and penalty procedures of the Association, provide an itemized statement which indicates the principal amount owed, any late charges and the method of calculation, any attorney's fees, and the collection practices used by the Association, including the right of the Association to the reasonable costs of collection. The amount of any such delinquent assessment or installment, together with any accompanying late charges, interest, costs (including reasonable attorneys' fees), and penalties, as provided for in this Declaration, shall be and become a lien on the Condominium against which the assessment is levied when the Association causes to be recorded a Notice of Delinquent Assessment ("***Notice***") in the office of the County Recorder of the county in which the Condominium is located. The Notice shall describe the amount of such delinquent assessment or installment and such other charges thereon as may be authorized by this Declaration, a legal description of the Condominium against which the same has been assessed, the name of the Owner, and, if the lien is to be enforced by the power of sale under nonjudicial foreclosure proceedings, the name and address of the trustee authorized by the Association to enforce the lien by sale. Such Notice shall be signed by the president or vice-president, and the secretary or assistant secretary of the Association or any employee or agent of the Association authorized to do so by the Board and shall be mailed in the manner set forth in Civil Code Section 2924b to all record owners of the Owner's interest in the Condominium no later than ten (10) calendar days after recordation. Said Notice shall be recorded along with a legal description of the Condominium Unit against which said assessment is levied and the name of the record Owner of said Condominium Unit. Unless the Board considers the immediate recording of the Notice to be in the best interests of the Association, the Notice shall not be recorded until fifteen (15) calendar days after the Association has delivered the above-described required written notice of default. Any payments received by the Association on account of such a debt shall first be applied to the principal amount owed, and only after the principal amount owed is paid in full shall such payments be applied to interest or collection expenses. If the delinquent assessment or installment and related charges are paid or otherwise satisfied, the Association shall record a notice of satisfaction and release of lien. Notwithstanding anything to the contrary herein, and in accordance with California Civil Code Sections 1365.1, 1367.1 and 1367.4, an Owner may dispute an assessment debt by submitting to the Board a written request for dispute resolution, and in the event such a request is made, the Association may not initiate foreclosure without participation in an alternative dispute resolution proceeding. In no event shall the Association proceed with judicial or non-judicial foreclosure to enforce any lien if the amount of the delinquent assessments, exclusive of any interest, cost of collection, late fees and other charges, is less than eighteen hundred dollars ($1,800.00), until such debt has been delinquent for more than twelve (12) months. The decision to record a lien for delinquent assessments shall be made only by a majority vote of the Board in an executive session, held at least thirty (30) days prior to any public sale. The Board shall record the vote in the minutes of the next meeting of the Board open to all Members.

Section 8.3. Enforcement of Assessment Lien. The Board may, after the expiration of thirty (30) days following recordation thereof, enforce any assessment lien provided for in Section 8.2 which is in excess of eighteen hundred dollars ($1,800.00), or more than twelve (12) months delinquent, by filing an action for judicial foreclosure or, if the Notice contained the name and address of the trustee authorized by the Association to enforce the lien by nonjudicial foreclosure, by recording a notice of default in the form described in California Civil Code Section 2924c(b)(1) to commence a nonjudicial foreclosure. Any nonjudicial foreclosure shall be conducted in accordance with the requirements of California Civil Code Sections 2924, 2924b, 2924c, 2924f, 2924g, and 2924h that apply to nonjudicial foreclosures of Mortgages or deeds of trust. The sale shall be conducted by the trustee named in the Notice of Delinquent Assessment or by a trustee substituted in accordance with the provisions of California Civil Code Section 2934a. The Association may bid on the Condominium at the sale, and may hold, lease, mortgage, and convey the acquired Condominium. If the default is cured before the sale, or before completing a judicial foreclosure, including payment of all costs and expenses incurred by the Association, the Association shall record a Notice of Satisfaction and Release of Lien, and on receipt of a written request by the Owner, a Notice of Rescission of the Declaration of Default and Demand for Sale. Suit to recover a money judgment for unpaid assessments, rent and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same. Notwithstanding any provision in the law or in this Declaration to the contrary, a nonjudicial foreclosure by the Association to collect upon a debt for delinquent assessments shall be subject to the right of redemption, as provided in Civil Code Section 1367.4, which right shall run for a period of ninety (90) days after the sale.

Section 8.4. Monetary Penalty. A monetary penalty imposed by the Association as a disciplinary measure for (a) failure of an Owner to comply with this Declaration, and the Articles, Bylaws or Rules and Regulations of the Association, or (b) as a means of reimbursing the Association for costs incurred by the Association in the repair of damages to the Common Property and facilities for which the Owner or the Owner's guests or tenants is allegedly responsible, or (c) to bring an Owner or its Condominium into compliance with this Declaration, and the Articles, Bylaws or Rules and Regulations of the Association shall not be treated as an assessment which may become a lien against the Owner's Condominium enforceable by a sale of the Condominium in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the California Civil Code. This paragraph shall not apply to charges imposed against an Owner that are reasonable late payment penalties for delinquent assessments nor charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent assessments.

Section 8.5. Power to Bring Actions; Arbitration. In addition to the lien power described hereinabove, each Owner vests in the Association or its assigns, the right and power to bring all actions at law against such Owner or other Owners for the collection of delinquent assessments. In lieu of bringing an action at law to collect delinquent assessments, the Association may submit the matter to arbitration pursuant to the Rules of the American Arbitration Association. The decision of the arbitrator on such delinquent assessment shall be binding on both the Association and the delinquent Owner and may be enforced in any court of competent jurisdiction. The fee to initiate such arbitration shall be paid by the Association and shall be recoverable as part of the arbitration award, in addition to the late charges and interest on the delinquent assessment as provided above.

ARTICLE 9
OWNER MAINTENANCE RESPONSIBILITIES

Section 9.1. Owner Maintenance of Residential Unit. Each Owner shall be responsible for the maintenance, repair and replacement of, and shall keep in good and presentable condition, all elements of such Owner's Residential Unit, including, without limitation,

(a) The interior surfaces of the Unit.

(b) All utility systems, valves, equipment, and connections to the Residential Unit, including, without limitation, water, gas, electrical, plumbing, air conditioning, heating, and telephone, lines, conduits and improvements, water heating equipment, and cable television wiring servicing his or her Unit and located either within or without the outside perimeter of the exterior walls, floors and ceilings thereof, so long as those systems are used exclusively by such Owner and not in common. Each Owner shall be entitled to reasonable access over the Common Property for such purposes, subject to reasonable limitations imposed by the Association.

(c) All windows and doors within or enclosing an Owner's Unit, including window and door frames and exterior screens of glass doors and windows, if any, except that the Association shall be responsible for periodic cleaning of the exterior surfaces of any windows within or bordering any Residential Unit which are not reasonably accessible to such Owner from the Unit or adjacent Exclusive Use Association Property or Common Property for such purposes;

(d) All appliances, whether built in or free standing within the Residential Unit;

(e) The interior and the lock(s), if any, of the Exclusive Use Association Property, if applicable; and

(f) The decking and other areas, including the interior surfaces of any Exclusive Use Association Property balcony; provided, however, that the Association shall maintain, repair and replace the exterior of any wall, fence, railing or roof bordering any such Exclusive Use Association Property (other than interior surfaces which shall be maintained by the Owner) and any trellises covering such Exclusive Use Association Property.

9.1.2 In the event the need for repair of the Common Property is caused through the intentional or negligent acts of an Owner or such Owner's guests or invitees, the liability of the Member for the cost of such repair shall be determined according to the laws of the State of California.

9.1.3 Notwithstanding the foregoing, the Association shall be responsible for the periodic cleaning of any windows within or bordering a Residential Unit that are inaccessible to the Owner thereof. Each Owner will cooperate with the Association to provide access to the Association to clean such windows. The Association shall provide reasonable advance notice to the Owners and shall be responsible for any damage to the Residential Unit resulting from such entry.

Section 9.2. Owner Maintenance of Commercial Unit. The Owner of the Commercial Unit shall be solely responsible for all maintenance, repair and replacement of the improvements therein, including, without limitation:

(a) The interior surfaces of the Unit.

(b) All utility systems, valves, equipment, and connections to the Unit, including, without limitation, water, gas, electrical, plumbing, air conditioning, heating, and telephone, lines, conduits and improvements, water heating equipment, and cable television wiring servicing the Unit and located either within or outside of the outside perimeter of the exterior walls, floors and ceilings thereof, so long as those systems are used exclusively by such Owner and not in common. The Owner shall be entitled to reasonable access over the Common Property for such purposes, subject to reasonable limitations imposed by the Association.

(c) All windows and doors within or enclosing the Unit, including window and door frames and exterior screens of glass doors and windows, if any, except that the Association shall be responsible for periodic cleaning of the exterior surfaces of any windows within or bordering any Residential or Commercial Unit which are not reasonably accessible to such Owner from the Unit or adjacent Exclusive Use Association Property or Common Property for such purposes; and

(d) The interior and the lock(s), if any, of the Exclusive Use Areas, if applicable.

Such Owner shall keep the Commercial Unit in good repair and in a clean and attractive first class condition.

Section 9.3. Association Maintenance of Units and Association Property. The Association shall be responsible for the following maintenance, repair and replacement with respect to Units:

9.3.1 Association Maintenance of Units. The Association shall be responsible for the periodic cleaning of the exteriors of any windows and doors within or bordering a Residential Unit that are inaccessible to the Owner thereof.

9.3.2 Association Maintenance Obligations. Except as otherwise provided in this Declaration, from and after the date of conveyance of fee title or appropriate easements thereto to the Association, the Association will be responsible for the maintenance, repair, replacement, irrigation, brush clearance, landscaping and preservation of the appearance of the Association Property in strict compliance with the Maintenance Manual provided to the Board of Directors of the Association by Declarant ("***Maintenance Manual***"), and the BMPs, as defined in Section 11.2 (if applicable), in accordance with all commonly accepted maintenance practices. To ensure compliance with the requirements of the Maintenance Manual, for a period of ten (10) years after the close of escrow for the sale of the last Unit in the Community covered by a Final Subdivision Public Report, Declarant shall have the right, but not the obligation, at its own cost and expense, to retain the services of appropriate consultant(s) to: (a) prepare, update and keep current, the Maintenance Manual for the Association maintenance, repair and replacement of the Association Property, (b) conduct annual inspections of all elements of the Association Property covered by the Maintenance Manual, and (c) prepare a report covering the results of such inspections and deliver such report to Declarant and to the Association. Declarant hereby reserves non-exclusive easements on, over, under, across and through all Association Property within the Community, for the purpose of such inspections and activities related thereto. The Association shall provide Declarant's consultant(s) with copies of its maintenance log, and related records reasonably requested by such consultant(s), at least thirty (30) days prior to the date scheduled for the Declarant's annual inspection. Declarant shall provide any updates to the Maintenance Manual to the Association. The Association shall cause such Association Property, to be regularly maintained, painted, repaired, and/or replaced in accordance with the requirements and guidelines of the Maintenance Manual, as revised from time to time and shall perform all remedial maintenance in accordance with the recommendations of the annual inspection reports prepared by Declarant's consultant(s). The provisions of this Section shall not be amended without the prior written consent of Declarant.

9.3.3 Maintenance Manual Compliance. The Association has the duty and obligation, along with the attendant rights and power to carry out the Declarant's and its consultant(s)' required maintenance of the Association Property, as set forth in the Maintenance Manual. The Board shall regularly determine whether the recommended inspections and maintenance activities have been followed, and, if any such guidelines have not been followed, what corrective steps need to be taken to assure proper inspections and maintenance of the Association Property. The Board shall keep a record of such determinations in the Board's minutes. The Board shall review the Maintenance Manual for any needed appropriate revisions at appropriate intervals, but in no event less frequently than annually, and shall make appropriate recommendations to Declarant and Declarant's consultant(s) for revisions to the Maintenance Manual within thirty (30) days of its determination that revisions to the Maintenance Manual should be recommended to Declarant.

9.3.4 Association Inspections. If in any year Declarant elects not to perform an annual maintenance inspection, the Board shall have the duty and obligation to cause an inspection and report to be made in accordance with the provisions hereof. The Board's annual inspections shall (i) determine whether the Association Property is being maintained adequately in accordance with the standards of maintenance established herein and by the Maintenance Manual, (ii) identify the condition of the Association Property, including the existence of any hazards or defects, and the need for performing additional maintenance, repair, refurbishing or replacement, and (iii) recommend preventative actions, which may be taken to reduce potential maintenance costs to be incurred in the future. The Association may employ such experts and consultants as necessary to perform such inspections. Within thirty (30) after the Board's annual inspection, the Board shall have a report of the results of the inspection prepared, and such report shall include the following: (i) a description of the condition of the Association Property, including a list of items inspected and the status of maintenance, repair and need for replacement of all such items; (ii) a description of all maintenance, repair and replacement planned for the ensuing fiscal year and; (iii) if any maintenance, repair or replacement is to be deferred, an explanation must be given for such deferral; (iv) a summary of all reports of inspections performed by any expert or consultant employed by the Association to perform inspections; (v) a report of the status of compliance with the maintenance, replacement and repair needs set forth in all inspection reports from Declarant's consultant(s) and of its own inspection, for preceding years; and (vi) such other matters as the Board deems appropriate. The Board shall promptly cause a copy of each inspection report prepared in accordance with this Section to be delivered to Declarant. The Association's obligations under this Section shall continue until the expiration of the (10) year period following the close of escrow for the sale of the last Unit in the Community covered by a Final Subdivision Public Report. The requirements of this Section are in addition to the Board's obligations to perform ongoing reserve studies. The provisions of this Section shall not be amended without the prior written consent of Declarant.

Section 9.4. Owner's Failure to Maintain. Notwithstanding anything herein to the contrary, if an Owner should fail to maintain or make the necessary repairs or replacements which are the responsibility of such Owner, and are visible from any other Unit or the Common Property, in such a manner as the Board deems necessary in its judgment to preserve the attractive appearance and protect the value thereof, the Board shall give written notice to such Owner, stating in detail the work of maintenance or repair which the Board finds to be required and requesting that such work be performed within a period of thirty (30) days from the giving of such notice (or such longer period as the Board determines to be reasonable). If such Owner fails to perform such maintenance or repair within the period specified in the notice, the Board shall have the right, but not the obligation, upon a vote of a majority of the Board, to enter the Unit and cause such work to be completed, and shall assess the cost thereof to such Owner as a Special Assessment in accordance with the procedures set forth in this Declaration.

ARTICLE 10
DESIGN REVIEW COMMITTEE

Section 10.1. Appointment of Committee. The Committee shall be established to control structural and landscaping architecture and design within the Community and shall consist of not fewer than three (3) members nor more than five (5) members. Declarant may appoint all of the original members of the Committee and all replacements until the first anniversary of the original issuance of the Final Subdivision Public Report for the Community. Thereafter, Declarant may appoint a majority of the members of the Committee until ninety percent (90%) of the Units in the Community have been sold or until the fifth anniversary of the original issuance of the Final Subdivision Public Report for the Community, whichever first occurs. After one year from the date of the original issuance of the Final Subdivision Public Report for the Community, the Board of Directors of the Association shall have the power to appoint one member to the Committee until ninety percent (90%) of the Units in the Community have been sold or until the fifth (5th) anniversary of the original issuance of the Final Subdivision Public Report for the Community, whichever first occurs. Thereafter, the Board of Directors of the Association shall have the power to appoint all of the members of the Committee. Members appointed to the Committee need not be Members of the Association, until such time that Declarant no longer owns any Condominium Units in the Community. The term of the Committee members shall be one (1) year, or as otherwise designated by the Declarant or by the Board. If a Committee member is removed from the Committee for any reason, the Board or the Declarant, whichever appointed the member, shall immediately appoint a replacement for the balance of the removed member's term. Until a replacement is named, the remaining members of the Committee shall have full authority to act on behalf of the Committee. No member of the Committee shall be entitled to any compensation for serving as a member, provided that member shall be entitled to be reimbursed by the Committee for any expenses incurred by the member in performing such member's duties, provided the member received prior authorization for the incurrence of the expense. All actions of the Committee shall be governed by a majority vote of the members. The Committee shall meet at such times and places as the Committee shall designate. Meetings of the Committee shall be open to all Members of the Association.

10.1.1 Notwithstanding the foregoing, or any other provision of this Article, all Design Review Committee matters or issues which related solely to the Commercial Unit, including, but not limited to, exterior signage, shall be the sole responsibility of the Owner of the Commercial Unit to review and determine, provided that such matters or issues will not potentially or actually have a adverse impact on Residential Owners, interfere with the use, enjoyment, or accessibility of the Residential Units. Provided further, that Residential Owners must be provided with written notice of any Design Review Committee matter, relating solely to the Commercial Unit, that may create a potential or actual materially adverse impact on Residential units at least forty-five (45) days in advance of any proposed vote, adoption or resolution as to such matter by the Commercial Owner, and be provided with an opportunity to be heard as to any objections or concerns of the Residential Owners prior to the proposed vote, adoption or resolution of such matter.

10.1.2 The members of the Design Review Committee shall receive no compensation for services rendered, other than reimbursement by the Association for expenses incurred by them in the performance of their duties hereunder, unless the Association retains a professional architect, engineer or designer as a member of the Design Review Committee for the purpose of providing professional services, in which event reasonable compensation for such member shall be approved by the Board or may be required to be paid by an Owner as provided below.

Section 10.2. Submissions and Approvals Required. No alteration of any kind that is reasonably visible from other Units or from the Association Property or that increases the sound transmissions, resonance, or reverberations from such Owner's Unit to any other Unit or the Association Property (collectively "***Improvement***") shall be commenced, erected or maintained upon any Unit within the Community until full, complete and legible plans and specifications, in form acceptable to the Board or the Design Review Committee ("***Committee***"), showing the nature, kind, shape, height, materials and location of the same shall have been submitted either by personal delivery or by certified mail, return receipt requested, to and approved in writing by the Committee. The Committee may designate an agent (i.e. an architect) for the purpose of assisting in the review of such location plans and specifications or other requests and may charge the Owner making a submission its reasonable costs of such agent's review. Approval shall be by majority vote of the Committee. In the event said Committee or its designated representatives, fails to approve or disapprove such design and location within sixty (60) days after said complete plans and specifications, with all required documents in acceptable form, have been submitted to it, approval will not be required, and this Article will be deemed to have been fully complied with. Each Owner shall be responsible for obtaining all necessary approvals or permits from applicable governmental entities or agencies and shall comply with all laws, codes and regulations concerning the construction of any such Improvement.

10.2.1 In making its decisions hereunder, the Committee shall, among other matters, consider the following: (a) whether the proposed improvements will impair the structural integrity of the Community, (b) whether the proposed improvements will adversely impact or increase the costs of operating the heating, ventilating and/or air conditioning system or the plumbing, electrical or mechanical systems in the Community, or increase the cost of insurance for the Community, (c) whether the proposed improvements are in compliance with the acoustical standards set forth below, or will adversely impact the sound insulation or sound transmissions within the Community, and (d) whether the proposed Improvements comply with the Applicable Building Laws (as defined below). All questions of interpretation or construction of any of the terms or conditions herein or in the Architectural Guidelines shall be resolved by the Committee.

10.2.2 The Design Review Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of the members of the Design Review Committee shall constitute an act by the Design Review Committee unless the unanimous decision of its members is otherwise required by this Declaration. The Design Review Committee shall keep and maintain a record of all actions taken by it at such meeting or otherwise.

10.2.3 The Design Review Committee shall have the right, with the consent of the Board, to retain the services of any engineer or other consultant, the opinion of which the Design Review Committee deems necessary or useful in connection with its review of any Plans and Specifications submitted by an Owner. The Design Review Committee shall not approve any Plans and Specifications without first submitting such Plans and Specifications to an architect, engineer or other consultant(s) as deemed appropriate in its sole discretion based on the nature of the proposed improvements ("***Architectural Consultant***") for review and comment at each stage of the approval process. The Architectural Consultant shall be duly qualified and licensed in the State of California and have no current financial or ownership interest in the Community. The determination of the Design Review Committee as to the Architectural Consultant(s) shall be final. All necessary fees, costs and expenses of the Architectural Consultant shall be borne by the submitting Owner as provided below.

10.2.4 Any Owner who desires to modify such Owner's Unit shall be the sole responsible party, and hereby covenants to take whatever actions are necessary, including hiring consultants/experts to advise such Owner, the Association and the Committee whether any proposed modifications to an Owner's Unit ("Modifications") are in full compliance with any governing provision of law, including, but not limited to, the Fair Employment and Housing Act (Part 2.8 (commencing with Section 12900) of Division 3 of Title 2 of the Government Code), any applicable building codes, and/or any other applicable laws governing land use or public safety ("Applicable Building Laws"). Any such Owner shall represent and warrant to the Association and the Committee, in a signed certificate, the form and substance of which are reasonably acceptable to the Board, that the Modifications are in full compliance with any and all Applicable Building Laws, and shall indemnify, defend and hold Declarant, Board, Association and Committee ("Indemnified Parties") harmless from any and all liabilities, fines, sanctions, costs and expenses, including attorneys' fees and costs, levied against or incurred by any or all of the Indemnified Parties resulting from any violation of the above covenant, representation and warranty by such Owner.

10.2.5 In making its decisions hereunder, the Design Review Committee shall, among other matters, consider the following: (a) whether the proposed improvements will impair the structural integrity of the Community, or (b) whether the proposed improvements will adversely impact or increase the costs of operating the heating, ventilating and/or air conditioning system or the plumbing, electrical or mechanical systems in the Community, or increase the cost of insurance for the Community, or (c) whether the proposed improvements are in compliance with the City's current acoustical requirements for residential condominium projects, or will adversely impact the sound insulation or sound transmissions within the Community. All questions of interpretation or construction of any of the terms or conditions herein or in the Design Guidelines shall be resolved by the Design Review Committee, and its decision shall be final, binding and conclusive on all of the parties affected.

10.2.6 If the Design Review Committee disapproves any proposed Improvement or the plans and specifications submitted by an Owner pursuant to this Article, it shall give written notice of such disapproval to applicant, including both an explanation of why the proposed Improvement was disapproved, and a description of the procedure for reconsideration by appeal to the Board. The applicant may appeal the disapproval to the Board of Directors unless the decision to disapprove was originally made by the Board, or a body with the same membership as the Board, at an open meeting held in accordance with the provisions of Civil Code Section 1363.05. The appeal shall be made by filing a written request for reconsideration by the Board with the Secretary or the management company for the Association, as applicable. The Board must receive the written request for reconsideration not more than thirty (30) days following the final decision of the Design Review Committee. The Board shall include the request for reconsideration on the agenda for its next regularly scheduled Board meeting, to be held not less than ten (10) days and not more than ninety (90) days after its receipt of such request. If no regular Board meeting is scheduled within such period, the Board shall schedule a special meeting of the Board within such period to consider the appeal. The decision of the Board after reconsideration of the disapproval at such open meeting shall be binding and final.

The Design Review Committee shall deliver its written approval, disapproval or request for additional information or materials to the applicant at the address listed in the application within forty-five (45) calendar days after the date on which the Association has issued its form of "Acknowledgement of Receipt of Complete Application" to the applicant. The application shall not be deemed approved if the Design Review Committee fails to respond to applicant at the end of the forty-five (45) day approval period. Upon failure by the Association to respond to applicant within 45 days, the applicant must submit by U.S. mail, with return receipt requested, a written request for notification of the status of the application. If the Design Review Committee fails to respond to the applicant within 45 days of confirmed receipt, the application shall be deemed approved if the Applicant can prove the receipt of both the "Acknowledgement of Receipt of Complete Application" and confirmation of receipt of the written request for notification of the status by the Association. Without both confirmations, the application shall be deemed disapproved and a new application must be submitted to the Design Review Committee.

10.2.7 If the Design Review Committee disapproves any Plans and Specifications submitted by an Owner pursuant to Article 10.2.5, the party or parties making such submission may appeal in writing to the Board. The Board must receive the written request not more than thirty (30) days following the final decision of the Design Review Committee. Within thirty (30) days following receipt of the written request for appeal, the Board shall render its written decision. The failure of the Board to render a decision within the thirty (30) day period shall be deemed a decision against the appellant. The decision of the Board shall be binding and final.

10.2.8 The approval by the Design Review Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Design Review Committee under this Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

<u>Section 10.3.</u> <u>Combining of Residential Units</u>. In addition to the requirements of Section 3.6 above, any alteration, modification or removal of any Designated Exclusive Use Association Property Area Walls or other work involving the penetration of the unfinished surfaces of the ceilings, walls of a Residential Unit shall, for a period of ten (10) years after the date a certificate of occupancy is issued for the last Residential Unit in the Community, shall require the prior written consent of the Declarant unless Declarant has notified the Association, in writing, that it (i) waives its consent to the particular work of improvement or (ii) no longer desires to exercise such right of review and approval for any future works of improvement. After the expiration of such ten (10) year period, or in the event of such waiver, the Design Review Committee shall not grant approval to such work unless both a qualified architect and structural engineer licensed in the State of California have approved the plans and specifications for such Improvements. In addition, so long as the removal of a demising wall between two (2) or more adjoining Residential Units which are owned by a single Owner does not adversely impact the structural integrity of the Community, or any other components which may impact any other Unit, and the plans and specifications are otherwise in conformance with the requirements of this Declaration and the Design Guidelines, and, if required above, the consent of the Declarant and a licensed architect and structural engineer retained by the Design Review Committee as provided above has been obtained with respect to the removal of the demising wall, approval must be recommended by the Design Review Committee and the approved by the Board.

<u>Section 10.4.</u> <u>Design Guidelines.</u> The Board may, from time to time, adopt, amend and repeal, by unanimous vote, architectural standards and procedures for review and approval of Plans and Specifications to be known as "***Design Guidelines***", in order to ensure that the

proposed plans and improvements subject to review and approval under this Article are in conformance with and harmonious with the exterior design and existing materials within the Community. The Design Guidelines adopted shall include guidelines applicable to the Residential Units and guidelines applicable to the Commercial Unit. The Design Guidelines may be amended, changed, or modified from time to time by the Board of Directors without a vote of the Members; provided, however, that so long as Declarant owns any Units in the Community, any such amendments or changes shall require the prior written consent of Declarant. Notwithstanding anything to the contrary set forth herein, in no event shall the Association make any modifications to the Design Guidelines applicable to the Commercial Unit without the prior consent of the Owner of the Commercial Unit.

10.4.1 The Design Guidelines shall set forth the time periods for review and approval of Plans and Specifications and may also set forth time limitations for the completion of any improvements for which approval is required pursuant to the Design Guidelines.

10.4.2 The Design Guidelines may also set forth procedures for the submittal and/or review of plans by an Owner. In the event of any inconsistency between the Design Guidelines and this Article, this Article shall control.

10.4.3 The Design Guidelines may include such other limitations and restrictions as the Board in its reasonable discretion shall adopt including, without limitation, regulations of the following: construction, reconstruction, exterior addition, change or alteration to or the maintenance of any building, structure, wall or fence, including, without limitation, the nature, kind, shape, height, materials, exterior color and surface and location of any Unit, or other improvements of any kind.

10.4.4 The Design Review Committee shall have the right to establish and revise from time to time a schedule fees and costs to be charged Owners for the review and approval of Plans and Specifications, and such schedule of fees and costs shall be included in the Design Guidelines. The Design Review Committee may also require an Owner to pay any fees, costs or expenses associated with the review and approval of the Owner's Plans and Specifications by an Architectural Consultant or any costs associated with the review of the Plans and Specifications by any architect on the Design Review Committee.

10.4.5 A copy of the Design Guidelines, if any have been adopted, or, if none, a written notice of the requirements for Association approval of physical changes to a Unit that are subject to this Article, shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year. Such written notice shall include a copy of the procedures used for architectural review of an application for a proposed change under this Article.

Section 10.5. Completion and Inspection of Work.

10.5.1 Upon final approval of any Plans and Specifications, the Owners shall promptly commence construction and diligently pursue the work to completion.

10.5.2 Inspection of the work and correction of any defects or deficiencies therein shall be performed by the Design Review Committee as follows:

(a) The Design Review Committee, its Architectural Consultant(s) or its duly authorized representative may enter into any Unit, from time to time, as provided below during the course of construction or installation of any improvements for the purpose of inspecting such construction and/or installation. If the Design Review Committee determines that such construction and/or installation is not being done in substantial compliance with the approved Plans and Specifications, it shall notify the Owner of the Unit of such non-compliance. The Design Review Committee may not enter into a Unit without obtaining the prior permission of the Owner or occupant of such Unit; provided, however, that such permission shall not be unreasonably withheld and shall be given for entry by the Design Review Committee during the daylight hours within forty-eight (48) hours of the request for entry.

(b) Upon the completion of any construction or reconstruction or the alteration or refinishing of any improvements, or upon the completion of any other work for which approved Plans and Specifications are required under this Article, the Owner shall give written notice of completion thereof to the Design Review Committee.

(c) Within thirty (30) days thereafter the Design Review Committee, or its duly authorized representative, shall have the right to enter into Unit, as provided above, to inspect such improvement to determine whether it was constructed, reconstructed, altered or refinished in substantial compliance with the approved Plans and Specifications. If the Design Review Committee finds that such construction, reconstruction, alteration or refinishing was not done in substantial compliance with the approved Plans and Specifications, it shall promptly notify the Owner in writing of such non-compliance within such thirty (30) day period, specifying particulars of non-compliance, and shall require the Owner to remedy such non-compliance.

(d) If, upon the expiration of thirty (30) days from the date of such written notification, the Owner shall have failed to remedy such non-compliance, the Design Review Committee shall notify the Board in writing of such failure. After affording such Owner written notice and an opportunity to be heard by the Board, the Board shall determine whether there is a non-compliance, and, if so, the nature and extent thereof and the estimated cost of correcting or remedying the same. If non-compliance is found, the Board shall require the Owner to remedy or remove the same within a period of not more than thirty (30) days from the date of the Board ruling. If the Owner fails to comply with the Board ruling within such period, or within any extension thereof granted by the Board, in its sole and absolute discretion, the Board, at its option, may either remove the non-complying improvement or otherwise remedy the non-compliance and the Owner shall reimburse the Association for all expenses incurred in connection therewith upon demand. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy a Special Assessment against such Owner for reimbursement.

(e) If for any reason the Design Review Committee fails to notify the Owner of any non-compliance within sixty (60) days after receipt of said notice of completion from the Owner, the improvement shall be deemed to be in accordance with said approved Plans and Specifications.

Section 10.6. Sound Transmission Control. Excepting Declarant, each Owner must ensure that any modifications to such Owner's Unit's mechanical, electrical, and plumbing systems shall limit sound/vibration transmission to any space outside of the Unit to a level below 40 dBA. The transmission of vibration shall be below the threshold of feeling. Upon completion of modifications a test of the modifications may be performed at the Owner's sole cost for conformance to the requirements of this Section. Testing shall be per Section 10.6.4 below.

10.6.1 Floors and Ceilings. The floor ceiling assembly has been designed to limit impact and airborne sound transmission. Any modifications to the ceiling shall not decrease the air gap between the floor slab and the ceiling below. Any changes to the floor shall not eliminate the resilient material when hard surfaces are used. The changes should not compromise the STC (Sound Transmission Class) and IIC (Impact Isolation Class) ratings and as minimum the FSTC (Field Sound Transmission Class) rating shall be not more than 50 and FIIC (Field Impact Isolation Class) rating shall be not more than 45. Upon completion of modifications a test of the modifications shall be performed at the sole expense of the Owner for conformance to the requirements of this Section. Testing shall be per Section 10.6.4. below.

10.6.2 Walls. The party walls have been constructed for high low frequency performance. Any modifications to the party walls shall not decrease the airgap within the partition, reduce the number of layers of gypboard or rigidly tie the two sides of the wall. In addition to these construction requirements the performance of any changes shall not reduce the FSTC (Field Sound Transmission Class) rating to less than 55. Upon completion of modifications a test of the modification shall be performed at the sole expense of the Owner for conformance to the requirements of this Section. Testing shall be per Section 10.6.4.

10.6.3 Penetrations. Any modifications to penetrations, additions, attachments and supports for electrical, plumbing, HVAC, cabinets or other modifications shall be per Sections 10.6, 10.6.1, and 10.6.2.

10.6.4 Required Testing. Testing shall be performed by an experienced person approved by the Design Review Committee with a minimum of five (5) years of experience in noise/vibration measurements, and in addition experience with design of a minimum of five (5) residential projects. The testing results shall indicate compliance with the requirements imposed herein. Non-compliant systems or improvements shall be promptly corrected to meet requirements imposed.

Section 10.7. Estoppel Certificate. Within thirty (30) days after written demand is delivered to the Design Review Committee by any Owner, and upon payment to the Association of a reasonable fee (as fixed from time to time by the Association), the Design Review Committee shall execute an estoppel certificate by any two (2) of its members, certifying, with respect to any Unit of said Owner, that as of the date thereof either:

10.7.1 All improvements made and other work done upon or within said Unit comply with the Declaration and the Design Guidelines; or

10.7.2 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 basis of such noncompliance. Any purchaser from the Owner, or from anyone deriving any interest in said Unit through such 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, Declarant and all Owners and such persons deriving any interest through them.

Section 10.8. Variances The Design Review Committee may authorize variances from compliance with any of the architectural provisions of this Declaration or the Design Guidelines, including, without limitation, restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by a majority of the members of the Design Review Committee, and shall become effective upon execution. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Declaration or the Design Guidelines shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration or the Design Guidelines for any purpose except as to the particular Unit and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting his use of the Unit, including but not limited to, zoning ordinances and setback lines or requirements imposed by the jurisdiction in which the Unit is located.

Section 10.9. Initial Construction. The provisions of this Article shall not apply to the initial construction of the Properties and neither the Board nor any committee appointed by the Board shall have any right to approve or disapprove any existing element of such initial construction.

Section 10.10. Non-Liability of Committee Members. Neither Declarant, the Association, the Board or the Committee, or the members or designated representatives thereof, shall be liable for damages to any Owner submitting plans or specifications to them for approval, or to any Owner in the Community affected by this Declaration by reason of mistake in judgment, negligence or nonfeasance, unless due to willful misconduct or bad faith of the Committee. The Committee's approval or disapproval of a submission shall be based solely on the considerations set forth in this Article, and in such Rules and Regulations as may be promulgated by the Committee, and the Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plans or design from the standpoint of structural safety and conformance with building or other codes.

Section 10.11. Regulations Regarding the Commercial Unit. The Design Review Committee may not restrict the reasonable use of a Commercial Unit as provided for herein. All commercial uses shall be in conformity with the zoning ordinances of the City.

ARTICLE 11
RESPONSIBILITIES OF THE ASSOCIATION WITH SPECIFIC REFERENCE TO THE COMMON PROPERTY

Section 11.1. Association Maintenance of Common Property. Except as otherwise provided in this Declaration, the Association shall be responsible for the maintenance, repair and replacement of all Common Property, including, Association Property, and without limitation, all landscaping, private streets and driveways, trees, walls, fences, foundations, roofs, hardscape, driveways, walkways, exterior lighting, drainage and other utility improvements, stairways, elevators, and building identification signs and/or entry monumentation, and recreational facilities and improvements, situated within the Association Property, but excluding the Exclusive Use Association Property (except as otherwise provided herein). The Association shall keep such Common Property in good condition and repair, provide for all necessary and appropriate maintenance services, and cause all acts to be done which may be necessary or proper to assure the maintenance of such Common Property improvements in a presentable first-class condition.

11.1.1 The Association maintenance and repair obligations shall include without limitation, the following:

(a) maintenance, repair and replacement of the Association Property, including the Exclusive Use Association Property parking spaces and exterior entry balconies and stairs, mail kiosks, stairways, fire boxes and chimneys, landscaped areas, Community walls, fences, driveways, elevators, sidewalks, roofs, parking areas, lighting, exercise rooms, courtyards, elevators, meeting rooms, and other Association Property facilities and improvements, including water and sewer facilities that serve or traverse more than a single Condominium Unit.

(b) maintenance of the exterior of, and repair and replacement of, all doors on the exterior boundaries of a Unit and all windows surrounding the Units, which are not reasonably accessible to such Owner from the Unit or adjacent Exclusive Use Association Property or Common Property for such purposes.

(c) maintenance of all private sanitary sewers and appurtenant structures lying outside the existing sanitary sewer easements within the Community.

(d) maintenance of Association Property landscaping in compliance with recommendations of a "Final Geological Report", dated February 20, 2001, by Levine Fricke, and any other geological reports provided by Declarant to the Association, in regards to any restrictions on planting, recommended plant species, watering and irrigation, as may be contained in said reports, including but not limited to the requirement that all irrigation waters be directed away from building foundations to avoid wetting-related fill settlements.

Section 11.2. Association's Maintenance of Drainage Facilities. The Association shall maintain all drainage devices and improvements that are not eligible for transfer to the Los Angeles County Flood Control District for maintenance, and located within the Association Property in good and functional condition to safeguard the Owners, the Community and the adjoining properties from damage and pollution. The Association shall insure that Best Management

Practices ("*BMP's*") for control of storm water runoff are maintained, and shall inspect and maintain the Storm Water Treatment BMPs in the Community in accordance with the manufacturer's maintenance requirements and standards, or at a more frequent maintenance level. No Owner whose Unit contains any storm water management facilities or improvements shall permit interference with or damage to same. No Owner or occupant of the Community shall do any act which would contribute to the introduction of pollutants into said storm water drainage facilities, including, but are not limited to, soil, sand, sediment, oil, gasoline or other hydrocarbons, paint, fertilizers, pool chemicals, or other household or industrial chemicals.

Section 11.3. Wood-Destroying Pests. The Association shall be responsible for the repair and maintenance of those portions of the Common Property damaged or threatened to be damaged by the presence of wood-destroying pests or organisms. The Association may require the prompt, temporary, removal of any occupant of the Community for such periods, and at such times, as may be reasonably necessary for the prompt, effective treatment of areas affected by wood-destroying pests or organisms. The costs of any such temporary relocation during the repair and maintenance by the Association shall be borne by the affected Owners and not by the Association. The Association shall give written notice of the need to temporarily vacate a Unit to the occupants and to the Owner, not less than fifteen (15) days nor more than thirty (30) days prior to the date of the temporary relocation, including the proposed date and time of the beginning of treatment, and the anticipated date and time of termination of treatment, and that the occupants of such Residential Unit will be responsible for their own accommodations during the temporary relocation. Notice by the Association shall be deemed complete upon either:

(a) Personal delivery of a copy of the notice to the occupants, and sending a copy of the notice to the Owner, if different than the occupants, by first-class mail, postage prepaid at the most current address shown on the books of the Association, or

(b) By sending a copy of the notice to the occupants at the Unit address and a copy of the notice to the Owner, if different than the occupants, by first-class mail, postage prepaid at the most current address shown on the books of the Association.

Section 11.4. Periodic Maintenance Inspections.

11.4.1 In addition to the Association's general maintenance obligations set forth in this Declaration, the Association may contract with or otherwise retain the services of independent, qualified, licensed individuals or entities to provide the Association with inspection services relative to the maintenance, repair and physical condition of the Community, including the portions thereof that are the responsibility of individual Owners to maintain and are visible from other Units or the Common Property.

11.4.2 The inspectors shall inspect component parts of the Community, including, but not limited to, structural components, parking areas, driveways and walkways and landscaping. If any of the contractors or subcontractors responsible for constructing any component part of the Community provides the Association with maintenance criteria, maintenance manuals, or warranty requirements, such inspectors shall additionally assist the Association with compliance with such standards. The Association shall update such manuals on a regular basis. The Association shall be responsible for meeting all requirements under such maintenance manuals, maintenance criteria, or warranty requirements.

11.4.3 Such inspections shall take place at least annually or as recommended in the Maintenance Manual. The inspectors shall provide written reports of their inspections to the Association promptly following completion thereof. The written reports shall identify any items of maintenance or repair that either require prompt action by the Association or will need further review and analysis. Such written reports shall specifically include a review of all irrigation and drainage systems in the Community. The Board shall report the contents of such written reports to the Members of the Association at the next meeting of the Members following receipt of such written reports or as soon thereafter as reasonably practicable and shall include such written reports in the minutes of the Association. Subject to the provisions of the following paragraph, the Board shall promptly cause all matters identified as requiring attention to be maintained, repaired, or otherwise pursued in accordance with prudent business practices and the recommendations of the inspectors.

11.4.4 For a period of ten (10) years after the conveyance of the last Residential Unit in the Community to an Owner, the Association shall, if requested by Declarant, deliver to the Declarant ten (10) days advance written notice of all such inspections (and an opportunity to be present during such inspection, personally or through an agent) and shall provide the Declarant (or its designee) with a copy of all written reports prepared by the inspectors.

Section 11.5. Non-Completion of Improvements. In the event that improvements to the Association Property have not been completed prior to the issuance of the Final Subdivision Public Report for the Community, and the Association shall be an obligee under a bond or other security ("***Bond***") to secure performance of the commitment of the Declarant to complete such improvements, the following provisions shall apply:

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

11.5.2 In the event that the Board of Directors determines not to initiate action to enforce the obligations under the Bond or in the event the Board fails to consider and vote on such question as provided above, the Board shall call a special meeting of the Members for the purpose of voting to override such decision or such failure to act by the Board. Such meeting shall be called according to the provisions of the Bylaws dealing with meetings of the Members, but in any event such meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such meeting signed by Members representing five percent (5%) of the total voting power of the Association.

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

11.5.4 The Association shall act in a reasonably prompt manner to exonerate Declarant and its surety under any Bond in favor of the Association upon completion of the improvements.

ARTICLE 12
USE RESTRICTIONS

Section 12.1. Use Restriction Applicable to Residential Units. In addition to all other covenants contained herein, the use and enjoyment of the Community and each Condominium therein shall be subject to the following:

12.1.1 No Residential Condominium shall be occupied and used except for residential purposes by the Owners, their tenants, and social guests, and no trade or business shall be conducted therein, except that Declarant, its successors or assigns, may use any Residential Unit or Units in the Community owned by Declarant for a model home, display and sales office, and construction office until the last Unit is sold by Declarant. The provisions of this Section shall not be deemed to preclude professional and administrative occupations within the Community which have no external evidence thereof, for so long as: (a) such occupations are in conformance with all applicable governmental ordinances and applicable laws, (b) are merely incidental to the use of the Residential Unit by the operator of such business activity as such person's principal residence, (c) the business is operated solely within the Residential Unit, (d) the business is limited to the rendering of professional services or other similar activities, (c) the operation of the business is permitted by, and is at all times in compliance with, all applicable laws, and (e) operation of the business does not result in (i) the violation of any of the other provisions of this Declaration, (ii) any significant increase in the flow of pedestrian or vehicular traffic, or parking problems, within the Community, (iii) any odor, noise, or vibration outside of the Residential Unit, or (iv) any negative impact on the rate or availability of insurance for the Community.

12.1.2 No sign or billboard of any kind shall be displayed by any Owner on any portion of the Community or Unit, except one sign of reasonable size, advertising that the particular Condominium is for sale or rent, or except by Declarant as so provided in Section 12.2.2, hereinbelow. No provision herein shall be read or construed to prohibit the posting or displaying of noncommercial signs, posters, flags, or banners on or in an Owner's separate Unit (not Association Property) in accordance with California Civil Code Sections 1353.5 and 1353.6. The Association shall have the right and power to impose reasonable restrictions on the duration of the posting or displaying of such signs, posters, flags or banners. Owners are advised to refer to the Rules and Regulations promulgated by the Board.

12.1.3 No trailer, camper, recreational vehicle, commercial van, boat or similar equipment shall be permitted to remain upon the Community. No inoperative or unsightly vehicles shall be allowed in the Community. Moving vans, delivery trucks and other similar vehicles shall be permitted upon the Association Property in the course of their normal business operations.

12.1.4 An Owner may keep and maintain in such Owner's Unit domesticated pets such as dogs, cats or other usual and ordinary household pets, not to exceed a total of two (2) such ordinary household pets, provided that such pets shall not be allowed in the Association Property except as may be permitted by the Rules and Regulations, which may be promulgated from time to time by the Board. The Association may adopt further Rules and Regulations restricting the size and weight of pets permissible in the Community. Except as hereinabove provided, no animals, livestock, birds or poultry shall be brought within the Community or kept in any Unit thereof. Owners keeping pets shall be accountable to the other Owners for the acts of such pets, and should any Owner be unable to control barking or other noise or acts of such Owner's pets, which disturb such Owner's neighbors, such Owner shall be required to remove such pet from the Community. Each owner of a pet shall forthwith clean up and remove any animal waste such pet may deposit on the Association Property or the property of another Owner. No dog will be allowed on the Association Property without being supervised and on a leash. Any Owner (including such Owner's family, guests and invitees) who maintains any pet, animal, reptile, livestock or other living creature of any kind, within the Community, whether in compliance with this Declaration and the Rules and Regulations or otherwise, shall indemnify, defend and hold the Association harmless from and against any damages, claims, causes of action or losses of any kind or nature, including reasonable attorney's fees and costs, incurred by the Association as a result of any alleged damage or injury caused by such living creature to the Association, to its property, to the Association Property, or to the Members, their family, guests or invitees, or their property. Pets are not allowed to urinate or defecate on the patios and balconies, nor may pets be washed in any patio or balcony.

12.1.5 Excepting the window coverings originally installed by Declarant or its supplier, all replacement window coverings shall be of a uniform neutral color harmonious with and not in conflict with the color scheme of the exterior wall surface of the Unit and the Community and must be approved by the Design Review Committee. Window tinting shall not be permitted.

Section 12.2. Use Restrictions Applicable to Commercial Condominiums.

12.2.1 Prohibited Uses. No use or operation shall be made, conducted or permitted on or with respect to all or any part of the Community, which use or operation violates applicable laws or the provisions of this Declaration. In addition to the foregoing, no Commercial Condominium or any part of the Community shall be used for an activity or purpose considered by the Association to pose a safety hazard or health risk within the Community including but not limited to, the following:

(a) Any noise or sound that is objectionable due to intermittence, beat, frequency, shrillness or loudness;

(b) Any noxious, hazardous, toxic, caustic, explosive or corrosive fuel, gas or other substance;

(c) Any fire, explosion or other damaging or dangerous hazard, including the storage or sale of explosives or fireworks;

(d) Any distillation or refinery facility (excepting therefrom any microbrewery or similar business);

(e) Any dumping of garbage or refuse, except in places designated for disposal by the Association;

(f) Any motorized vehicle repair shop;

(g) Any meeting place, place of public assembly, pool hall, game arcade, betting facility or video or games arcade;

(h) Any business which derives fifty percent (50%) or more of its gross sales volume serving or selling alcoholic beverages;

(i) Any indecent or pornographic uses, massage parlor, adult bookstore, peepshow store, or any other similar store or club; and any business devoted to sale of articles and merchandise normally used or associated with illegal or unlawful activities, including, without limitation, the sale of paraphernalia used in connection with marijuana, cocaine or other controlled drugs or substances;

(j) Any gymnasium or martial arts studio;

(k) Any tattoo parlors or body piercing;

(l) Maintaining or keeping of any animals;

(m) Any secondhand store, surplus store, bankruptcy sale;

(n) Any places of religious worship; and

(o) Any laundromat, dry cleaning facility or store, except that a "drop off' for dry cleaning shall be permitted so long as the actual dry cleaning is conducted at a site outside the Community.

12.2.2 Signs. Each Owner or tenant of Commercial Unit shall have the right to display identification and other commercial signs on or in such Commercial Condominium and on the exterior wall enclosing such Commercial Condominium provided that such signage is consistent with the permitted commercial use of the Commercial Condominium, and in accordance with the commercial signage guidelines to be provided by Declarant and with all applicable federal, state and local laws and regulations. So long as Declarant owns the Commercial Condominium Unit, the commercial signage guidelines may be modified or amended solely by Declarant. So long as Declarant owns any interest in the Community, all identification and other commercial signs for Commercial Condominiums (and any changes thereto) are subject to the prior written approval of Declarant. When Declarant no longer owns any interest in the Community, the commercial signage guidelines may only be modified or amended by the Board if at least the Owners of seventy-five percent (75%) of the Commercial Unit, provided that further any modification by the Board does not apply to signs existing at the time of any such modification. Notwithstanding the foregoing, Declarant shall have the right to erect and maintain within the Community (i) job identification signs during the time of construction of any portion of the Community; and (ii) signs, flags, banners and other promotional devices used by Declarant for the purpose of developing, improving and selling Condominiums.

12.2.3 Advertising. No Owner or lessee of the Commercial Unit shall employ an advertising medium which can be heard or experienced outside of a Commercial Unit, including, without limitation, flashing lights, searchlights, loudspeakers, phonographs, compact disk players, radios or television. Identification and other signage shall be governed by Section 12.2.2 above. No Owner, or his lessee, shall distribute, or cause to be distributed, any handbill or other advertising device in the Common Areas, Association Property, or on the public sidewalks or streets adjacent to the Community.

Section 12.3. Use Restrictions Applicable to Residential and Commercial Condominiums.

12.3.1 Nuisances. No noxious or offensive activity shall be carried on in any Condominium, Association Property or any part of the Community, including, but not limited to, the on-site repair of motor vehicles, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of such Owner's respective Unit, or which shall in any way increase the rate or availability of insurance.

12.3.2 Outside Drying and Laundering. No exterior clothesline shall be erected or maintained or hung on balconies or railings within the Community and there shall be no exterior drying or laundering of clothes or any other items on any Exclusive Use Association Property or Common Property.

12.3.3 Storage. No patio, deck or balcony shall be used for storage purposes, including, without limitation, the storage of bicycles.

12.3.4 Patios and Balconies. Any furniture on patios or balconies must be in good condition, designed for outdoor use and approved by the Design Review Committee. No portable barbeques are permitted on any patios, balconies or any other area in the Community, except portions of Association Property, if any, which may be designated by the Association as suitable for use of portable barbeques.

12.3.5 Discharge of Toxic or Noxious Materials. No person shall discharge into the Community's sewer system, storm drain or any toxic or noxious liquids or materials in such concentrations as to be detrimental to or endanger the public health, safety, welfare, violate any law, subject any Owner to liability under state and/or federal law for any clean-up, or cause injury or damage to neighboring property or business elsewhere on the Community.

12.3.6 Hard Surface Flooring. Owners of a residential Unit shall be permitted to replace any carpeting with any hard surface flooring in any room or area in the second (2^{nd}), third (3^{rd}), fourth (4^{th}), or fifth (5^{th}) floors, except for any bedroom areas. Any permitted redecorating with replacement hard surface flooring shall be subject to the Section 10.6.1 above, and the following restrictions. No Owner shall install any hard surface flooring (including without limitation tile, stone or hardwood floors) or replace any flooring with any hard surface flooring, unless the prior approval of the Design Review Committee has been obtained, as provided in Section 10.2 above. As a condition to approving the installation or replacement of hard surface flooring, the Owner shall submit to the Design Review Committee a construction drawing clearly indicating the type of flooring to be installed and the underlayment material that must be provided to mitigate against impact noises such as footfalls and the transmission of music and other sounds.

12.3.7 No Mechanics' Liens. No Owner shall cause or permit any mechanic's lien to be filed against any portion of the Community for labor or materials alleged to have been furnished or delivered to the Community or any for such Owner, and any Owner who does so shall immediately cause the lien to be discharged within five (5) days after notice to the Owner from the Board. If any Owner fails to remove such mechanic's lien, the Board may discharge the lien and charge the cost thereof to the Owner by levying a Special Assessment for such cost of discharge.

12.3.8 Decorating by Owner. Each Owner shall have the right, at his or her sole cost and expense, to maintain, repair, paint, paper, panel plaster, tile and finish the interior surfaces of the ceilings, floors, window frames, door frames, trim and perimeter walls of the Unit, and the surfaces of the bearing walls and partitions located within the Unit, subject to the Owner complying with any restrictions or limitations set forth in the Design Guidelines and, if such work will result in any penetration of the unfinished surfaces of the ceilings, walls or floors, obtaining the consent of the Design Review Committee.

12.3.9 Holiday Decorations. Outdoor holiday decorations, or indoor holiday decorations that are visible from outside, shall be limited to a reasonable period of time prior to the date of the holiday, as determined by the Association, and shall be removed within no more than fourteen (14) days after such holiday

12.3.10 Exterior Lighting. Any exterior electrical, gas or other artificial lighting, if permitted by the Design Review Committee to be installed on any Unit, shall be positioned, screened, or otherwise directed or situated, and shall be of such controlled focus and intensity, so as not to unreasonably disturb the residents or occupants of any other Unit(s). Further rules regarding exterior lighting may be promulgated and enforced by the Board or the Design Review Committee.

12.3.11 Antennas and Satellite Dishes. No television or radio poles, antennas, satellite dishes, or the like, or other external fixtures other than those originally installed by Declarant, or approved by the Design Review Committee shall be constructed, erected or maintained on or within the Community; provided, however, that the foregoing restriction shall not be construed to limit the installation or use of video or television antennas within the Community, including a satellite dish ("***Antenna***"), except as otherwise prohibited or restricted by law, that is of a size and type consistent with the provisions of Section 1376 of the California Civil Code or any successor statute or law, so long as the following requirements are satisfied: (a) the Owner has submitted an application and notice to the Design Review Committee prior to the installation of the Antenna, and such installation is in full compliance with a general pre-approval for installation locations and limitations for an Antenna issued by the Design Review Committee; or (b) the Owner has obtained approval of the Design Review Committee for the installation of the Antenna. The application for approval of an Antenna shall be processed by the Design Review Committee in the same manner as for any other architectural modification within the Community, subject to the requirements of California Civil Code Section 1376. The Design Guidelines may impose further restrictions on the placement of such Antennas so long as such restriction does not violate Section 1376 of the California Civil Code or 74 U.S.C. Section 207 or any successor statutes or law. No wiring, insulation, air-conditioning, or other machinery or equipment other than that originally installed by Declarant or approved by the Design Review Committee, and their replacements, shall be constructed, erected or maintained on or within the Common Property including any structures thereon.

12.3.12 Trash Removal. All rubbish, trash and garbage shall be regularly removed from the Community, and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, wood-piles, storage containers, machinery and equipment shall be prohibited unless obscured from view of adjoining Units, Association Property and streets.

12.3.13 Maintenance of Drainage Improvements. Each Owner shall have the duty and obligation to maintain the drainage improvements and facilities located within any Exclusive Use Association Property appurtenant to such Owner's Condominium free and clear of debris and any other material which may impede the flow of water, and to regularly maintain and clean such drainage improvements, as may be necessary. No Owner shall dispose or permit disposal of any Hazardous Materials in any drains in the Community. If such Owner fails to maintain such drainage facilities, and, as a result of such failure, imminent danger or damage to person or property may result to the other Owners, then the Association shall have the right of access to such area for the purpose of clearing debris and other material, or otherwise maintaining or repairing such drainage improvements, so as to permit and promote the flow of drainage water. Such right of access shall be exercised only for the purpose of preventing damage to persons and/or property and shall be exercised only with reasonable care to avoid causing any damage to such areas. The Owner shall reimburse the Association for any costs and expenses incurred in clearing such debris, conducting such maintenance, or making such repairs. Notwithstanding the foregoing, the Board and its agents shall, after giving reasonable notice, have the right to enter any Exclusive Use Association Property balcony area to conduct a cleaning of and to inspect the established system of drainage located thereon, provided that the Association repairs any damage which might result from such inspection.

12.3.14 Water Beds and Aquariums. No waterbeds shall be permitted in any Unit. No Owner can maintain in his or her Unit any aquarium or other similar container holding thirty (30) or more gallons of water. Each Owner acknowledges that substantial damage to other Units and/or Association Property may occur as a result of a violation of this restriction.

Section 12.4. Exemption of Declarant from Use Restrictions.

12.4.1 Conveyance of a substantial number of the Units is essential to the establishment and welfare of the Community. In order that all work necessary to complete the Community and to establish a substantially occupied Community proceed as rapidly as possible, nothing in this Declaration shall be understood or construed to:

(a) prevent Declarant, its contractor or subcontractors, from doing work on said Community or any part thereof whenever it determines it to be reasonably necessary or advisable in connection with the completion of said work; or

(b) prevent Declarant, or its representatives from installing any improvement to the Properties and maintaining on any part or parts of said real property owned or controlled by Declarant, its contractors, or subcontractors, such structures as may be reasonably necessary to complete said work, establish said property as a mixed-use Community and dispose of the same by sale, lease, or otherwise.

12.4.2 Declarant, in exercising its rights hereunder shall not unreasonably interfere with the Members' use of Association Property.

ARTICLE 13
SCOPE OF ENFORCEMENT

Section 13.1 Enforcement. The Association or any Owner, shall have the right, but not the obligation, to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration or any amendment thereto; provided, however, that with respect to assessment liens, the Association shall have the exclusive right to the enforcement thereof. Failure, by the Association or any Owner, to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The limitations, restrictions, conditions and covenants set forth in this Declaration constitute a general scheme for (1) the maintenance, protection and enhancement of the value of the Community; and (2) the benefit of all Owners. Said limitations, restrictions, conditions and covenants are and shall be covenants running with the land or equitable servitudes, as the case may be. Each remedy provided for in this Declaration shall be cumulative and not exclusive. The result of or condition caused by any violation of any of the provisions of this Declaration is and shall be a nuisance, and every remedy in law or equity now or hereafter available against public or private nuisance may be exercised by any person affected thereby. Any of the foregoing to the contrary notwithstanding, no action to enforce this Declaration shall be instituted unless and until a written notice of such breach setting forth the facts of such breach has been delivered by certified mail to the Owner of such interest. In the event the Association or any Owner or Owners, should commence litigation to enforce any of the provisions of this Declaration, that party, if such party should prevail, shall be entitled to have judgment against and recover from any defendant in such litigation, such attorneys' fees as the court may adjudge reasonable and proper.

Section 13.2 Limitation on Expenditures for Litigation. The Association may not initiate legal proceedings or join as a plaintiff in legal proceedings, unless the Association first obtains the consent of the Owners of a majority of the Units in the Community (excluding the voting power of any Owner who would be a defendant in such proceedings), and, if applicable, complies with the requirements of Section 1368.5 of the California Civil Code. Such approval by Members shall not be required if such legal proceedings are initiated: (a) to enforce the use restrictions or easements contained in this Declaration, (b) to enforce the Rules and Regulations adopted by the Board, (c) to enforce the Design Review provisions of this Declaration, including any duly adopted Design Guidelines, (d) to collect any unpaid assessments, fines or penalties levied pursuant to this Declaration, (e) for a claim, the total value of which is less than fifty thousand dollars ($50,000.00), or (f) for a cross-complaint in litigation to which the Association is already a party.

If the Board decides to use or transfer reserve funds or borrow funds to pay for any litigation, whether as a plaintiff or a defendant party, the Association must give written notice thereof to the Members by mail. Such notice shall include an explanation of why the litigation is being initiated or defended, the reason why the general operating funds of the Association are not being used to pay such costs, how and when the reserve funds are proposed to be replaced or the loan will be repaid, and a proposed budget for the Association's costs of the litigation. The notice shall also be available at the Association's office. Such accounting shall be updated monthly.

ARTICLE 14
DISPUTE MECHANISMS

Section 14.1. Notice to Members Prior to Filing Civil Action. Not later than thirty (30) days prior to the filing of any civil action by the Association against the Declarant or other developer of the Community for alleged damage to Common Property, alleged damage to a Unit that the Association is obligated to maintain or repair, or alleged damage to a Unit that arises out of, or is integrally related, to damage to the Association Property or a Unit that the Association is obligated to maintain or repair, the Board shall provide written notice to each Member who appears on the records of the Association at the time notice is given, and to Declarant for a period of ten (10) years after the close of escrow on the sale of the last Unit in the Community, specifying (a) that a meeting of Members will be held to discuss problems that may lead to the filing of a civil action, (b) the options, including civil actions, that are available to address the problems, and (c) the time and place of the meeting. If the Association has reason to believe that the applicable statute of limitations will expire before the association files the civil action, the Association may give the foregoing notice not later than thirty (30) days after the filing of the action.

Section 14.2. Dispute Resolution. Any disputes between all or any of the Association, Owner(s), the Declarant, or any director, officer, partner, employer, general contractor, general contractor, subcontractor, material supplier, individual product manufacturer, design professional, consultant, or agent of the Declarant ("***Declarant Parties***"), arising under this

Declaration or relating to the Properties, shall be subject to the following provisions of this Section 14.2 and the following Sections, 14.4 and 14.5.

14.2.1.1 Obligation to Follow Maintenance Guidelines and Schedules. All Owners and the Association are obligated to follow Declarant's maintenance guidelines and schedules, including the maintenance recommendations and schedules for manufactured products and appliances provided such Owner's Unit or the Association Property, or any improvements thereon, as well as all commonly accepted maintenance practices ("***Maintenance Guidelines***"). Failure to follow the Maintenance Guidelines may reduce or preclude Owner's and the Association's right to recover damages relating to such Unit or Common Property, which could have been prevented or mitigated had the Maintenance Guidelines been followed.

14.2.1.2 Obligation to Retain Documents and Provide Copies to Successors. All Owners, who originally purchased a Unit from Declarant were provided copies of certain documents in conjunction with the purchase of their Unit, including copies of this Declaration, maintenance guidelines from Declarant, maintenance recommendations for manufactured products or appliances included with the Unit, a limited warranty and claim forms. All Owners are required to retain these documents and provide copies of such documents to their successors in interest upon the sale or transfer of such Owner's Unit.

14.2.2 Owners' Claimed Defect Procedures. Prior to the commencement of any legal proceeding by any Owner against Declarant or any Declarant Party based upon a claim for defects in Declarant's improvement work or defect relating to any other physical condition in any Unit, or in the Association Property, the Owner must first comply with the provisions of this paragraph. If at any time following the completion of any improvement work by Declarant, such Owner believes Declarant has violated any of the standards set forth by California law ("***Claimed Defect***"), which such Owner feels may be the responsibility of Declarant, such Owner shall promptly notify Declarant's agent for notice of claims on file with the Secretary of State, which is currently: Prado Town Center West, LLC, c/o Lennar Corporation, 700 NW 107 Avenue, 4th Floor, Miami, FL 33172, attention General Counsel, in writing, with a copy to at Lennar Corporate Legal Department – Western Region, 25 Enterprise, Aliso Viejo, CA 92656 attention Litigation Counsel, Western Region, with a copy to Declarant at Declarant's address as an Owner, if any, listed in the records of the Association. Such notice shall be deemed a notice of intention to commence a legal proceeding and shall include: (a) a detailed description of the Claimed Defect, (b) the date upon which the Claimed Defect was first discovered, and (c) dates and times when Owner or Owner's agent will be available during ordinary business hours, so that service calls or inspections by Declarant can be scheduled. Declarant shall, in its sole discretion, be entitled to inspect the applicable property regarding the reported Claimed Defect and, within its sole discretion, shall be entitled to cure such Claimed Defect. Nothing contained in this Article shall obligate Declarant to perform any such inspection or repair, nor shall this Section be deemed to increase Declarant's legal obligations to Owner. Owner's written notice delivered to Declarant shall be a condition precedent to Owner's right to institute any legal proceeding and to proceed to judicial reference or binding arbitration as set forth in Section 14.5 below, and Owner shall not pursue any other remedies available to it, at law or otherwise, including without limitation the filing of any legal proceeding or action, until Declarant has had the reasonable opportunity to inspect and cure the Claimed Defect. During the term of any written Limited Warranty provided to the original Owner of the Unit by Declarant, any conflict between the provisions of this Section and the Limited Warranty shall be resolved in favor of the Limited Warranty. Declarant shall not be liable for any general, special or consequential damage, cost, diminution in value or other loss which Owner may suffer as a result of any Claimed Defect in the Unit, which reasonably might have been avoided had Owner given Declarant the notice and opportunity to cure as described above within a reasonable time of discovering the Claimed Defect. Except as otherwise provided in the written Limited Warranty, if any, provided to Owner, nothing contained herein shall establish any contractual duty or obligation on the part of Declarant to repair, replace or cure any Claimed Defect. If an Owner sells or otherwise transfers ownership of such Owner's Unit to any other person during such ten (10) year period, as such period may be extended by any applicable tolling statute or provision, Owner covenants and agrees to give such other person written notice of these procedures by personal delivery. Owner's continuing obligation under this covenant shall be binding upon Owner and Owner's successors and assigns.

14.2.3 Association's Claimed Defect Procedure. Prior to the commencement of any legal proceeding by the Association against Declarant or any Declarant Party based upon a claim for defects in Declarant's improvement work, or any other physical condition of the Association Property, or any improvements thereon, or any other area within the Community which the Association has standing to make a claim for defects in Declarant's or improvement work, or any other physical condition of the property, the Association must first comply with all of the applicable requirements of Civil Code Section 1375, as the same may be amended from time to time, or any successor statute thereto. For purposes of claims under this Section, notice to "builder" under California Civil Code Section 1375 shall mean notice to Declarant's agent for notice of claims on file with the Secretary of State, with a copy to Declarant, as further provided above. In addition to the requirements of said Section 1375, Declarant shall have an absolute right, but not an obligation, to repair any alleged defect or condition regarding Declarant's improvement work or any other physical condition of the Association Property claimed by the Association to be in violation of any applicable California law, within a reasonable period of time after completion of the inspection and testing provided for in such Section. If the parties to such dispute are unable to resolve their dispute in accordance with the procedures established under Civil Code Section 1375, as the same may be amended from time to time, or any successor statute, the dispute shall be resolved in accordance with the judicial reference or binding arbitration provisions of Section 14.5 below and the parties to the dispute shall each be responsible for their own attorneys' fees.

Section 14.3. Other Disputes. Any other disputes arising under this Declaration, or otherwise, between the Association or any Owner and Declarant or any Declarant Party (except for any action taken by the Association against Declarant for delinquent assessments, and any action involving enforcement of any completion bonds) shall be resolved in accordance with the alternate dispute resolution provisions of Section 14.4 below; provided, however, that with regard to disputes between the Association and an Owner where the alternative dispute resolution procedure is invoked by the Association, the Owner may elect not to participate in the procedure. The dispute resolution procedure in Section 14.4, as it applies solely to disputes under this Section 14.4, shall be deemed to satisfy the alternative dispute requirements of Civil Code Sections 1363.810, 1369.510, and following, or any successor statute, as applicable.

Section 14.4. Alternate Dispute Resolution Procedures. The foregoing procedures provide for resolution of disputes through general judicial reference or, in the alternative, binding arbitration. In either event, Declarant, the Association and each Owner of a Unit within the Community, expressly acknowledge and accept that by invoking or electing to participate in the procedure, they are waiving their respective rights to a jury trial.

14.4.1 Judicial Reference. Subject to compliance with the provisions of Sections 14.2 through 14.4, to the extent applicable, it is the intention of Declarant that, except as otherwise expressly provided herein, any and all disputes, based upon which litigation is filed, shall be resolved by judicial reference under California law. Accordingly, except as otherwise expressly provided in this Declaration (such as the collection of delinquent assessments), any dispute, between the Association or any Owner(s) and the Declarant, or other developer of the Community, or between the Association and any Owner with respect to the interpretation of any of the provisions of this Declaration, or with respect to any alleged breach hereof, or with respect to any other claim related to a Unit or the Common Property, including, without limitation, any alleged latent or patent defects arising out of any Declarant's work and/or any other physical condition of the Community, any Unit or any part thereof, any alleged violation of the standards set forth in the applicable California law, any judicial determination to be made under California Civil Code Section 1375(h), or for alleged damage to the Common Property, alleged damage to the Units that the Association is obligated to maintain or repair, or any alleged damage to Units that arises out of, or is integrally related to the Common Property or Units that the Association is obligated to maintain or repair, shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure Sections 638 through 645.1. In the event litigation is filed based upon any such dispute, the following shall apply:

14.4.1.1 The proceeding shall be brought and held in the County in which the Community is located, unless the parties agree to an alternative venue.

14.4.1.2 The parties shall use the procedures adopted by Judicial Arbitration and Mediation Services, Inc. ("*JAMS*") for judicial reference and selection of a referee (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties).

14.4.1.3 The referee must be a retired judge or a licensed attorney with substantial experience in relevant real estate matters.

14.4.1.4 The parties to the litigation shall agree upon a single referee who shall have the power to try any and all of the issues raised, whether of fact or of law, which may be pertinent to the matters in dispute, and to issue a statement of decision thereon to the court. Any dispute regarding the selection of the referee shall be resolved by JAMS or the entity providing the reference services, or, if no entity is involved, by the court with appropriate jurisdiction in accordance with California Code of Civil Procedure Sections 638 and 640.

14.4.1.5 The referee shall be authorized to provide all remedies available in law or equity appropriate under the circumstances of the controversy.

14.4.1.6 The referee may require one or more pre-hearing conferences.

14.4.1.7 The parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

14.4.1.8 A stenographic record of the trial shall be made.

14.4.1.9 The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable.

14.4.1.10 The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.

14.4.1.11 The parties shall promptly and diligently cooperate with each other and the referee and perform such acts, as may be necessary for an expeditious resolution of the dispute.

14.4.1.12 Except as otherwise agreed by the parties or as required by applicable law, neither the Association nor any Owner shall be required to pay any fee of the judicial reference proceeding except to the extent of the cost that would be imposed upon the Association or Owner if the dispute had been resolved as a dispute in court. The referee may not award against the Association or any Owner any expenses in excess of those that would be recoverable as costs if the dispute had been litigated to final judgment in court. Each party to the judicial reference proceeding shall bear its own attorney fees and costs in connection with such proceeding.

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

14.4.2 Binding Arbitration. If for any reason the judicial reference procedures in Section 14.4.1 are legally unavailable or unenforceable at the time a dispute would otherwise be referred to judicial reference, then such dispute shall be submitted to binding arbitration under the rules and procedures in this Section 14.4.2. Any dispute submitted to binding arbitration shall be administered by the American Arbitration Association ("***AAA***") in accordance with the AAA's Construction Industry Arbitration Rules and AAA's Supplementary Procedures for Residential Construction Disputes in effect on the date of the submission. If such entity is not then in existence, then the dispute shall be submitted to JAMS, and administered in accordance with either the Streamlined Arbitration Rules and Procedures, or (if applicable) the Comprehensive Arbitration Rules of JAMS. Any judgment upon the award rendered by the arbitrator may be entered in and enforced by any court having jurisdiction over such dispute. If the claimed amount exceeds $250,000.00 or includes a demand for punitive damages, the dispute shall be heard and determined by three arbitrators. Otherwise, unless mutually agreed to by the parties, there shall be one arbitrator. Arbitrators shall have expertise in the area(s) of dispute, which may include legal expertise if legal issues are involved. All decisions concerning the arbitrability of any dispute shall be decided by the arbitrator(s). At the request of any party, the award of the arbitrator(s) shall be accompanied by detailed written findings of fact and conclusions of law. Except as may be required by law or for confirmation of an award, neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

14.4.3 Applicability of Federal Arbitration Act. The binding arbitration procedures contained in Sections 14.4.2 are implemented for the Community in accordance with the philosophy and intent of the Federal Arbitration Act (9 U.S.C. Section 1 et seq.) ("*FAA*"), which is designed to encourage the use of alternative methods of dispute resolution and avoid costly and potentially lengthy traditional court proceedings. The binding arbitration procedures in said Section are to be interpreted and enforced as authorized by the FAA. Parties interpreting this Section shall follow the federal court rulings, which provide among other things that: (1) the FAA is a congressional declaration of liberal federal policy favoring alternate dispute resolution notwithstanding substantive or procedural state policies or laws to the contrary, (2) alternate dispute resolution agreements are to be rigorously enforced by state courts; and (3) the scope of issues subject to alternate dispute resolution are to be interpreted in favor of alternate dispute resolution.

Section 14.5. Disputes Relating To Enforcement Of Governing Documents. In the event of a dispute between the Association and an Owner, or between an Owner and another Owner, relating to the enforcement of the governing documents of the Association, the parties shall comply with the provisions of California Civil Code Sections 1363.810, 1369.510, and following, prior to filing of any civil action.

Section 14.6. Civil Code Sections 1368.5, 1375, 1375.05 and 1375.1. Nothing contained herein shall be deemed a waiver or limitation of the provisions of California Civil Code Sections 1368.5, 1375, 1375.05, or 1375.1.

Section 14.7. Use of Damage Award Amounts. Any and all amounts awarded to a claimant on account of a claimed defect arising out of Delcrant's work and/or any other physical condition in the Community, or damage suffered as a result thereof, shall be expended by such claimant for the attorney fees and costs of the proceeding and the repair, rehabilitation, or remediation of the claimed defect or damage.

Section 14.8. Miscellaneous. Nothing in the Article shall constitute a waiver of any of the benefits of statute of limitations or equitable defense of any party. Furthermore, notwithstanding any other provision of this Declaration, this Article may not be amended without the prior written consent of the Declarant.

ARTICLE 15
INSURANCE

Section 15.1. Liability Insurance. A general public liability and property damage insurance policy covering all Common Property shall be purchased by the Board of Directors as promptly as possible following its election and shall be maintained in force at all times, the premium thereon to be paid out of the monies collected from the assessments. The minimum amount of coverage shall be Five Million Dollars ($5,000,000) combined single limit liability for bodily injury to any one person, or property damage, for any one occurrence. The policy shall name all Owners as insureds, including Declarant, during such time as Declarant shall remain the Owner of one or more Condominiums. The manager, if any, shall also be a named insured on such policy, during such time as such manager's agency be retained to provide services. The policy shall insure against injury or damage occurring in the Common Property and, if possible, within the individual Units. The insurance shall also contain a cross-liability endorsement to cover negligent injury by one Owner to another, if reasonably available. For a period of ten (10) years after the close of escrow for the sale of the last Unit in the Community covered by a Final Subdivision Public Report, the Association's obligations under this Section 15.1 to provide summaries of insurance, notices of significant changes in coverage and notice if a policy is not renewed to its Members shall also extend to Declarant The Association shall prepare and distribute to all Members a summary of the Association's property, general liability, and earthquake and flood insurance policies, which shall be distributed not less than thirty (30) nor more than ninety (90) days preceding the beginning of the Association's fiscal year, that includes all of the following information about each policy: (a) the name of the insurer, (b) the type of insurance, (c) the policy limits of the insurance, and (d) the amount of deductibles, if any. The Association shall, as soon as reasonably practical, notify the Members by first-class mail if any of the policies described in this paragraph have lapsed, been canceled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Association receives any notice of non-renewal of a policy described in this paragraph, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse. To the extent that any of the information required to be disclosed pursuant to this paragraph is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it to all Members. The summary distributed pursuant to this paragraph shall contain in at least 10-point boldface type, the statement required by Civil Code Section 1365(e)(4)..

If required by Section 20.2 of this Declaration, the Board shall obtain and maintain adequate public liability insurance (including coverage for medical payments), with limits acceptable to FNMA and as required by Section 1365.9 of the California Civil Code, insuring against liability for bodily injury, death and property damage arising from the activities of the Association and the Owners, with respect to the Common Property.

Section 15.2. Distribution of Insurance Summary. The Association shall prepare and distribute to all Members a summary of the Association's property, general liability, and earthquake and flood insurance policies, if any, which shall be distributed within not less than thirty (30) nor more than ninety (90) days preceding the beginning of the Association's fiscal year, that includes all of the following information about each policy: (a) the name of the insurer, (b) the type of insurance, (c) the policy limits of the insurance, and (d) the amount of deductibles, if any. The Association shall, as soon as reasonably practical, notify the Members by first-class mail if any of the policies described in this paragraph have lapsed, been canceled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Association receives any notice of nonrenewal of a policy described in this paragraph, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse. To the extent that any of the information required to be disclosed pursuant to this paragraph is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it to all Members. The summary distributed pursuant to this paragraph shall contain in at least 10-point boldface type, the statement required by Civil Code Section 1365(e)(4). For a period of ten (10) years after the close of escrow for the sale of the last Unit in the Community covered by a Final Subdivision Public Report, the Association's obligations under this Section 15.2 to provide summaries of insurance, notices of significant changes in coverage and notice if a policy is not renewed to its Members shall also extend to Declarant.

Section 15.3. Property Insurance. A "Special Form Causes of Loss" property insurance policy (commonly referred to as all-risk or special perils coverage shall also be purchased by the Board as promptly as possible following its election and shall, thereafter, be maintained in force at all times; the premium thereon to be paid out of the monies collected from the assessments. Said insurance shall insure for the full insurable value of all improvements within the Association Property, and, if such coverage is unavailable to individual Owners, for all improvements within the Community. Such policy may, from time to time, include an earthquake damage endorsement if the Board determines that such coverage is available upon terms and at a cost deemed to be reasonable and in the best interests of the Members. Such policy shall contain replacement cost endorsements and may also contain a stipulated amount clause and determinable cash adjustment clause or similar clause to permit cash settlement covering full value of the improvements in the event of partial destruction and decision not to rebuild. The policy shall be in such amounts as shall be determined from time to time by the Board of Directors. The policy shall name as insureds, all Owners and Declarant, so long as Declarant is the Owner of any Condominiums in the Community, and all Mortgagees of record, as their respective interests may appear.

15.3.1 The policy shall be primary and noncontributing with any other insurance policy covering the same loss.

15.3.2 Except with respect to damage to the Common Property resulting from the negligence or willful misconduct of an Owner or an Owner's Invitees, the Association waives all rights of subrogation between the Association and the Owners and their Invitees. All insurance policies obtained by the Association shall include a waiver of subrogation rights against any Owner and their Invitees; provided that a failure or inability of the Association to obtain such a waiver shall not defeat or impair the waiver of subrogation rights between the Association and the Owners and their Invitees set forth herein. Insurance proceeds for improvements in the Common Property and personalty owned by the Association shall be payable to the Association.

Section 15.4. Individual Coverage. If available at commercially reasonable rates, underlying coverage for individual Units may at the discretion of the Board be written as part of, or in conjunction with, said master policy where necessary to protect individual lenders. If such coverage is not commercially available, or the Board determines not to include such coverage in the master policy, each Owner shall purchase, at such Owner's own expense, and maintain fire and hazard insurance coverage as may be required by such Owner's individual lender. Any such underlying coverage shall contain a replacement cost endorsement, and to the extent available, such other endorsements as may be a part of the master policy. Such insurance shall also contain a loss-payable endorsement to the Mortgagees of individual Units, as their interests shall appear.

15.4.1 All Owners hereby waive all rights of subrogation against the Association, and any insurance maintained by an Owner must contain a waiver of subrogation rights by the insurer as to the Association; provided, however, that a failure or inability of an Owner to obtain such a waiver shall not defeat or impair the waiver of subrogation rights between the Owners and the Association set forth herein. No Owner shall separately insure any property covered by the Association's property insurance policy as described above. If any Owner violates this provision and, as a result, there is a diminution in insurance proceeds otherwise payable to the Association, the Owner will be liable to the Association to the extent of the diminution. The Association may levy a Special Assessment against the Owner's Condominium to collect the amount of the diminution.

Section 15.5. Board as Trustee. All insurance proceeds payable under Sections 15.1 and 15.3 of this Article, and subject to the rights of Mortgagees under Section 15.9 hereof, shall be paid to the Board to be held and expended for the benefit of Owners, Mortgagees and others, as their respective interests shall appear, and be paid out in accordance with this Article. In the event repair or reconstruction is authorized, the Board shall have the duty to contract for such work, as provided in Article 16 hereof.

Section 15.6. Other Insurance. The Board may purchase and maintain in force at all times demolition insurance in adequate amounts to cover demolition in the event of destruction and a decision not to rebuild. The premium therefore shall be paid out of the monies collected from the assessments. Such policy, if purchased, shall contain a determinable demolition clause or similar clause, to allow for the coverage of the cost of demolition in the event of destruction and a decision not to rebuild. The Board of Directors shall also purchase and maintain worker's compensation insurance to the extent that the same shall be required by law for employees or Owners. The Board of Directors may also purchase and maintain insurance on commonly owned personal property and such other insurance as it deems necessary, the premium thereof to be paid out of the monies collected from the assessments, including, but not limited to, umbrella or excess liability coverage.

Section 15.7. Fidelity Insurance. The Board of Directors shall maintain the fidelity bond or insurance specified in Section 5.2 hereof. The premium on such bond shall be paid by the Association.

Section 15.8. Owner's Other Insurance. An Owner may carry such additional personal liability and property damage insurance as such Owner may desire respecting such Owner's individual Unit and improvements installed by such Owner in such Owner's Unit.

Section 15.9. Rights of Mortgagees. With respect to insurance coverage under Sections 15.1 and 15.3 hereof, any Mortgagee of record shall have the option to apply insurance proceeds payable to such Mortgagee to reduce the obligation secured by a Mortgage.

Section 15.10. Annual Review. The Board shall review the insurance carried by the Association at least annually, for the purpose of determining the amount of the casualty and fire insurance referred to in Sections 15.1 and 15.3 above. The Board shall obtain a current appraisal of the full replacement value of the improvements in the Community except for foundations and footings, without deduction for depreciation, by a qualified independent insurance appraiser, prior to each such annual review.

Section 15.11. Board's Authority to Alter Insurance Coverage. Subject to the provisions of Section 15.2 above, the Board shall have the power and right to deviate from the insurance requirements contained in this Article in any manner that the Board, in its reasonable business discretion, considers to be in the best interests of the Association. If the Board elects to materially reduce the coverage from the coverage required in this Article, the Board shall make all reasonable efforts to notify the Members of the reduction in coverage and the reasons therefore at least thirty (30) days prior to the effective date of the reduction. The Association, and its directors and officers, shall have no liability to any Owner or Mortgagee if, after a good faith effort, the Association is unable to obtain any insurance required hereunder because the insurance is no longer available, or, if available, the insurance can be obtained only at a cost that the Board, in its sole discretion, determines is unreasonable under the circumstances, or the Members fail to approve any assessment increase needed to fund the insurance premiums.

Section 15.12. Notice of Expiration Requirements. If available, each of the Association's insurance policies must contain a provision that the policy may not be canceled, terminated, materially modified or allowed to expire by its terms, without at least ten (10) days prior written notice to the Board and Declarant, and to each Owner and Mortgagee, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice and every other Person in interest who requests such notice of the insurer. In addition, fidelity insurance shall provide that it may not be canceled or substantially modified without at least ten (10) days prior written notice to any insurance trustee named pursuant to Section 15.5 above and to each FNMA servicer who has filed a written request with the carrier for such notice.

Section 15.13. Personal Liability. No volunteer officer or volunteer director of the Board, or of any committee of the Association (each a "***Management Party***"), shall be personally liable to any Owner, or any other party, including the Association, for any act or omission of the Management Party if such officer or director has, on the basis of such information as may be possessed by him or her, acted in good faith without willful, wanton or gross misconduct within the scope of said officer's or director's duties. As of the date of the recordation of this Declaration, California Civil Code Section 1365.7 does not apply to common interest developments that are not "exclusively residential." The Community contains one (1)

Commercial Condominium. However, the criteria and requirements set forth in Civil Code Section 1365.7 are hereby incorporated herein by this reference, and shall apply to the Management Parties, regardless of the inclusion of Commercial Condominium in the Community.

Section 15.14. Commercial Invitees and Lessees. The Owner of a Commercial Unit shall be responsible for compliance by his or her commercial invitees and lessees, and his/her lessees' commercial invitees, with the provisions of this Declaration or any other governing documents applicable to the Commercial Condominium. The Owner of the Commercial Unit or such Owner's lessee shall maintain a policy or policies of public liability insurance in an amount which is reasonable for the use of such Commercial Unit, and shall demonstrate proof of such insurance to the Board annually upon request. Any rental or leasing agreement shall be in writing, shall provide that the lease or rental is subject to the Governing Documents and shall provide that any failure to comply with any provision of this Declaration or the Governing Documents shall be a default under the terms of the lease agreement. A copy of this Declaration shall be made available to each tenant or lessee by the Owner so renting or leasing. The Owner shall, at all times, be responsible for their tenant's or lessee's compliance with all of the provisions of this Declaration pursuant to the occupancy and use of the Commercial Condominium. A lessee shall have no obligation to the Association to pay assessments imposed by the Association nor shall any lessee have any voting rights in the Association. No Owner may lease a Commercial Condominium for any other purpose inconsistent with the provisions of this Declaration. The Ownerof the Commercial Condominium must submit names and contact numbers for their tenants to the management company for the Association. By acceptance of a deed to a Commercial Condominium, the Commercial Owner agrees that during any period that the Commercial Unit is unoccupied, the Commercial Owner shall take such reasonable steps as required by Declarant, or by the Board after Declarant no longer owns any interest in the Community, to keep those portions of the Commercial Unit visible from public areas from appearing abandoned, including, without limitation, installation of smoked glass on windows or glass doors visible from public areas , free of stored materials, clean and otherwise maintained such that it is not readily apparent that business is not being conducted therein.

ARTICLE 16
DESTRUCTION OF IMPROVEMENTS

Section 16.1. Reconstruction and Restoration of Improvements. In the event of total or partial destruction of the improvements in the Community that the Association owns or is responsible for maintaining, from a risk covered by insurance required to be carried by the Association, then the Association shall, to the extent permitted under existing laws, promptly reconstruct and restore the improvement to the same condition as it was in immediately prior to the damage or destruction. The Association shall proceed with the filing and adjustment of all claims arising under the existing insurance policies.

Section 16.2. Sufficient Proceeds for Reconstruction. The costs of restoration of the damaged improvement shall be paid first from the insurance proceeds paid to the Association under existing insurance policies. If the insurance proceeds exceed the costs of restoration, the excess proceeds shall be deposited into the Association's reserve accounts and held for the benefit of the Association. If the insurance proceeds are insufficient to restore the damaged improvement, the Board shall then add to the insurance proceeds all reserve account funds designated for the repair or replacement of the damaged improvement. If the total funds then available are sufficient to restore the damaged improvement, the improvement shall be restored. If the aggregate amount of insurance proceeds and such reserve account funds are insufficient to pay the total costs of restoration, a special assessment shall be levied against all Owners by the Board up to the maximum amount permitted under Section 7.6 above without the approval of the Members.

16.2.1 If reconstruction is to take place, the Board of Directors shall be required to execute, acknowledge, file and record, not later than one hundred twenty (120) days from the date of said destruction, a certificate declaring the intention of the Owners to rebuild.

16.2.2 If reconstruction is not to take place, the Board shall have the duty, within one hundred twenty (120) days of the date of such loss, to execute, acknowledge and record a certificate setting forth the determination of the Owners not to rebuild, and shall promptly cause to be prepared and filed such revised maps and other documents as may be necessary to show the conversion of the Community to the status of unimproved land or to show the elimination of one or more of the Units, as a result of such destruction.

Section 16.3. Insufficient Proceeds for Reconstruction. If the total funds available to the Association from insurance proceeds, reserve funds, and such Special Assessment are still insufficient to restore the damaged improvements, then the Board first shall attempt to impose an additional special assessment pursuant to paragraph (a) below; and, if no special assessment is approved, the Board shall attempt to pursue a plan of alternative reconstruction pursuant to paragraph (b) below. If the Members do not approve either of such actions, then the entire building of which the damaged Improvement is a part shall be sold pursuant to paragraph (c) below.

(a) Additional Special Assessment. If the total funds available to restore the damaged improvement as provided above, are insufficient, then a meeting of the Members shall be called by the Board, as provided in Article 7 above, for the purpose of approving an additional special assessment to make up all or a part of the deficiency ("***Additional Special Assessment***"). If the amount of the Additional Special Assessment approved by the Members, and the amounts available pursuant to Section 16.2 above, are still insufficient to restore the damaged improvements, or if no Additional Special Assessment is approved, then the Board shall consider adoption of a plan of alternative reconstruction in accordance with paragraph (b) below.

(b) Alternative Reconstruction Plan. The Board shall consider the feasibility of and shall propose plans for the reconstruction of the damaged improvements, or so much thereof as may be reconstructed with the available funds ("***Alternative Reconstruction***"). All proposals shall be presented to the Owners for their review and consideration and a meeting of the Members shall be held to consider such Alternative Reconstruction. If two-thirds of the voting power of the Owners whose Condominium Units were materially damaged, as determined by the

Association ("***Affected Owners***") and a majority of the voting power of the Members, including the Affected Owners, agree to any plan of Alternative Reconstruction, then the Board shall contract for the reconstruction of the damaged improvements in accordance with the approved plan of Alternative Reconstruction making use of whatever funds are then available to it. If no plan of Alternative Reconstruction is approved, then the provisions of paragraph (c) below shall apply.

(c) Sale of Damaged Building. If the damaged improvements are part of a Condominium Building ("***Damaged Building***"), the damage renders one or more of the Condominium Units uninhabitable, and the improvements can not be restored in accordance with the provisions of paragraphs (a) or (b) above, the Board, as the attorney-in-fact for each Owner of a Condominium Unit in the Damaged Building, shall be empowered to sell the Damaged Building, including all Condominium Units therein, in their then present condition, upon such terms and conditions and at such price as the Board reasonably determines to be in the best interests of the Owners thereof, provided that the Board receives adequate assurances that the purchaser of the Damaged Building shall, and has the financial capability to either: (1) restore the Damaged Building (either by renovation or removal and rebuilding), (ii) remove the Damaged Building (including foundations), grade the site, and appropriately landscape or otherwise improve the site to an attractive condition, or (iii) perform any combination of the foregoing. Any work to be performed by the purchaser of the Damaged Building with respect to any of the foregoing shall be subject to the provisions of Article 10 above, and the provisions of the Declaration.

(i) Distribution of Proceeds of Sale. The proceeds from the sale of the Damaged Building, together with the insurance proceeds received and any reserve funds allocated to the Damaged Building, after deducting therefrom the Association's sale expenses, including commissions, title and recording fees, and legal costs, shall be distributed among the Owners of Condominiums in the Damaged Building and their respective Mortgagees, as their respective interests may appear, in proportion to the respective fair market values of the Condominiums immediately prior to the date of the event causing the damage as determined by an independent appraisal made by a qualified real estate appraiser selected by the Board.

(ii) Amendment of Community Documents. If a Damaged Building is removed and a new building constructed that contains a different number and/or configuration of Condominium Units than the Damaged Building, the Board shall take appropriate steps to adjust the property interests of the remaining Condominium Owners and to effect such amendments as may be necessary to the Declaration, the Condominium Plan(s), and/or the Map as necessary to reflect the revised property interests and other related changes.

Section 16.4. Reconstruction Contract. If the Association determines to reconstruct or restore the damaged improvements, the Board or its authorized representative shall obtain bids from at least two (2) licensed and reputable contractors, and shall accept the bid for repair and reconstruction work from the contractor the Board determines to be in the best interests of the Members. The Board shall have full authority to enter into a written contract with the contractor for such repair and reconstruction, and the insurance proceeds shall be disbursed to the contractor according to the terms of the contract. The Board shall take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date. Such reconstruction shall be commenced no later than one hundred eighty (180) days after the event causing the damage and shall thereafter be diligently pursued to completion. Such reconstruction shall restore the Community to substantially the same condition and appearance as existed prior to the damage or destruction.

Section 16.5. Authority of Board to Alter Boundaries of Condominiums. If any building or portion thereof containing Condominiums is damaged or destroyed or in need of renovation or rehabilitation and the building is repaired or reconstructed, the Condominium building may be repaired or reconstructed in a manner that alters the boundaries of the Units and/or Common Areas and Association Property provided the following conditions are satisfied.

(a) the alteration has been approved by the Board of Directors, by Members holding a majority of the total voting power of the Association, and by the holders of any First Mortgages to the extent required herein;

(b) the Board has determined that the alteration is necessary in order to comply with current building code requirements, to meet current building construction standards and procedures, or to improve the conditions and quality of the Condominium building;

(c) the alteration does not materially change the location of any Unit or materially reduce the size of any Unit without the consent of the Owner of such Unit and the holders of any First Mortgages thereon. For purposes herein, a material reduction in the size of the Unit shall mean any alteration that increases or decreases the square footage of the interior floor space of the Unit by more than ten percent (10%) from that which was originally constructed;

(d) the Board has determined that any alteration that will relocate or reduce the Common Areas and/or Association Property will not unreasonably interfere with the rights of the Owners and occupants to use and enjoy the Common Areas and Association Property;

(e) the Condominium Plan(s) is/are amended to reflect the alteration to the Units or Common Area(s) and Association Property.

Each Owner hereby irrevocably appoints the Association as that Owner's attorney-in-fact and irrevocably grants to the Association the full power in the name of the Owner to effect any alteration to any Unit or Common Areas and Association Property as authorized above, including, but not limited to, the execution, delivery and recordation of any Plan amendments, deeds or other instruments.

Section 16.6. Minor Repair and Reconstruction. The Board shall have the duty to repair and reconstruct improvements, 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 five percent (5%) percent of the annual budgeted gross expenses of the Association. The Board is expressly empowered to levy a Special Assessment for the cost of repairing and reconstructing improvements to the extent insurance proceeds are unavailable, such assessment to be levied as described above (but without the consent or approval of Members, despite any contrary provisions in this Declaration).

Section 16.7. Damage or Destruction of a Condominium Unit. If there is damage or destruction to any Condominium Unit, the Owner thereof shall, at its own cost and expense, perform interior repair and restoration which shall be completed as promptly as practical and in a lawful and workmanlike manner, and, to the extent required under the Design Guidelines, in accordance with plans approved by the Design Review Committee as provided herein.

Section 16.8. Revival of Right to Partition. Upon recordation of such certificate, referred to in Section 16.5 above, the right of any Owner to partition such Owner's Condominium through legal action shall forthwith revive.

Section 16.9. Arbitration. In the event of a dispute among the Owners, with respect to the provisions of this Article, any Owner may cause same to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association. In the event of arbitration, notice thereof shall be given to the members of the Board and all Owners as promptly as possible after referral to arbitration is made, giving all Owners an opportunity to appear in such arbitration proceedings. The decision of such arbitrator in this matter shall be final and conclusive upon all Owners. The arbitrator may include in its decision an award for costs and/or attorneys' fees against any one or more of the parties to the arbitration.

ARTICLE 17
CONDEMNATION

Section 17.1. Condemnation of Association Property. If any portion of the Association Property is taken by condemnation, eminent domain or any proceeding in lieu thereof, then the award in condemnation shall be paid to the Association and shall be deposited in its operating fund; provided, however, that should it be determined to repair or rebuild any portion of the Association Property, such proceeds shall be paid to the Association for that purpose in the same manner and subject to the same terms, conditions and limitations as are set forth in Article 16 for repairing damage or destroyed portions of the Association Property. A decision to repair or rebuild shall be made in the same manner and subject to the same conditions and limitations as provided in Article 16 for determining whether to rebuild or repair following damage or destruction.

Section 17.2. Condemnation of Unit. In the event of any taking of a Unit, the Owner and such Owner's Mortgagees, as their interest may appear, of the Unit shall be entitled to receive the award for such taking and after acceptance thereof such Owner and such Owner's Mortgagee shall be divested of any further interests in the Condominium Property if such Owner vacates such Owner's Unit as the result of such taking. In such event said Owner shall grant said Owner's remaining interests in the Common Area appurtenant to the Unit so taken, if any, to the other Owners owning a fractional interest in the same Common Area, such grant to be in proportion to the fractional interest in the Common Area then owned by each.

Section 17.3. Restoration and Repair. Any restoration or repair of the Community, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with original plans and specifications, unless other action is approved by Eligible Mortgage Holders of First Mortgages on Condominiums which have at least fifty-one percent (51%) of the votes of Condominium subject to eligible Mortgage Holders' Mortgages.

ARTICLE 18
ACCOUNTINGS

Section 18.1. Books, Records and Minutes. The Association shall maintain books of account of all its receipts and expenditures and minutes of its proceedings. The Association shall make the accounting books and records and the minutes of proceedings of the Association available for inspection and copying by a Member, or the Member's designated representative, at the Association's business office within the Community or a place agreed upon by the Association and the Member. If the Association and the Member cannot agree upon a place for inspection, or if the Member so requests in writing, the Association may provide copies of the books, records, and minutes by first-class mail within ten (10) days of receiving the Member's request. The Association may bill the Member for the actual cost of copying and mailing, provided the Association notifies the Member of the costs before sending the copies. The Association may withhold or redact information from the books, records, and minutes for any of the following reasons:

(a) The release of the information is likely to lead to the unauthorized use of another person's personal identifying information to obtain credit, goods, services, money, or property; or

(b) The release of the information is likely to lead to fraud in connection with the Association; or

(c) The information is privileged under law.

Except as provided by attorney-client privilege, the Association may not withhold or redact information concerning the compensation paid to employees, vendors, or contractors. Compensation information for individual employees shall be set forth by job classification or title, not by any personal information of the employee. The accounting books, records, and minutes, and any information from them may not be sold, used for commercial purposes, or used for any other purpose not reasonably related to a Member's interest as a Member. For a period of ten (10) years after the close of escrow for the sale of the last Unit in the Community covered by a Final Subdivision Public Report, Declarant shall have the same rights as Owners under this Section 18.1 to inspect, examine and audit the books of the Association.

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

(1) The recorded subdivision map or maps for the Community.

(2) The recorded Condominium Plan, if any, and all amendments thereto.

(3) The deeds and easements executed by Declarant conveying the Common Property or other interest to the Association, to the extent applicable.

(4) The recorded Declaration, including all amendments and annexations thereto.

(5) The Association's bylaws and all amendments thereto.

(6) The Association's filed Articles of Incorporation, if any, and all amendments thereto.

(7) All Design Guidelines and all other rules regulating the use of an Owner's interest in the Community or use of the Association Property that have been promulgated by the Association.

(8) The plans approved by the local agency or county where the Community 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 Association Property improvements (other than residential structures).

(10) Any bond or other security device in which the Association is the beneficiary.

(11) Any written warranty being transferred to the Association for Association Property equipment, fixtures or improvements.

(12) Any insurance policy procured for the benefit of the Association, the Board or the Common Area or Association Property.

(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 Board, and of committees of the Board.

(15) Any instrument referred to in Business and Professions Code Section 11018.6(d) but not described above which establishes or defines common, mutual or reciprocal rights or responsibilities of Members.

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

Section 18.2. Budget.

18.2.1 Except as provided in Section 18.2.2, a pro forma operating statement ("***Budget***") for each fiscal year shall be distributed to each Owner not less than thirty (30) days nor more than ninety (90) days before the beginning of the fiscal year. The Budget shall consist of a two components, namely the Residential Expense and the Common Expense as defined in Section 1.1.7 above and shall contain the following information:

(a) Estimated revenue and expenses of the Association for the upcoming fiscal year on an accrual basis.

(b) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 18.2.4 below, based only on assets held in cash or cash equivalents, which shall be printed in bold type and include disclosures in the form required by Civil Code Section 1365.2.5, and all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component within the Association Property, including designation as to whether such component benefits solely the Residential Units or benefits both the Residential and Commercial Units;

(ii) As of the end of the fiscal year for which the study is prepared:

A. The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components within the Association Property, and, separately accounted for, the components constituting the Residential Expense and the Common Expense;

B. The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components within the Association Property, and designated as to whether such components benefit solely the Residential Condominium Units or the Residential and Commercial Units collectively;

(iii) The percentage(s) that the amount(s) determined for purposes of clause B. of subparagraph (ii) above is/are of the amount(s) determined for purposes of clause A. of subparagraph (ii) above;

(c) A statement as to both of the following:

(i) Whether the Board of Directors of the Association has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component within the Association Property, whether benefiting solely the Residential Condominium Units or the Residential and Commercial Condominium Units collectively, or to provide adequate reserves therefore. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment;

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

(d) A general statement setting forth the procedures used by the Board of Directors in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Association Property, whether benefiting solely the Residential Condominium Units or the Residential and Commercial Condominium Units collectively, and improvements thereon for which the Association is responsible. The report shall include, but need not be limited to, reserve calculations made using the formula described in Civil Code Section 1365.2.5(b)(4), and may not assume a rate of return on cash reserves in excess of two percent (2%) above the rediscount rate published by the Federal Reserve Bank of San Francisco at the time the calculation is made.

18.2.2 In its sole discretion and in lieu of the procedure set forth in Section 18.2, the Board of Directors, may elect to distribute a written summary of the Budget ("***Summary***") to all Owners not less than thirty (30) days nor more than ninety (90) days before the beginning of the fiscal year. In addition to the Summary, the Board of Directors shall include a written notice, in at least 10-point bold type on the front page of the Summary, stating that: a) the Budget is available for review at a location within the Community or at the office of the management company for the Association; and b) upon the written request of an Owner, the Association shall mail one copy of the Budget to an Owner. Such Budget shall be mailed at the Association's expense by pre-paid first class mail and shall be delivered within five (5) days from the date of the receipt of such Owner's written request.

18.2.3 The summary of the Association's reserves disclosed pursuant to paragraph 18.2.1 shall not be admissible in evidence to show improper financial management of the Association, provided that other relevant and competent evidence of the financial condition of the Association is not made inadmissible by this provision.

18.2.4 At least once every three (3) years the Board of Directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the Community if the current replacement value of the major components within the Association Property which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half (½) of the gross Budget of the Association which excludes the Association's reserve account for that period. The Board shall review, or cause to be reviewed, this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The study required hereunder shall at a minimum include:

(a) Identification of the major components within the Association Property, whether benefiting solely the Residential Condominium Units or the Residential and Commercial Condominium Units collectively, which the Association is obligated to repair, replace, restore, or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years;

(b) Identification of the probable remaining useful life of the components identified in Section 18.2.4(a) as of the date of the study;

(c) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in Section 18.2.4(a);

(d) An estimate of the total contribution necessary to defray the cost to repair, replace, restore, or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

18.2.5 As used in this Article, "reserve accounts" means moneys that the Association's Board of Directors has identified for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

18.2.6 As used in this Article, "reserve account requirements" means the estimated funds which the Association's Board of Directors has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

18.2.7 The Budget and financial reporting required by this Article shall include appropriate information regarding the areas benefiting solely the Residential Condominium Units and the areas benefiting the Residential and Commercial Condominium Units collectively that the Association is obligated to maintain. All assessment funds received by the Association shall be maintained in the general operating and general reserve accounts designated for Residential Expense and Common Expense, which accounts shall be maintained separately from each other and which funds shall not be commingled. Funds shall not be expended for any general purpose of the Association other than for the respective costs of the respective area, whether said area benefits solely the Residential Condominium Units or the Residential and Commercial Condominium Units collectively, for which they are intended, and for the costs of administrative, accounting and financial reporting requirements and functions directly related to said area.

Section 18.3. Initial Financial Report. A balance sheet, as of the accounting date which is the last day of the month closest in time to six (6) months from the date of the closing of the first Condominium in the Community, and an operating statement for the period from the date of the first closing to said accounting date, shall be distributed to each Owner within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable.

Section 18.4. Annual Report. An annual report consisting of the following, separately stated for the general funds of the Association, designating funds for areas benefiting solely the Residential Condominium Units and funds benefiting the Residential and Commercial Condominium Units collectively, shall be distributed to each Owner within one hundred twenty (120) days after the close of the fiscal year.

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

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

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

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

(e) A review of the annual report for the Association prepared in accordance with generally accepted accounting principles by an independent accountant licensed by the California State Board of Accountancy ("***Independent Accountant***") for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars ($75,000.00).

(f) A statement of policies and procedures employed by the Board of Directors to enforce the collection of delinquent assessments.

Section 18.5. Independent Preparation. Ordinarily the annual report referred to in Section 18.4 above shall be prepared by an Independent Accountant for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars ($75,000).

Section 18.6. Copy of Financial Statement. Within ten (10) days of receipt of any written request therefore, the Board of Directors shall furnish any Owner or prospective Owner with a copy of this Declaration, and the Articles, Bylaws and Rules and Regulations of the Association, as amended to date, together with a copy of the Association's most recent annual financial report as described in Section 18.4 hereof, and a true statement of any delinquent assessments, penalties, late charges, attorneys' fees or other charges under this Declaration on such Owner's Condominium as of the date the statement is issued. The items required to be made available pursuant to this Section may be maintained in electronic form and requesting parties shall have the option of receiving them by electronic transmission or machine readable storage media if the Association maintains these items in electronic form. The Board of Directors may charge a reasonable fee for providing such documents and reports based upon the Association's actual cost to procure, prepare and reproduce same.

Section 18.7. Association Statement. If the report referred to in Section 18.4 above is not prepared by a Independent Accountant, it must be accompanied by the certificate of an authorized officer of the Association stating that the statements were prepared without audit from the books and records of the Association.

Section 18.8. Association's Policies Statement. A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its Members shall be annually delivered to the Members not more than thirty (30) nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year.

Section 18.9. Reconciliation of Accounts. The Board of Directors shall do the following not less frequently than quarterly:

(a) Cause a current reconciliation of the Association's operating accounts to be made and review the same;

(b) Cause a current reconciliation of the Association's reserve accounts to be made and review the same.

(c) Review the current year's actual reserve revenues and expenses compared to the current year's budget.

(d) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts.

(e) Review an income and expense statement for the Association's operating and reserve accounts.

Section 18.10. Reserve Account.

18.10.1 Withdrawal of funds from the Association's reserve accounts shall require the signatures of either: (1) two members of the Board of Directors, or (2) one member of the Board of Directors and an officer of the Association who is not also a member of the Board of Directors.

18.10.2 The Board of Directors shall not expend funds designated as reserve funds for any purpose other than:

(a) the repair, restoration, replacement, or maintenance of major components which the Association is obligated to repair, restore, replace or maintain and for which the reserve fund was established, or

(b) litigation involving the purposes set forth in (a) above.

18.10.3 Notwithstanding Section 18.10.2 above, the Board:

(a) may authorize the temporary transfer of money from the reserve account for the Residential Expense or the Common Expense, to the Association's operating account for the Residential Expense or Common Expense to meet short term cash flow requirements or other expenses, if the Board has provided notice of the intent to consider the transfer in a notice of meeting, which shall be provided as specified in Civil Code Section 1363.05. The temporary transfer of money from the reserve account for the Resident Expense may only be applied to the operating account for the Resident Expense and the temporary transfer of money from the Common Expense account may only be applied to the operation account for the Common Expense. The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered. If the Board authorizes the transfer, the Board shall issue a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve account.

(b) shall cause the transferred funds to be restored to the reserve account within one (1) year of the date of initial transfer; however, the governing body may, after giving the same notice required for considering a transfer, upon making a documented finding that a temporary delay of restoration of the funds to the reserve account would be in the best interests of the development, temporarily delay the restoration until such time it reasonably determines to be necessary.

(c) shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits specified in (b) above. Any such special assessments shall be subject to the five percent (5%) limitation specified in Section 7.5 above. The Board may, at its discretion, extend the date the payment of the special assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve account to pay for litigation, the Board shall notify the Members of that decision in the next available mailing to all Members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of the expenses related to litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's office.

Section 18.11. Transfer of Title. The Board of Directors shall not impose or collect any assessment, penalty or fee in connection with the transfer of title or any other interest except the Board of Directors' actual costs to change its records and the fee for providing documents pursuant to Section 18.6.

ARTICLE 19
MORTGAGEE PROTECTION

Section 19.1. Mortgagee Protection. Notwithstanding any other provisions in this Declaration to the contrary, in order to induce lenders and investors to participate in the financing of the sale of Condominiums in the Community, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions in this Declaration, these added provisions shall control):

19.1.1 No breach of any of the covenants, conditions and restrictions herein contained, nor the enforcement of any lien provisions herein, shall defeat or render invalid the lien of any first Mortgage (meaning a Mortgage with first priority over any other Mortgage) on any Condominium made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise.

19.1.2 Each holder of a first Mortgage encumbering any Condominium is entitled upon request to timely written notification from the Association of any default by the Mortgagor of such Condominium in the performance of such Mortgagor's obligations under this Declaration, the Bylaws, or Rules and Regulations of the Association which is not cured within sixty (60) days.

19.1.3 Each holder of a first Mortgage encumbering any Condominium is entitled upon request to timely written notification from the Association of any condemnation or casualty loss that affects either a material portion of the Community or the Unit securing such mortgage; a lapse, cancellation or material modification of any insurance policy maintained by the Association; and any proposed action that requires a specified percentage Mortgagees.

19.1.4 Each holder of a first Mortgage encumbering any Condominium which obtains title to such Condominium pursuant to: (1) remedies provided in such Mortgage, or (2) by accepting a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor, shall be exempt from any "right of first refusal," if any, contained in the Declaration, or the Bylaws of the Association. Further, any such "right of first refusal" shall not impair the rights of a first Mortgagee or interfere with a subsequent sale or lease of a Unit so acquired by the first Mortgagee.

19.1.5 Each holder of a first Mortgage or third party foreclosure purchaser which obtains title to a Condominium pursuant to the remedies provided in the Mortgage or foreclosure of the first Mortgage, shall take the Condominium free of any claim for unpaid dues, assessments or charges against the mortgaged Condominium which accrue prior to the time such holder obtains title to such Condominium (except for claims for a share of such assessments of charges resulting from a reallocation of such dues, assessments or charges to all Condominiums, including the mortgaged Condominium). The assessment lien provided for herein shall be subordinate to the lien of any first Mortgage now or hereafter placed upon the Condominiums subject to assessment; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such condominium pursuant to a decree of foreclosure or trustee sale. Such sale or transfer shall not release such condominium from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment.

19.1.6 Unless at least sixty-seven percent (67%) of the Institutional Lenders holding first Mortgages on Condominiums within this Community, based upon one vote for each mortgaged Unit owned, and sixty-seven percent (67%) of the Owners, other than the Declarant, have given their prior written approval, the Association and its Members shall not be entitled to:

(a) By act or omission, seek to abandon or terminate the Community, except as otherwise provided herein in the event of substantial destruction by fire or other casualty or in the event of a taking by condemnation or eminent domain;

(b) Change the pro rata interest or obligations of any Condominium for purposes of: (1) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (2) determining the pro rata share in ownership of each Condominium in the Common Property;

(c) Partition or subdivide any Condominium;

(d) By act or omission, seek to abandon, subdivide, encumber, sell or transfer the Common Property or partition the Common Property except as provided for herein. The granting of easements for public utilities or for other public purposes consistent with the intended uses of the Common Property and the Community shall not be deemed a transfer within the meaning of this clause;

(e) Use hazard insurance proceeds from losses to the Community (whether to Units or Common Property) for other than repair, replacement or reconstruction of the Community, except as provided by statute in case of substantial damage to the Units and/or Common Property of the Community;

(f) Effectuate any decision of the association to terminate professional management, if any, and assume self management of the Community;

(g) Amend any part of this Article.

19.1.7 First Mortgagees shall have the right to examine the books and records of the Association during normal business hours.

19.1.8 The assessments shall include an adequate reserve fund for maintenance repairs and replacement of the Common Property and those portions thereof that must be replaced on a periodic basis, and shall be payable through annual assessments rather than by special assessments.

19.1.9 All taxes, assessments and charges which may become liens prior to the first Mortgage under local law shall relate only to individual Condominiums, and not to the Community as a whole.

19.1.10 In the event of substantial damage to or destruction of any Unit, or any element of the Common Property or possible condemnation or eminent domain procedure, the Institutional Lender under any first Mortgage on a Condominium is entitled to timely written notice of any such damage, destruction or proposed acquisition and no provision in the Bylaws, or in this Declaration shall be interpreted to entitle any Owner or any other party to priority over any first Mortgagee with respect to the distribution to such Owner of any insurance proceeds or condemnation awards for losses to or a taking of Units and/or Common Property.

19.1.11 Any agreement for professional management of the Community, or any other contract providing for services by the Declarant shall provide for termination by either party without cause or payment of a termination fee upon thirty (30) days written notice, and that the term of any such contract shall not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods.

19.1.12 The Association shall, upon the request of any Institutional Lender under a first Mortgage on a Condominium: (1) give written notice of all meetings of the Association and permit the Institutional Lender to designate a representative to attend all such meetings, and (2) transmit to such Institutional Lender an annual audited financial statement of the Community within ninety (90) days following the end of any fiscal year of the Community; (3) give written notice of any condemnation or casualty loss that affects either a material portion of the Community or the Unit securing its Mortgage; (4) give written notice of a lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and (5) give written notice of any proposed action that requires the consent of a specified percentage of Institutional Lenders.

19.1.13 No breach of any of the foregoing covenants shall cause any forfeiture of title or reversion or bestow any right of re-entry whatsoever, but in the event that any one or more of these covenants shall be violated, the Declarant, its successors and assigns, the Association, or any Owner may commence a legal action in any court of competent jurisdiction to enjoin or abate said violation, and/or to recover damages; provided, that any such violation shall not defeat or render invalid the lien of any Mortgage made in good faith and for value as to said Condominium or any part thereof. Said covenants shall be binding upon and effective against any Owner whose title is acquired by foreclosure, trustee's sale or otherwise.

ARTICLE 20
AMENDMENT

Section 20.1. Amendments. This Declaration may be amended only by an affirmative vote of not less than sixty-seven percent (67%) of each class of Members, and further, this amendment provision shall not be amended to allow amendments by vote of less than sixty-seven percent (67%) of each class of Members. At such time when the Class B membership shall cease and be converted to Class A membership, any and all amendments to this Declaration shall be enacted by requiring the vote or written assent of Members representing both: (1) at least sixty-seven percent (67%) of the total voting power of the Association; and (2) at least sixty-seven percent (67%) of the votes of Members other than the Declarant, provided, however that the percentage of the voting power necessary to amend a specific provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under said provision, and that any amendment that would diminish the powers, rights, duties or obligations of Declarant shall require the written consent of Declarant. An Amendment hereto shall be effective after (a) the approval of the percentage of Owners required in this Section has been given, (b) that fact has been certified in a writing executed and acknowledged by the officer designated by the Association for that purpose, or if no one is designated, by the president of the Association and (c) that writing has been recorded in the county in which the Community is located. Notwithstanding anything to the contrary herein, any amendment which may be inconsistent with the Conditions of Approval, Project Approval, or any other project condition issued by the City of Santa Clarita for the Community shall require the written consent of the City of Santa Clarita.

No amendment material to a Mortgagee may be made to this Declaration without the prior written consent of Eligible Mortgage Holders whose Mortgages encumber fifty-one percent (51%) or more of the Condominiums within the Properties which are subject to Eligible Mortgage Holder Mortgages. For these purposes, any amendments to provisions of this Declaration governing any of the following subjects, shall be deemed "material to a Mortgagee":

(a) Voting;

(b) Assessments, assessment liens or subordination of such liens;

(c) Reserves for maintenance, repair and replacement for the Association Property;

(d) Casualty insurance, liability insurance or fidelity bonds;

(e) Rights to use of the Association Property;

(f) Responsibility for maintenance and repair of the several portions of the Community;

(g) Expansion or contraction of the Community or the addition, annexation or withdrawal of property to or from the Community;

(h) Boundaries of any Unit;

(i) The interests in the Common Property;

(j) Convertibility of Units into Common Property or of Common Property into Units;

(k) Leasing of Condominiums;

(l) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey his or her Condominium;

(m)Any provisions which are for the express benefit of Mortgage holders, Mortgage Holders, Eligible Insurers or Guarantors.

An addition or amendment to the Declaration or Bylaws shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. An Eligible Mortgage Holder who receives a written request to approve additions or amendments who does not deliver or mail to the requesting party a negative response within sixty (60) days shall be deemed to have approved request, provided that the request was delivered by certified mail or registered mail, with a "return receipt" requested.

Section 20.2 FHA/VA Requirements. All of the requirements set forth in (a) Department of Housing and Urban Development (HUD) Condominium Regulations (see 24 CFR 234) and (b) HUD Revised Legal Policy attached to Appendix 24 of HUD Handbook 4265.1, entitled Home Mortgage Insurance Condominium Units Section 234(c) (collectively, the "***FHA/VA Requirements***") are incorporated herein by reference. For so long as FHA and/or VA blanket loan approvals are in effect for the Community and while any FHA/VA loan encumbers any Condominium in the Community, the FHA/VA Requirements shall control and prevail over all other provisions of the Declaration to the extent of any inconsistency between them. At such time as the blanket loan approvals are no longer in effect and no FHA or VA loans encumber any Condominium in the Community, the FHA/VA Requirements shall have no further applicability with respect to the Community.

Notwithstanding any other provision of this Section, for so long as Declarant owns any portion of the Properties or the Annexable Property, Declarant may unilaterally amend this Declaration by recording an instrument in writing, signed by Declarant, without the consent of the Association or any other Owner, provided that such amendment is made in order to conform this Declaration to the requirements of the DRE, the United States Department of Veterans Affairs, FHA, FNMA, GNMA, FHLMC, or any other governmental entity.

Section 20.3 Effective Date of Amendment. Each amendment made pursuant to this Article 20 shall, from and after its effective date, be as effective as this instrument as to all of the Community and the Owners/Members and their successors in interest.

Section 20.4 Petition to Superior Court. Nothing in this Declaration shall restrict the ability of any Owner at any time to petition the Superior Court in the County in which the Community is located to amend this Declaration as provided for under California Civil Code Section 1356.

ARTICLE 21
RIGHT OF DECLARANT TO REDESIGN COMMUNITY

Section 21.1. Right of Declarant to Redesign Community. Subject to the restrictions and limitations set forth in this Article, Declarant and its successors or assigns, reserves the right, in its sole discretion, from time to time, within a period of four (4) years from the date of recording of this Declaration, or at any time or at different times within such four (4) year period, to redesign the Community or any portion or aspect thereof, including but not limited to any Unit, structure, recreational facility, fixture or improvement located within the Community ("***Improvement***") constructed or proposed to be constructed on the Property and in connection with such redesign, to effect the following changes in the Community:

(a) To alter the vertical or horizontal boundaries, or both, of any Improvement;

(b) To alter the shape, configuration, floor plan and/or location of any Unit;

(c) To alter the number, size, shape, and configuration of any Units, Common Area, and proposed Association Property;

(d) To adjust the location or configuration or both, of any Common Property boundary lines;

(e) To alter the size, shape, configuration, floor plan, and/or location of any and all of the parking spaces;

(f) To effect nominal deviations from the Condominium Plan which result during the actual construction; and

(g) To modify, amend, change, or eliminate altogether, the multi-phase plan of development. Such right shall include, without limitation, the right to delete any and all subsequent Phases of development, and to divide the subsequent Phases into additional Phases. There is no guarantee by, or obligation of, Declarant to complete any proposed Phase of development or to annex the same into the Properties.

(h) To change the configuration of any Improvement.

Section 21.2. General Restrictions on Redesign. The rights of Declarant set forth in Section 21.1 above shall and are hereby made subject to the following additional restriction and limitation that the redesign of any portion of the Community authorized by Section 21.1 shall in no event physically modify, affect or change any Unit which as of the date of such redesign, are the subject of an agreement of sale, or are owned by an Owner other than Declarant, unless the purchaser or Owner of such Unit shall consent to such redesign in writing, and in no event shall the recreational facilities constructed or to be constructed in the Association Property be redesigned to contain less than what is currently described in the Condominium Plan.

Section 21.3. Amendment of Condominium Plan. In the event a redesign of all or any portion of the Community affects Units so as to necessitate the preparation of an amendment to the Condominium Plan, including any amendment necessary to cause the Condominium Plan to comply with the Improvements as actually built, Declarant shall prepare or cause to be prepared, execute, acknowledge, file or cause to be filed for approval and record or cause to be recorded an amendment to the Condominium Plan. The amendment to the Condominium Plan shall, when recorded, have the effect of (a) relocating the Common Property and/or Unit to the extent set forth on the amendment to the Condominium Plan, (b) vesting in each Owner (including Declarant, with respect to any unsold Units) of an undivided fractional fee interest in the Common Area as depicted on the amendment to the Condominium Plan, (c) divesting each Owner (except Declarant) of all right, title and interest to any Unit, other than each Owner's Unit, depicted on the amendment to the Condominium Plan, (d) vesting in each holder of a Mortgage or other encumbrance an undivided fractional fee interest (to the extent of the percentage interest in the Common Area of the Owner of that Unit which is subject to such Mortgage or other encumbrance) in the Common Area as depicted on the amendment to the Condominium Plan and (e) divesting each holder of a Mortgage or other encumbrance of all right, title and interest to each Condominium (other than the Owner's Condominium which is the subject of such Mortgage or other encumbrance) depicted on the amendment to the Condominium Plan. The adjustment of any Mortgage or other encumbrance in accordance with the provisions of this Section 7.8 shall not affect the priority of any such Mortgage or other encumbrance with respect to any other matters affecting title to the Unit which is the subject thereof.

Section 21.4. Power of Attorney. Each Owner, by accepting a deed to a Condominium, shall be deemed to have constituted and irrevocably appointed for such Owner and each of such Owner's mortgagees, optionees, grantees, licensees, trustees, receivers, lessees, tenants, judgment creditors, heirs, legatees, devises, administrators, executors, legal representatives, successors and assigns, whether voluntary or involuntary, for a period of four (4) years from the date of the recording of this Declaration, Declarant as such Owner's Attorney-in-Fact and thereby to have conveyed a Power-of-Attorney coupled with an interest to Declarant as such Owner's Attorney-in-Fact to effect the redesign of all or any portion of the Community in accordance with the limitations and requirements set forth in this Article, and further:

(a) To prepare or cause to be prepared, execute, acknowledge, file or cause to be filed for approval and file or record or cause to be filed or recorded any map or record of survey required or permitted by the provisions of the Subdivision Map Act of the State of California in effect on the date of recordation of this Declaration and as thereafter amended and any ordinances, rules and regulations of the City and any other governmental entities and authorities having jurisdiction over the Community in effect on the date of recordation of this Declaration and as thereafter enacted or amended, or which may be required or permitted by any title insurer, and in connection therewith to perform all conditions, undertake any obligations, and execute all agreements and documentation required or permitted by any federal, state and local governmental entities and authorities; to appear before any such governmental entities and authorities; and to execute, acknowledge and deliver any improvement agreements and bonds and post deposits securing the performance of any such conditions and obligations;

(b) To prepare or cause to be prepared, execute, acknowledge and file or cause to be filed for approval and record or cause to be recorded any amendment to the Condominium Plan, including any amendment necessary to cause the Residential and/or Condominium Plan to comply with the Improvements as actually built, or Unit(s) as redesigned, which may be required or permitted by the laws of the State of California as in effect on the date of recordation of this Declaration and as thereafter enacted or amended and any ordinances, rules and regulations of the City and any other governmental entities and authorities having jurisdiction over the Community in effect on the date of recordation of this Declaration and as thereafter enacted or amended, or which may be required or permitted by any title insurer, and in connection therewith to perform all conditions, undertake any obligations, and execute all agreements and documentation required or permitted by any federal, state, and local governmental entities and authorities; to appear before any such governmental entities and authorities; and to execute and deliver any improvement agreements and bonds and post deposits securing the performance of any such conditions and obligations;

(c) To prepare or cause to be prepared, execute, acknowledge and file or cause to be filed for approval, any application for zoning or setback changes or variance or special use permits or any other permits and/or reports required or permitted by the laws of the State of California as in effect on the date of recordation of this Declaration and as thereafter enacted or amended and any ordinances, rules and regulation of any governmental entities and authorities having jurisdiction over the Community as in effect on the date of recordation of this Declaration and thereafter enacted or amended and, in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any federal, state and local governmental entities and authorities; to appear before any such governmental entities and authorities; and to execute and deliver any improvement agreements and bonds and post deposits securing the performance of any such conditions and obligations;

(d) To make application for any property reports or public reports or amendments thereto or exceptions from the requirements therefor required or permitted in order to comply with federal and state statutes, rules and regulations relating to the sale, lease, transfer or other disposition of subdivided lands to the general public and, in connection therewith, to perform all conditions, undertake any obligations, and execute all agreements and documentation required or permitted by any federal, state and local governmental entities and authorities; and to execute and deliver any agreements and bonds securing the performance of the obligations contained therein;

(e) To deliver any public reports or property reports, or amendments thereto, obtain receipts and offer and administer rescission rights required by law;

(f) To prepare or cause to be prepared, execute, acknowledge, file or cause to be filed for approval, any registration or any application for any permit, approval, exemption, ruling or entitlement required or permitted pursuant to any law or regulation in effect as of the date of the recording of this Declaration or as hereafter enacted by any federal, state and local government entitles and authorities and in connection therewith, to perform all conditions, undertake any obligations, and execute all agreements and documentation required or permitted by such governmental body and by any such laws and regulations to appear before any such governmental bodies and to execute and deliver any agreement and bonds and post deposits securing the performance of any such conditions and obligations; and to do all other things now or hereafter permitted or required by any such governmental body and any such laws and regulations;

(g) To prepare or cause to be prepared, execute, acknowledge and record or cause to be recorded any deed, waivers, releases, reconveyance, or documentation which may be permitted or required to clear title to any Units, whether constructed or to be constructed in the Community; and

(h) To do any and all things necessary or desirable under the circumstances to effect and accomplish the purposes of this Article.

Section 21.5. Indemnification of Owners on Exercise of Power of Attorney. Declarant shall indemnify and hold each Owner harmless from all liabilities, including attorneys' fees, which are incurred as a direct result of the execution by Declarant of any Improvement agreements or bonds, or both, in connection with the exercise by Declarant of the Power of Attorney and right to redesign hereinbefore set forth.

Section 21.6. Mortgagee Interest and Other Encumbrances to Take Subject to Power of Attorney. The acceptance or creation of any Mortgage or other encumbrance, whether voluntary or involuntary, and whether or not created in good faith, and whether or not given for value, shall be deemed to be accepted and/or created subject to each of the terms and conditions of the Power-of-Attorney described in Section 21.4 hereof.

Section 21.7. Owner Concurrence and Consent. Each and every Owner and each of their respective Mortgagees, grantees, licensees, trustees, receivers, lessees, tenants, judgment creditors, heirs, legatees, devisees, administrators, executors, legal representatives, successors and assigns, whether voluntary or involuntary, shall be deemed to have expressly agreed, assented and consented to each and all the provisions of this Declaration and shall be deemed to have constituted and irrevocably appointed Declarant as such Owner's Attorney-in-Fact to carry out the powers described in Section 21.4 hereof, and such Power-of-Attorney shall be deemed to continue to be coupled with an interest.

ARTICLE 22
ANNEXATION

Section 22.1. Annexation of Additional Property by Declarant. All or portions of the Annexable Property described in ***Exhibit "B"*** hereto may be annexed into the Community by the Declarant without the consent of the Members of the Association, provided, however, that the Commissioner of the Department of Real Estate makes the following determinations:

(a) That the proposed annexation will not result in an overburdening of the Association Property;

(b) That the proposed annexation will not result in a substantial increase in the assessments of the existing Units which was not disclosed in the Final Subdivision Public Report under which the existing Owners purchased their respective Units;

(c) That the real property and the total number of residential units proposed to be annexed were adequately identified; and

(d) That Declarant executes a written commitment concurrently with the closing of escrow for the first sale of a Unit in the annexed property to pay to the Association appropriate amounts for reserves for replacement or deferred maintenance of Association Property improvements in the annexed property necessitated by, or arising out of the use and occupancy of Units under a rental program conducted by Declarant which has been in effect for a period of at least one (1) year as of the date of closing of the escrows for the first sale of a Unit in the annexed property.

Said conditions shall be deemed to be satisfied upon issuance by the Department of Real Estate of a Final Subdivision Public Report with respect to the real property proposed to be annexed.

Section 22.2. Annexation of Additional Property by Association. Upon approval in writing by the Association, pursuant to the vote of at least two-thirds (2/3) of the voting power of its Members or the written assent of such Members, excluding the voting power or written assent of Declarant, the Owner of any real property who desires to add such property to the scheme of this Declaration and to subject same to the jurisdiction of the Association, may file of record a Notice of Annexation which shall extend the scheme of this Declaration to such property.

Section 22.3. Annexation Procedure. The annexation of additional real property authorized under Sections 22.1 and 22.2 shall be made by filing of record a Notice of Annexation, or similar instrument, covering said additional real property, which Notice of Annexation shall expressly provide that the scheme of this Declaration shall extend to such additional real property. The Notice of Annexation may contain such complementary additions to and modifications of the covenants set forth in this Declaration as are necessary to reflect the different character, if any, of the annexed property and which are not inconsistent with the general scheme of this Declaration. Except as set forth in this Section, no Notice of Annexation shall add, delete, revoke, modify or otherwise alter the covenants set forth in this Declaration.

Section 22.4. Obligations of Annexed Property. The obligation of Owners in the annexed property to pay assessments levied by the Association and the right of such Owners to exercise voting rights in the Association in such annexed property shall not commence until the first day of the month following close of the first sale of a Unit by Declarant in that particular Phase of development.

Section 22.5. De-Annexation. Declarant hereby reserves the right to de-annex any Unit or Units within the Community and to delete said Unit or Units from the scheme of this Declaration and from the jurisdiction of the Association, provided and on condition that the de-annexation shall be made prior to the closing date of the sale of the first Unit in the annexed property within the Community.

Section 22.6. Title Rights. This Declaration shall not be construed to constitute a limitation on Declarant's title rights to the Annexable Properties prior to annexation of said Annexable Properties. Nor shall this Declaration impose any obligation on Declarant or any other person or entity to improve, develop or annex any portion of the Annexable Properties. The rights of Declarant pursuant to this Declaration maybe assigned to any successor(s) by an express assignment in a recorded instrument, including without limitation, a deed, option or lease. This Declaration shall not be construed to limit the right of Declarant at any time prior to such an assignment to establish additional licenses, reservations and rights-of-way to itself, to utility companies or any governmental agency as reasonably necessary for the proper development and disposal of said Annexable Properties.

ARTICLE 23
GENERAL PROVISIONS

Section 23.1. Term of Declaration. The provisions of this Declaration shall run with the land and bind the Community, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any interest subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from the date this Declaration is recorded, after which time the provisions of this Declaration shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by at least sixty-seven percent (67%) of the then Owners of the Condominiums, has been recorded within six (6) months of the anticipated termination date. The contents of such instrument shall contain the agreement to terminate this Declaration as it may be supplemented in whole or in part.

Section 23.2. Reservation of Rights. Declarant (and their respective sales agents and representatives) hereby reserve, together with the right to grant and transfer the same, the right to the non-exclusive use of the Common Property and the recreational facilities owned by the Association including, without limitation, the annexable Property, for display and exhibit purposes in connection with the sale of Condominiums in the Community and on the real property annexed thereto; provided, however, that such use shall not be for a period of more than three (3) years after the conveyance of the first Condominium in the Community; and, provided, further, that no such use by Declarant, or its sales agents or representatives, or assignees, shall otherwise restrict the Members in their use and enjoyment of the Common Property or facilities thereon. Declarant hereby further reserves the unrestricted right to display whatever signs Declarant, or its assignees, deem necessary in the Common Property in connection with the sale of Condominiums in the Community. Upon completion of all sales with the Community, Declarant shall remove all such signs.

Section 23.3. Transfer of Ownership Interest. An ownership interest in a Condominium may pass under the estate of a deceased person to more than one person; provided, however, that only one individual living shall be entitled to have membership privileges in the association derived from such ownership.

Section 23.4. Severability. In the event any limitation, restriction, condition, covenant or provision contained in this Declaration is to be held invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Declaration shall, nevertheless, be and remain in full force and effect.

Section 23.5. Invalidation. Invalidation of any one of these covenants, conditions or restrictions, by judgment or court order, shall in no way affect other provisions hereof which shall remain in full force and effect.

Section 23.6. Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the sales of mixed-use Condominiums in the Community and for the maintenance of common facilities.

Section 23.7. Encroachment Easement. In the event any portion of the Association Property encroaches upon any Condominium or any Condominium encroaches upon the Association Property, each Condominium within the Community is hereby declared to have an easement for the purpose of accommodating any such encroachment due to engineering errors, errors in original construction, repair, reconstruction, settlement or shifting of the building, or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners.

Section 23.8. Termination of Declarant's Obligations. In the event Declarant shall convey all of its right, title and interest in and to the Community to any partnership, individual or individuals, corporation or corporations, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant.

Section 23.9. Number, Gender. The singular shall include the plural and the plural the singular unless the context requires to the contrary, and the masculine, feminine and neuter shall each include the masculine, feminine or neuter, as the context requires.

Section 23.10. Non-Liability of Declarant. Each Owner, by acceptance of a deed shall be deemed to have agreed that Declarant shall have no liability whatsoever resulting from any term or provision hereof having been held to be unenforceable in whole or in part.

Section 23.11. Grantees Subject to This Declaration. Each grantee of a conveyance or purchaser under a contract or agreement of sale, by accepting the deed or contract of sale or agreement of purchase, accepts the same subject to all of the limitations, restrictions, conditions and covenants, and agreements set forth in this Declaration, and agrees to be bound by the same.

Section 23.12. Disclaimer Regarding Sound Transmission. ALTHOUGH THE COMMUNITY IS CONSTRUCTED IN COMPLIANCE WITH APPLICABLE BUILDING CODE

REQUIREMENTS REGARDING SOUND INSULLATION, THE COMMUNITY IS NOT SOUND PROOF. OWNERS LIVE IN CLOSE PROXIMITY TO EACH OTHER AND SHARE COMMON WALLS, FLOORS AND CEILINGS. THE PLUMBING, HVAC SYSTEM, STAIRWAYS, ENTRY AREAS, COURTYARD, GARAGE GATES AND ELEVATOR SYSTEMS WILL GENERATE NOISE. AIRBORNE AND IMPACT SOUNDS GENERATED BY OCCUPANTS WITHIN THEIR UNITS WILL BE HEARD. AIRBORNE SOUNDS MAY INCLUDE BUT NOT BE LIMITED TO CONVERSATIONS, MUSICAL INSTRUMENTS, AUDIO EQUIPMENT, TELEVISIONS AND THE LIKE. IMPACT SOUNDS MAY INCLUDE, BUT NOT BE LIMITED TO, FOOTFALL SOUNDS, DOOR CLOSING OR SLIDING, OBJECTS BEING DROPPED OR DRAGGED, ETC. OTHER SOURCES OF NOISE INCLUDE, BUT ARE NOT LIMITED TO, STREET SOUNDS AND ACTIVITIES ON NEIGHBORING PROPERTIES.

Section 23.13. Prior Rental of Units. All Condominium Units in the Community have previously been leased as rental units, since completion of the Community in 2004. Declarant was not the original builder or developer of the Community and has performed improvement work on the Community and the Units, limited to cosmetic improvements. Declarant's improvement work does not include the installation of any new and/or significant structural, mechanical, plumbing and electrical systems.

Section 23.14. Association Operation of North Parking Structure. The Community is subject to a Declaration and Reservation of Reciprocal Parking and Easement Agreement (***"Easement Agreement"***) recorded on June 7, 2001, Instrument No. 01-0984551, at the Office of the County Recorder for Los Angeles County. The Easement Agreement requires that the Association operate, manage, maintain and repair the North Parking Structure, located north of Town Center Drive, for owners and occupants of the Commercial Unit that are located north of Town Center Drive. The Association may levy assessments, place liens and foreclosure on any Commercial Owner or occupant who may become delinquent on any assessment due under the Easement Agreement. Owners and tenants of Residential Units may not park in the North Parking Structure. The Association may collect a ten percent (10%) management fee for services provided pursuant to its obligations under the Easement Agreement.

Section 23.15. Town Center West Association. The Community is subject to a Declaration of Covenants, Conditions, Restrictions and Easements for Town Center West (***"Declaration for Town Center West"***) recorded on December 22, 2000, Instrument No. 00-2001389, at the Office of the County Recorder for Los Angeles County. The Declaration for Town Center West prescribes certain requirements and restrictions regarding vehicle storage, permitted uses, parking, antennas, lighting, landscaping, balconies and windows, and storage, among other items. Buyer will be subject to the guidelines, procedures, approvals and fees of an Architectural Control Committee established by the Declaration of Town Center West. Owners should familiarize themselves with the provisions of the Declaration for Town Center West.

Section 23.16. Town Center West Owner's Association. The Community is subject to the Declaration of Town Center West Owner's Association (***"Declaration of Owner's Association"***). The Declaration of Owner's Association establishes the Town Center West Owner's Association for the operation, management, maintenance, preservation, repair and restoration of portions of Town Center Drive, Carriage Lane, and other interior streets, circulation elements, driveways, and accessways serving the Community and adjacent properties. A portion of Owner's assessments to the Association will include assessments levied by the Town Center West Owner's Association.

ARTICLE 24
MISCELLANEOUS

Section 24.1. Declarant's Rights After Sale of all Units in the Community. For a period of ten (10) years after the close of escrow for the sale of the last Unit in the Community covered by a Final Subdivision Public Report, in addition to Declarant's rights as an Owner and a Member, Declarant shall have the following rights: (1) access to and the right to inspect the Association books and financial records, (2) access to and the right to inspect the Association's maintenance records; (3) access to and the right to inspect the Association Property of the Community; (4) right to receive notice of, attend and speak at all regular and special meetings of the Board of Directors and meetings of the Members; and (5) right to receive copies of the minutes of the meetings of the Board of Directors and meetings of the Members, upon request and payment of the actual costs to copy and distribute such records.

Section 24.2. AS-IS CONDITION; ASSUMPTION OF RISK. **THE PROPERTY WAS NOT CONSTRUCTED BY DECLARANT AND IS NOT NEW CONSTRUCTION. THE PROPERTY HAS BEEN USED AS RENTAL UNITS SINCE IT WAS CONSTRUCTED. DECLARANT HAS RECENTLY ACQUIRED THE PROPERTY. MOST ELEMENTS OF THE PROPERTY AND THE COMMON AREA AND/OR ASSOCIATION PROPERTY ARE SUBJECT TO WEAR AND TEAR FROM USE, EXPOSURE TO WEATHER, AND TENANTS. SELLER SHALL PROVIDE EACH BUYER WITH A WARRANTY WHICH WILL COVER THE WORK PERFORMED BY SELLER IN BUYER'S RESIDENTIAL UNIT ("LIMITED WARRANTY"). EXCEPT FOR THIS LIMITED WARRANTY, BUYER IS (I) PURCHASING AND ACCEPTING THE PROPERTY IN AN "AS IS/WHERE IS", "WITH ALL FAULTS" CONDITION, WITHOUT ANY REPRESENTATION OF ANY SORT OR NATURE BY SELLER OR ITS REPRESENTATIVES WITH RESPECT TO THE QUALITY OF CONSTRUCTION OR THE CONDITION OF THE CONDOMINIUMS OR THE ASSOCIATION PROPERTY; (II) RELYING SOLELY UPON BUYER'S OWN INSPECTION, INVESTIGATION AND ANALYSES OF THE FOREGOING MATTERS AND IS NOT RELYING IN ANY WAY UPON ANY WARRANTIES, EXPRESS OR IMPLIED, OF ANY NATURE WHATSOEVER REGARDING ANY SUCH MATTERS; AND (III) ASSUMING THE FULL RISK OF ANY LOSS OR DAMAGE OCCASSIONED BY ANY FACT, CIRCUMSTANCE, CONDITION OR DEFECT PERTAINING TO THE PHYSICAL CONDITION OF THE PROPERTY.**

Section 24.3. Water Meters. Each Residential Owner, by acceptance of a deed, acknowledges that the local water district ("***District***") provides water and sewer service to the Community and bills the Association for water and sewer service within the Community. The Community features several water meters. Some of the meters may meter the water used for irrigation purposes associated with the irrigation of the Association Property and certain other portions of the Community, which the Association is obligated to maintain. The other District water meter(s) will be used to measure water usage of all the individual condominium buildings situated within the Community each of which will have multiple District water meters. The District will then prepare a bill based upon overall water usage of all the condominium buildings within the Community. The Association will be responsible for the payment of this bill to the District. Private individual sub-meters will be installed within each individual Residential Unit that measures water usage for each of the individual Residential Units within a condominium building. Each Residential Owner will be responsible to pay such Residential Owner's portion of the bill in accordance with the procedures set forth below.

In order to calculate the share attributable to each Residential Unit, for water, sewer, and other charges imposed by the District, the Association shall have the right to enter into a contract with a water-metering service company ("***Metering Company***"). The Metering Company will be responsible for (1) reading the individual sub-meters, (2) allocating the water, sewer, and other charges imposed by the District for each condominium building, which is sub-metered to the individual Residential Units, and (3) preparing the individual bills for delivery to each Residential Owner. Additionally, the Metering Company will impose a service charge for their services, which will be charged to each Residential Owner with a sub-meter. Each Residential Owner with a sub-meter will be responsible for paying directly to the Metering Company such Residential Owner's share of water, sewer, and other charges imposed by the District and the service charge to the Metering Company prior to the due date. The Metering Company will provide to the Association a statement of all amounts received from the Residential Owners with a sub-meter on a regular basis, along with such funds received. If a Residential Owner with a sub-meter fails to pay any amounts when due, such Residential Owner will be responsible for any penalties or delinquent amounts levied by the Metering Company. Additionally, the Association shall have the right to cure any failure by a Residential Owner ("***Defaulting Residential Owner***") to pay the amounts due to the Metering Company. If the Association elects to cure such default, then the defaulting Residential Owner will be responsible for reimbursing the Association. If the Defaulting Residential Owner fails to reimburse the Association, the Association will be entitled to impose a special assessment as provided under this Declaration. The Association shall maintain, repair, and replace the sub-meter providing service to each Residential Unit. Each Residential Owner shall provide unobstructed access to the Association or the Metering Company for any inspections and maintenance. If, in the future, there are no companies that can provide the sub-metering service, then it will be the responsibility and obligation of the Association to allocate costs for water and sewer usage and the other charges levied by the District to the Residential Owners in the Community.

Each Commercial Unit shall contain its own individual meter and shall pay directly to the District its water bill. The Commercial Unit Owner(s) shall be responsible for the maintenance of its individual water meter.

{Signature Page for Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Madison At Town Center on following page.}

{Signature Page for Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Madison At Town Center.}

IN WITNESS WHEREOF, Declarant has executed this Declaration as of this _____ day of _______________, 2006.

"DECLARANT"

PRADO TOWN CENTER WEST, LLC,
a Delaware limited liability company

By: Lennar Homes of California, Inc.,
a California corporation
Its: Managing Member

By: ____________________
Name: Andrew Hetzel
Its: Vice President

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF Los Angeles)

On 5/19/06, before me, Dixie Hicks, Notary Public, personally appeared ______________________________, personally known to me ~~(or proved to me on the basis of satisfactory evidence~~) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he/~~she~~ executed the same in his/~~her~~ authorized capacity, and that by his/~~her~~ signatures on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Dixie L. Hicks
NOTARY PUBLIC

DIXIE L. HICKS
Commission # 1355279
Notary Public - California
Los Angeles County
My Comm. Expires May 24, 2006

SUBORDINATION AGREEMENT

The undersigned, HSBC REALTY CREDIT CORPORATION (USA), a Delaware corporation, Beneficiary under that certain Deed of Trust recorded September 15, 2005, as Instrument No. 05-2228705 Official Records, Los Angeles County, California, does hereby consent to each and all of the provisions contained in the within instrument, the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Madison At Town Center, and does hereby agree that the lien and charge of said Deed of Trust shall be, and is hereby made, subordinate to, junior to and subject to said within instrument and the entire effect thereof.

Date: MAY 18, 2006

BENEFICIARY:

HSBC REALTY CREDIT CORPORATION (USA)
a Delaware corporation

By: ______________________
Its: VICE PRESIDENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN FRANCISCO)

On MAY 18, 2006, before me, BITTY C. YU, personally appeared PETER R. NELSON, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature 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.

BITTY C. YU
Commission # 1401118
Notary Public - California
San Mateo County
My Comm. Expires Feb 18, 2007

____
NOTARY PUBLIC

5/Newhall/TheMadison/CC&RS5C
04-28-06

EXHIBIT "A"

THE PROPERTIES

UNITS 6101 - 6110, INCLUSIVE, UNITS 7101 – 7105, INCLUSIVE, UNITS 7116 – 7119, INCLUSIVE, UNITS 6201 – 6210, INCLUSIVE, UNITS 7201 – 7205, INCLUSIVE, UNITS 7214 – 7219, UNITS 6301 – 6310, INCLUSIVE, UNITS 7301 – 7319, UNITS 6401 – U6410, INCLUSIVE, UNITS 7401 – 7419 OF MODULE 5 AND MODULE 2, ASSOCIATION PROPERTY AS SHOWN IN MODULE 1, MODULE 3, AND MODULE 4, AND COMMON AREA, AS SHOWN IN MODULE 6, ALL AS SHOWN ON THE CONDOMINIUM PLAN RECORDED ON MAY 22, 2006, AS INSTRUMENT NO. 06-1114429, FOR LOT 1 OF TRACT 62464, IN THE CITY OF SANTA CLARITA, COUNTY OF LOS ANGELES OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 1316 PAGES 79 THROUGH 85, INCLUSIVE, OF MAPS, ALL IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

EXHIBIT "B"

ANNEXABLE PROPERTY

MODULE Z AS SHOWN ON THE CONDOMINIUM PLAN RECORDED ON MAY 22, 2006, AS INSTRUMENT NO. 06-1114429, FOR LOT 1 OF TRACT 62464, IN THE CITY OF SANTA CLARITA, COUNTY OF LOS ANGELES OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 1316 PAGES 79 THROUGH 85, INCLUSIVE, OF MAPS, ALL IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.