

RECORDING REQUESTED BY:

WHEN RECORDED, MAIL TO:

JACKSON, DeMARCO &
PECKENPAUGH (FSJ)
4 Park Plaza, 16th Floor
Post Office Box 19704
Irvine, CA 92623-9704

Certified to be a true and correct
copy of DECLARATION OF RESTRICTIONS
Recorded OCTOBER 13, 1998
As Instrument No. 441595
of Official Records of RIVERSIDE
County, California
By Patti Porter
FIDELITY NATIONAL TITLE CO.

(Space Above for Recorder's Use)

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

TABLE OF CONTENTS

FOR

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS

AND RESERVATION OF EASEMENTS

FOR

BRENTRIDGE

<u>DESCRIPTION</u>	<u>PAGE</u>
1. Definitions.	2
1.1. Annexable Territory.	2
1.2. ARC.	2
1.3. Articles.	2
1.4. Assessment, Annual.	2
1.5. Assessment, Capital Improvement.	2
1.6. Assessment, Reconstruction.	2
1.7. Assessment, Special.	3
1.8. Association.	3
1.9. Association Maintenance Areas.	3
1.10. Association Maintenance Funds.	3
1.11. Beneficiary.	3
1.12. Board or Board of Directors.	3
1.13. Budget.	3
1.14. Bylaws.	4
1.15. City.	4
1.16. Close of Escrow.	4
1.17. Common Area.	4
1.18. Common Expenses.	4
1.19. Declarant.	4
1.20. Declaration.	4
1.21. Deed of Trust.	5
1.22. DRE.	5
1.23. Family.	5
1.24. FHA.	5
1.25. FHLMC.	5
1.26. Fiscal Year.	5

DESCRIPTION

PAGE

1.27.	FNMA.	5
1.28.	GNMA.	5
1.29.	Improvement.	5
1.30.	Lot.	5
1.31.	Manager.	6
1.32.	Master Declaration.	6
1.33.	Member, Membership.	6
1.34.	Mortgage.	6
1.35.	Mortgagee, Mortgagor.	6
1.36.	Notice and Hearing.	6
1.37.	Notice of Addition.	6
1.38.	Owner.	6
1.39.	Person.	6
1.40.	Phase 1.	7
1.41.	Phase of Development.	7
1.42.	Properties.	7
1.43.	Record, File, Recordation.	7
1.44.	Residence.	7
1.45.	Restrictions.	7
1.46.	Rules and Regulations.	7
1.47.	VA.	7
2.	Owner's Property Rights and Project Easements.	7
2.1.	Owners' Easements of Enjoyment.	7
2.2.	Easements for Vehicular/Pedestrian Traffic.	9
2.3.	Easements for Public Service Use.	9
2.4.	Waiver of Use.	9
2.5.	Easements for Water and Utility Purposes.	9
2.6.	Access to Slopes and Drainage Ways.	9
2.7.	Taxes.	9
2.8.	Easement - Association Maintenance Areas.	10
2.9.	Easement for Declarant Over Common Area.	10
2.10.	Delegation of Use.	10
2.11.	Right to Grant Easements.	10
3.	Brentridge Community Association.	10
3.1.	Organization of Association.	10
3.2.	Duties and Powers.	11
3.3.	Membership.	11

<u>DESCRIPTION</u>	<u>PAGE</u>
3.4. Transfer.	11
4. Voting Rights.	11
4.1. Classes of Voting Membership.	11
4.2. Voting Rights.	12
5. Jurisdiction of Association.	13
5.1. Commencement of Association Maintenance Obligations.	13
5.2. Authority of Association.	13
6. Covenant for Maintenance Assessments.	15
6.1. Creation of Assessment Obligation.	15
6.2. Maintenance Funds of Association.	15
6.3. Purpose of Annual Assessments.	15
6.4. Limitations on Annual Assessment Increases.	16
6.5. Capital Improvements.	18
6.6. Uniform Rate of Assessment.	18
6.7. Date of Commencement of Annual Assessments.	18
6.8. Exempt Property.	19
7. Nonpayment of Assessments; Remedies.	20
7.1. Nonpayment of Assessments; Remedies.	20
7.2. Notice of Delinquent Assessment.	20
7.3. Foreclosure Sale.	21
7.4. Curing of Default.	21
7.5. Cumulative Remedies.	21
7.6. Mortgage Protection.	21
7.7. Priority of Assessment Lien.	22
7.8. Receivers.	22
7.9. Alternative Dispute Resolution.	22
8. Architectural Control.	23
8.1. Members of Committee.	23
8.2. Review of Plans and Specifications.	23
8.3. Meetings of the ARC.	25
8.4. No Waiver of Future Approvals.	25

<u>DESCRIPTION</u>	<u>PAGE</u>
8.5. Compensation of Members.	25
8.6. Inspection of Work.	25
8.7. Scope of Review.	26
8.8. Variance.	26
8.9. Appeals.	26
9. Maintenance and Repair Obligations.	27
9.1. Maintenance Obligations of Owners.	27
9.2. Maintenance Obligations of Association.	27
9.3. Party Walls.	28
9.4. Damage to Common Area by Owners.	29
9.5. Damage to Residences-Reconstruction.	29
9.6. Inspection.	30
10. Use Restrictions.	33
10.1. Single Family Residence.	33
10.2. Business or Commercial Activity.	33
10.3. Nuisances.	33
10.4. Signs.	34
10.5. Parking and Vehicular Restrictions.	35
10.6. Animal Restrictions.	36
10.7. Trash.	36
10.8. Temporary Buildings.	36
10.9. Common Area Facilities.	37
10.10. Outside Installations.	37
10.11. Antennae.	37
10.12. Drilling.	38
10.13. Further Subdivision.	38
10.14. Drainage.	38
10.15. Water Supply Systems.	39
10.16. Inside Installations.	39
10.17. View Obstructions.	39
10.19. Installation of Front Yard Landscaping.	39
10.20. Rights of Disabled.	39
11. Damage and Condemnation.	39

<u>DESCRIPTION</u>	<u>PAGE</u>
12. Insurance.	40
12.1. Casualty Insurance.	40
12.2. Insurance Obligations of Owners.	41
12.3. Waiver of Subrogation.	41
12.4. Liability and Other Insurance.	42
12.5. Notice of Expiration Requirements.	42
13. Rights of Mortgagees.	43
14. Declarant Exemption.	45
15. General Provisions.	46
15.1. Enforcement of Restrictions.	46
15.2. Severability.	48
15.3. Term.	48
15.4. Interpretation.	48
15.5. Termination and Amendment.	48
15.6. No Public Right or Dedication.	50
15.7. Constructive Notice and Acceptance.	50
15.8. Reservation of Easements.	50
15.9. Notices.	51
15.10. Enforcement of Bonded Obligations.	51
15.11. Nonliability and Indemnification.	52
15.12. Priorities and Inconsistencies.	53
15.13. Mergers or Consolidations.	53
15.14. Dispute Resolution.	53
15.15. Additional Provisions.	55
15.16. Electric Power Lines and Electromagnetic Fields	55
15.17. Community Facilities District	56
15.18. Street Light and Landscaping District	56
15.19. Landscape Maintenance District	56
15.20. Marketing Name.	57
15.21. Post-Tension Slab System.	57
15.22. Debris Basin	57
15.23. Corona Airport	58
15.24. Upper Drive	58
15.25. Seismic Hazard Zone.	58
15.26. No Representations or Warranties.	58

DESCRIPTION

PAGE

16.	Annexation of Additional Property.	58
16.1.	Additions by Declarant.	58
16.2.	Other Additions.	59
16.3.	Rights of Added Territory Members.	59
16.4.	Notice of Addition.	59
16.5.	Deannexation and Amendment.	60

EXHIBIT "A" - ARTICLES OF INCORPORATION OF THE ASSOCIATION

EXHIBIT "B" - BYLAWS OF THE ASSOCIATION

EXHIBIT "C" - LEGAL DESCRIPTION OF ANNEXABLE TERRITORY

EXHIBIT "D" - DRAWINGS SHOWING LOCATION OF ASSOCIATION
MAINTENANCE AREAS IN PHASE 1

**DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
BRENTRIDGE**

THIS DECLARATION is made by Centex Homes, a Nevada General Partnership ("Declarant").

P R E A M B L E:

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

Lots 5 to 18, inclusive of Tract No. 28153-1, as shown on a Subdivision Map, Recorded on OCTOBER 13, 1998, in Book 274, Pages 1 to 5, inclusive of Maps, and Lot D of Tract No. 28153-6, as shown on a Subdivision Map, Recorded on OCTOBER 13, 1998, in Book 274, Pages 24 to 28, inclusive, of Maps, both in the Office of the Riverside County Recorder.

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

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

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

ARTICLE I

1. Definitions.

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

1.1. Annexable Territory.

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

1.2. ARC.

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

1.3. Articles.

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

1.4. Assessment, Annual.

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

1.5. Assessment, Capital Improvement.

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

1.6. Assessment, Reconstruction.

Reconstruction Assessment means a charge which the Board may levy against the Owners and their Lots, representing a portion of the Association's cost to reconstruct any Improvements on

the Common Area and Association Maintenance Areas. Such charge shall be levied in the same proportion as Annual Assessments.

1.7. Assessment, Special.

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

1.8. Association.

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

1.9. Association Maintenance Areas.

Association Maintenance Areas means certain fences and walls surrounding the perimeter of the Properties. The Association will have a nonexclusive easement for maintenance purposes over the Association Maintenance Areas. The approximate location of the Association Maintenance Areas in Phase 1, are depicted on the drawings which are marked Exhibit "D," attached hereto and incorporated herein by this reference; provided that the precise location of such Association Maintenance Areas shown on Exhibit "D" shall be defined by the Improvements originally constructed or installed by Declarant.

1.10. Association Maintenance Funds.

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

1.11. Beneficiary.

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

1.12. Board or Board of Directors.

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

1.13. Budget.

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

1.14. Bylaws.

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

1.15. City.

City means the City of Corona, in the County of Riverside, State of California, and its various departments, divisions, employees and representatives.

1.16. Close of Escrow.

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

1.17. Common Area.

Common Area means all the real property and Improvements which are owned by the Association. The Common Area at the time of the first Close of Escrow in Phase 1 includes Lot D of Tract No. 28153-6. Additional Common Area may be annexed to the Properties pursuant to Article XVI hereof.

1.18. Common Expenses.

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

1.19. Declarant.

Declarant means Centex Homes, a Nevada General Partnership, its successors and any Person to which it shall have assigned any rights hereunder by express written assignment. As used in this Section, "successor" means a Person who acquires Declarant or substantially all of its assets, or who merges with Declarant, by sale, merger, reverse merger, consolidation, sale of stock or assets, operation of law or otherwise.

1.20. Declaration.

Declaration means this instrument as amended or restated.

1.21. Deed of Trust.

Deed of Trust means a Mortgage as defined herein.

1.22. DRE.

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

1.23. Family.

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

1.24. FHA.

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

1.25. FHLMC.

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

1.26. Fiscal Year.

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

1.27. FNMA.

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

1.28. GNMA.

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

1.29. Improvement.

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

1.30. Lot.

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

1.31. Manager.

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

1.32. Master Declaration.

Master Declaration means the Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Mountain Gate, Recorded on November 21, 1993, as Instrument no. 453116, in the Official Records of the Riverside County Recorder, together with any amendments, supplements or modifications thereto.

1.33. Member. Membership.

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

1.34. Mortgage.

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

1.35. Mortgagee. Mortgagor.

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

1.36. Notice and Hearing.

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

1.37. Notice of Addition.

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

1.38. Owner.

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

1.39. Person.

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

1.40. Phase I.

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

1.41. Phase of Development.

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

1.42. Properties.

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

1.43. Record, File, Recordation.

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

1.44. Residence.

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

1.45. Restrictions.

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

1.46. Rules and Regulations.

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

1.47. VA.

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

ARTICLE II

2. Owner's Property Rights and Project Easements.

2.1. Owners' Easements of Enjoyment.

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

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

(j) The easements, rights and interests reserved in Article II and Section 15.8 of this Declaration and Article 3 of the Master Declaration.

2.2. Easements for Vehicular/Pedestrian Traffic.

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

2.3. Easements for Public Service Use.

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

2.4. Waiver of Use.

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

2.5. Easements for Water and Utility Purposes.

In addition to the foregoing easements over the Common Area, Declarant hereby reserves easements over the Properties for public and private utility purposes, including but not limited to, the right of any public utility or mutual water district of ingress or egress over the Common Area for purposes of reading and maintaining meters, and using and maintaining fire hydrants located in the Properties. Within these easements, no structure, planting, or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities and drainage facilities.

2.6. Access to Slopes and Drainage Ways.

Each Owner agrees for himself and his successors in interest, by the acceptance of this deed, to permit fire access by other Owners to slopes or drainage ways, if any, located on his Lot, which slopes or drainage ways affect other areas of the Properties, when such access is essential for the maintenance or permanent stabilization of such slopes or for the maintenance of drainage ways for the protection or use of said other Owners' Lots.

2.7. Taxes.

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

2.8. Easement - Association Maintenance Areas.

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

2.9. Easement for Declarant Over Common Area.

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

2.10. Delegation of Use.

Any Owner entitled to the right and easement of use and enjoyment of the Common Area may delegate those rights and easements to such Owner's tenants, contract purchasers or subtenants who reside in such Owner's Residence, subject to reasonable regulation by the Board. An Owner who has delegated such right and easement may not use or enjoy the recreational facilities or equipment on the Common Area for so long as such delegation remains in effect.

2.11. Right to Grant Easements.

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

ARTICLE III

3. Brentridge Community Association.

3.1. Organization of Association.

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

3.2. Duties and Powers.

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

3.3. Membership.

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

3.4. Transfer.

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

ARTICLE IV

4. Voting Rights.

4.1. Classes of Voting Membership.

The Association classes of voting Membership are as follows:

Class A. Class A Members are all Owners except Declarant for so long as there exists a Class B Membership. Class A Members are entitled to one (1) vote for each Lot owned by such Class A Members which is subject to assessment. Declarant shall become a Class A Member upon conversion of Declarant's Class B Membership as provided below. When more than one

(1) Person owns any Lot, all such Persons are Members. The vote for such Lot shall be exercised in accordance with Section 4.2, but no more than one (1) Class A vote may be cast for any Lot.

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

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

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

4.2. Voting Rights.

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

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

proxy owning the majority interests in such Lot cannot agree to said vote or other action. The nonvoting co-owner or co-owners are jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot and are entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in the Restrictions are binding on all Owners and their successors in interest.

ARTICLE V

5. Jurisdiction of Association.

5.1. Commencement of Association Maintenance Obligations.

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

5.2. Authority of Association.

The Association has:

- (a) The power and duty to accept, maintain, repair and otherwise manage the Common Area and Association Maintenance Areas in accordance with Articles VI and IX hereof.
- (b) The power and duty to maintain any private sewer systems and any private storm drains or drainage facilities within the Common Area in accordance with the provisions of Articles VI and IX hereof.
- (c) The power and duty to obtain, for the benefit of the Properties, all commonly metered water, gas and electric services, and the power but not the duty to provide for refuse collection and cable or master television service.
- (d) The power and duty to grant exclusive or nonexclusive easements and rights of way or fee interests in portions of the Common Area, to the extent any such grant is reasonably required for utilities and sewer facilities to serve the Common Area and the Lots, or for purposes of conformity with the as-built location of Improvements installed by Declarant; provided that no such fee interest may be granted except pursuant to a Recorded lot line adjustment approved by the requisite governmental entity if such a lot line adjustment is

required by law; the Association may deannex such property from this Declaration in connection with an approved lot line adjustment.

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

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

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

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

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

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

ARTICLE VI

6. Covenant for Maintenance Assessments.

6.1. Creation of Assessment Obligation.

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

6.2. Maintenance Funds of Association.

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

6.3. Purpose of Annual Assessments.

The Assessments shall be used exclusively to (a) promote the Owners' health, safety, recreation and welfare, (b) improve and maintain the Common Area and Association Maintenance Areas, and (c) discharge any other Association obligations under the Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Owners for purposes authorized by this Declaration. Disbursements from the Reserve Fund shall be made by the Board only for the purposes specified in this Article VI and in Section 1365.5(c) of the California Civil Code, as amended. If the Association decides to use or transfer reserve funds to pay for litigation, the Association must notify its Members of the decision by mail.

Such notice shall provide an explanation of why the litigation is being initiated or defended, why operating funds cannot be used, how and when the reserve funds will be replaced, and a proposed budget for the litigation. The notice must state that the Members have a right to review an accounting for the litigation which will be available at the Association's office. The accounting shall be updated monthly. Disbursements from the Operating Fund shall be made by the Board only for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Association assessments or funds may not be used to abate any nuisance or annoyance emanating from outside the boundaries of the Properties, or in support of Federal, State or local political activities intended to influence governmental action affecting areas outside the boundaries of the Properties (e.g., endorsement or support of political candidates, legislative or administrative actions by any governmental agency). Annual Assessments shall be used to satisfy Common Expenses as provided herein and in the Bylaws.

6.4. Limitations on Annual Assessment Increases.

The Board shall levy Annual Assessments as follows:

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

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

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

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

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

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

(d) Automatic Assessment Increases. Notwithstanding any other provisions of this Section 6.4, upon Declarant's annexation of any portion of the Annexable Territory pursuant to Article XVI, the Annual Assessment shall be automatically increased by the additional amount, if any, necessary to maintain the Common Area and Association Maintenance Areas in or abutting such Annexable Territory so long as (i) the annexation of such Annexable Territory is permitted by DRE, and (ii) the amount of such increase does not result in the levy of an Annual Assessment which is greater than the maximum potential Annual Assessment disclosed in all Final Subdivision Public Reports for the Properties previously issued by the DRE.

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

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

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

(iii) An extraordinary expense necessary to repair or maintain the Properties or any portion thereof for which the

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

6.5. Capital Improvements.

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

6.6. Uniform Rate of Assessment.

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

6.7. Date of Commencement of Annual Assessments.

Annual Assessments shall commence on all Lots in a Phase on the first day of the first calendar month following the first Close of Escrow in such Phase. The first Annual Assessment shall be adjusted according to the number of months remaining in the Fiscal Year. The Board shall fix the amount of the Annual Assessment against each Lot at least thirty (30) days in advance of each Annual Assessment period. However, unless otherwise established by the Board, the initial Annual Assessments shall be assessed in accordance with the most recent Budget on file with and approved by DRE. Written notice of any change in the amount of any Annual Assessment, Capital Improvement Assessment or Reconstruction Assessment shall be sent via first-class mail to every Owner subject thereto not less than thirty (30) nor more than sixty (60) days prior to the

increased assessment becoming due. The due dates shall be established by the Board. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an Association officer or agent setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate as to the status of assessments against a Lot is binding upon the Association as of the date of its issuance.

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

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

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

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

6.8. Exempt Property.

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

- (a) All portions of the Properties dedicated to and accepted by a local public authority; and

- (b) The Common Area owned by the Association in fee.

ARTICLE VII

7. Nonpayment of Assessments: Remedies.

7.1. Nonpayment of Assessments: Remedies.

Any installment of an assessment is delinquent if not paid within fifteen (15) days of the due date established by the Board. Any installment of Annual Assessments, Capital Improvement Assessments, Special Assessments, or Reconstruction Assessments not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges as provided herein bears interest at the maximum rate permitted by law commencing thirty (30) days from the date the assessment becomes due until paid. The Board may also require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 1366(d)(2). The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Lot. The Association need not accept any tender of a partial payment of an assessment installment and all costs and attorneys' fees attributable thereto, and any acceptance of any such tender does not waive the Association's right to demand and receive full payments thereafter. Before the Association may place a lien upon an Owner's Lot to collect a past due assessment, the Association shall send a written notice to the Owner by certified mail which contains the following information: (i) the fee and penalty procedure of the Association, (ii) an itemized statement of the charges owed by the Owner, including the principal owed, any late charges and the method of calculation, any attorney's fees, (iii) the collection practices used by the Association, and (iv) a statement that the Association may recover the reasonable costs of collecting past due assessments.

7.2. Notice of Delinquent Assessment.

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

provided in Section 1367 of the California Civil Code. Said lien is prior to any declaration of homestead Recorded after the date on which this Declaration is Recorded. The lien continues until paid or otherwise satisfied. The Notice of Delinquent Assessment must be signed by an authorized Association officer or agent, and must be mailed in the manner set forth in Section 2924b of the California Civil Code to the record Owner of the Lot no later than ten (10) calendar days after recordation.

7.3. Foreclosure Sale.

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

7.4. Curing of Default.

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

7.5. Cumulative Remedies.

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

7.6. Mortgage Protection.

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

7.7. Priority of Assessment Lien.

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

The Board of Directors of the Association has the power to take such action as is necessary to make any assessment lien of the Association encumbering a Lot subordinate to the interests of the Department Veterans Affairs of the State of California under its Cal-Vet loan contracts, with respect to such Lot to the same extent that the assessment lien would be subordinate to the lien or charge of a first Mortgage or first deed of trust of record encumbering such Lot.

7.8. Receivers.

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

7.9. Alternative Dispute Resolution.

Disputes between an Owner and the Association regarding the assessments imposed by the Association may be submitted to alternative dispute resolution in accordance with Civil Code Section 1354 if such Owner pays in full (i) the amount of the assessment in dispute, (ii) any late charges, (iii) any interest, and (iv) all fees and costs associated with the preparation and filing of a Notice of Delinquent Assessment (including mailing costs and attorneys fees not to exceed four hundred twenty-five dollars (\$425), and states by written notice that such amount is paid under

protest, and the written notice is mailed by certified mail not more than thirty (30) days from the Recording of a Notice of Delinquent Assessment. Upon receipt of such written notice, the Association shall inform the Owner in writing that the dispute may be resolved through alternative dispute resolution as set forth in Civil Code Section 1354.

The right of any Owner to utilize alternative dispute resolution under this Section may not be exercised more than two times in any single calendar year, and not more than three times within any five calendar years. Nothing within this section shall preclude any Owner and the Association, upon mutual agreement, from entering into alternative dispute resolution in excess of the limits set forth herein. An Owner may request and be awarded through alternative dispute resolution reasonable interest to be paid by the Association in the total amount paid under items (i) through (iv) above, if it is determined that the assessment levied by the Association was not correctly levied.

ARTICLE VIII

8. Architectural Control.

8.1. Members of Committee.

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

8.2. Review of Plans and Specifications.

The ARC shall consider and act upon all plans and specifications submitted for its approval under this Declaration and perform such other duties as the Board assigns to it, including inspection of construction in progress to assure conformance with plans approved by the ARC. No construction, installation or alteration of an Improvement, including landscaping, in the Properties may be commenced or maintained until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location thereof have been submitted to and approved in writing by the ARC; provided, however, that any Improvement may be repainted without ARC approval so long as the Improvement is repainted the identical color which it was last painted. Without limiting the generality of the foregoing, the provisions of this

Article VIII apply to the construction, installation and alteration of solar energy systems, as defined in Section 801.5 of the California Civil Code, subject to the provisions of California Civil Code Section 714, the City Building Code, applicable zoning regulations, and associated City ordinances. The Owner submitting the plans and specifications ("Applicant") shall obtain a written, dated receipt therefor from an authorized agent of the ARC. Until changed by the Board, the address for submission of such plans and specifications is the Association's principal office. The ARC shall approve plans and specifications submitted for its approval only if it determines that (a) the installation, construction or alterations contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Properties as a whole, (b) the appearance of any structure affected thereby will be in harmony with the surrounding structures, (c) the installation, construction or alteration thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Area and Association Maintenance Areas or the enjoyment thereof by the Members, and (d) the maintenance thereof will not become a burden on the Association. Declarant and any Person to whom Declarant may assign all or a portion of its exemption hereunder are not required to obtain ARC approval of any Improvements constructed on the Properties by Declarant or such Person.

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

8.3. Meetings of the ARC.

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

8.4. No Waiver of Future Approvals.

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

8.5. Compensation of Members.

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

8.6. Inspection of Work.

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

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

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

BRENTRIDGE COMMUNITY ASSOCIATION

BOARD OF DIRECTORS RESOLUTION
APPEAL PROCEDURE

WHEREAS, Civil Code §1378 requires that the Association implement an appeal procedure for Architectural submission, and

WHEREAS, the Associations CC&R's or other governing documents do not provide for an appeal procedure, and

WHEREAS, the board desires to implement a procedure that is fair, reasonable, and expeditious

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Association hereby adopt the following appeal procedure:

In the event that plans and specifications submitted to the ACC are disapproved, the party making such submission may appeal in writing to the Board. The written request must be received by the Board not more than thirty (30) days following the final decision of the Architectural Control Committee. The Board shall submit such request to the Architectural Control Committee for review, and the written recommendation of the Architectural Control Committee will be submitted to the Board. The review of the Appeal will then take place at a duly noticed meeting of the Board of Directors. Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. The failure by the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the party making such submission.

BE IT FURTHER RESOLVED, that the foregoing resolution will adopted by the Board of Directors at its regular meeting held on January 19, 2005.

Certificate of Secretary

The undersigned, the duly appointed or acting Secretary of Brentridge Community Association, hereby certifies that the foregoing Resolution was adopted this 19th day of January, 2005 at a duly noticed meeting of the Board of Directors in regular session.

Dated: 1-19-05


Secretary, Brentridge Community Association

8.7. Scope of Review.

The ARC shall review and approve, conditionally approve or disapprove all plans submitted to it for any proposed construction, installation or alteration solely on the basis of aesthetic considerations, consistency with this Declaration, and the overall benefit or detriment which would result to the immediate vicinity and the Properties generally. The ARC shall consider the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The ARC's approval or disapproval shall be based solely on the considerations set forth in this Article VIII. The ARC is not responsible for reviewing, nor may its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes. The ARC may consider the impact of views from other Residences or Lots and reasonable privacy right claims as factors in reviewing, approving or disapproving any proposed landscaping, construction or other Improvement. However, Declarant does not warrant any protected views within the Properties and no Residence or Lot is guaranteed the existence or unobstructed continuation of any particular view.

8.8. Variance.

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

8.9. Appeals.

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

ARTICLE IX

9. Maintenance and Repair Obligations.

9.1. Maintenance Obligations of Owners.

Each Owner shall, at the Owner's sole expense, subject to the provisions of this Declaration requiring ARC approval, maintain, repair, replace and restore all Improvements located on the Owner's Lot and the Lot itself, except for those portions of the Lot which constitute Association Maintenance Areas, in a neat, sanitary and attractive condition. Such maintenance responsibilities include, but are not limited to, the maintenance of the entire Residence on the Lot, as well as any fence or wall constructed on the Lot along the Lot Line abutting any Common Area or public property. In addition, each Owner whose Lot utilizes a private drainage system installed by Declarant is responsible for its maintenance and repair. Each Owner whose Lot utilizes a sewer system lateral is responsible for the maintenance and repair of that portion of the lateral which exclusively serves such Owner's Lot. If any Owner permits any Improvement which such Owner is responsible for maintaining, to fall into disrepair or to become unsafe, unsightly or unattractive, or to otherwise violate this Declaration, the Board may seek any remedies at law or in equity which it may have. In addition, the Board may, after Notice and Hearing, enter upon such Owner's Lot to make such repairs or to perform such maintenance and charge the cost thereof to the Owner. Said cost shall be a Special Assessment enforceable as set forth herein.

9.2. Maintenance Obligations of Association.

After the completion of the construction or installation of the Improvements on the Common Area and Association Maintenance Areas by Declarant, no improvement, excavation or work which in any way alters the Common Area or the Association Maintenance Areas may be made or done by any person other than the Association or its authorized agents. Unless otherwise expressly provided in this Declaration, upon commencement of Annual Assessments on the Lots in a Phase the Association shall maintain, paint, repair and replace all completed Improvements within the Common Area and Association Maintenance Areas, including but not limited to, all landscaping and slope plantings not within the jurisdiction of a landscape maintenance district, private irrigation systems, sewers, storm drains, driveways, parking areas and recreational facilities, in a safe, sanitary and attractive condition and in good order and repair, and shall likewise provide for the commonly metered utilities serving the Common Area and Association Maintenance Areas. The Board shall determine, in its sole discretion, the level and frequency of maintenance of the Common Area and Association Maintenance Areas. The Association may add or remove any landscaping Improvements to or from the Common Area and Association Maintenance Areas and shall ensure that the landscaping thereon is maintained free of weeds and disease.

Pursuant to an Agreement with the City, the Association is required to maintain all Common Areas and Association Maintenance Areas within the Properties (Covered Property) in accordance with specified standards of repair, maintenance and cleanliness. If, in the opinion of the City Manager of the City (or his authorized representative), the Association at any time fails

to maintain the Common Areas, Association Maintenance Areas, or improvements located thereon, in accordance with the terms of the above-referenced Agreement, the City shall give written notice to the Association, specifying the exact nature of such deficiency. Such written notice of deficiency from the City shall be addressed to the Association and shall require that the Association take appropriate corrective action within thirty (30) days of receipt of such written notice unless there exists a hazardous condition creating an immediate possibility of serious injury to persons or property, in which case the time for correction may be reduced to a minimum of five (5) days. The Association shall have the right, within ten (10) days of receipt of such written notice of deficiency, to file an appeal with the City Council of the City for public hearing before the City Council to consider the reasonableness of the City's requirements as set forth in the written notice of deficiency. The decision of the City Council on such appeal shall be binding upon all parties but may be appealed by the Association through an appropriate action in any court having jurisdiction. The written notice of deficiency from the City shall state the anticipated costs that the City would assess against the Association for the corrective work to be accomplished, which costs shall be no more than those charged by competitive private industry for similar work. If the Association, within the time set forth in the notice of deficiency (subject to extension for such time as may be required to appeal the notice of deficiency to the City Council) does not undertake and complete the corrective work required in the notice of deficiency, the City may (but will not be obligated to) undertake and complete such corrective measures as are set forth in the notice and assess the costs thereof against the Association. In such event, the Association hereby grants to the City such rights of access, ingress and egress upon and across the Project as may be necessary to complete such work. The City may elect to enforce payment of such costs through the procedures set forth in the Declaration for the establishment of assessment liens or through an action at law (which action may be brought without foreclosing or waiving any lien securing such amount). In any such action, the prevailing party will be entitled to receive its attorney's fees and costs, in addition to such other relief as may be granted.

The Association is not responsible for the maintenance of any portions of the Common Area which have been dedicated to and accepted for maintenance by a state, local or municipal governmental agency or entity. All of the foregoing Association obligations shall be discharged when and in such manner as the Board shall determine in its judgment to be appropriate. The Association shall indemnify, defend and hold harmless the Owner of any Lot against whom liability for personal injury or for damage or destruction of property is sought to be imposed as a result of improper or negligent Association acts or omissions in connection with maintenance of Association Maintenance Areas located on such Owner's Lot.

9.3. Party Walls.

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

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

(b) Destruction by Fire or Other Casualty. Unless covered by a blanket insurance policy maintained by the Association under Section 12.1 hereof, if a Party Wall is destroyed or damaged by fire or other casualty, any Owner whose Lot is affected thereby may restore it, and the Owner of the other Lot which is affected thereby shall contribute equally to the cost of restoration thereof without prejudice, however, to the right of any such Owner to call for a larger contribution from the other under any rule of law regarding liability for negligent or willful acts or omissions.

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

9.4. Damage to Common Area by Owners.

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

9.5. Damage to Residences-Reconstruction.

If all or any portion of any Lot or Residence is damaged or destroyed by fire or other casualty, the Owner of such Lot shall rebuild, repair or reconstruct the Lot and the Residence thereon in a manner which will restore them substantially to their appearance and condition immediately prior to the casualty or as otherwise approved by the ARC. The Owner of any damaged Lot or Residence and the ARC shall proceed with all due diligence, and the Owner shall cause reconstruction to commence within six (6) months after the damage occurs and to be completed within twelve (12) months after damage occurs, unless prevented by causes beyond such Owner's reasonable control. A transferee of the Lot which is damaged or upon which is located a damaged Residence shall commence and complete reconstruction in the respective periods which would have remained for the performance of such obligations if the Owner of the Lot at the time of the damage still held title to the Lot. However, no such transferee may be required to commence or complete such reconstruction in less than thirty (30) days from the date such transferee acquired title to the Lot.

9.6. Inspection.

(a) Initial Inspection of Common Area Improvements.

(i) Declarant may notify the Board when the Common Area Improvements (including landscaping) for a particular Phase or some portion thereof have been completed. Within thirty (30) days after giving such notice, Declarant and the Board (collectively referred to as "Parties") shall jointly request that a qualified engineer or architect (which term shall include "landscape architect," if the nature of the improvements warrants) employed by the City inspect the Common Area Improvements as to which such notice has been given. If the City is unwilling or unable to provide an engineer or architect to make such inspection, the Parties shall jointly select an independent and qualified engineer or architect to perform the inspection. If the Parties are unable or fail to agree on the selection within thirty (30) days after the joint selection is requested, then each Party, within the next thirty (30) days, shall select a licensed engineer or architect and the persons so selected, within fifteen (15) days after both are selected, shall jointly select a third engineer or architect. If either of the Parties fails to select an engineer or architect within the time provided, then the failing Party shall be deemed to have irrevocably waived its right to select, and the inspection shall be performed by the engineer or architect selected by the other Party. If the engineers or architects selected by the Parties fail to select a third person within the time provided, then either Party may petition any court of competent jurisdiction for appointment of such a third person. The person(s) selected or appointed pursuant to this paragraph is referred to in this Section as the "Expert." Declarant shall pay the reasonable compensation of the Expert.

(ii) Promptly upon the selection of the Expert as provided above in subsection (a), the Expert shall inspect the Common Area Improvements as to which notice has been given. The Parties may accompany the Expert during the inspection. The inspection shall be limited to a visual inspection, and Improvements shall not be uncovered. The Expert shall not be responsible for identifying latent defects. Promptly after the inspection is completed, the Expert shall submit a written report ("Report") to the Parties specifying the respects, if any, in which the Improvements do not conform to the plans and specifications therefor and are defective, and if there are no such defects, the Report shall state that the Improvements conform to the plans and

specifications therefor. The Report shall constitute conclusive and binding evidence that, except as otherwise proved therein and except for latent defects, if any, the Improvements have been constructed in accordance with the plans and specifications therefor, and thereafter Declarant shall have no further liability, duty or obligation with respect to such Improvements, except to remedy any defects specific in the Report and except with respect to latent defects, if any, and the separate repair obligations of Declarant under express written warranty, if any.

(iii) Declarant shall correct any defects specified in the Report, and the Expert shall reinspect such Improvements within thirty (30) days after request. Such reinspection shall be performed in the same manner as provided for the first inspection. Promptly after the reinspection is completed, the Expert shall submit another written report ("Reinspection Report") to the Parties specifying the defects specified in the Report which have not been corrected, if any, and if all such defects have been corrected the Reinspection Report shall state that the Improvements conform to the plans and specifications therefor. The Reinspection Report shall constitute conclusive and binding evidence that, except as otherwise provided therein and except for latent defects, if any, the Improvements have been constructed in accordance with the plans and specifications therefor, and thereafter Declarant shall have no further liability, duty or obligation with respect to such Improvements, except to remedy any defects specified in the Reinspection Report, and except with respect to latent defects, if any, and the separate repair obligations of Declarant under express written warranty, if any.

(iv) Additional inspections and Reinspection Reports shall be made, if necessary, all in accordance with and with the same effect as provided above.

(v) If the Improvements to be inspected are landscaping Improvements, then notwithstanding anything to the contrary contained herein, the Expert shall be a horticulturist or landscape architect. In all other respects, the provisions of this section shall apply to the inspection of landscaping Improvements.

(vi) Within ten (10) days after all defects have been corrected, as evidenced by a Report or Reinspection Report, the Board shall accept the Improvements in writing and, if Declarant has posted a bond or other security ("Bond") to secure the faithful performance to complete any of the Common Area Improvements,

and if the Association is the obligee under the Bond, the Board shall release in writing any and all rights under the Bond pertaining to the Improvements and shall execute any other documents as may be reasonably necessary to effect the release of the Bond.

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

(c) Periodic Inspection Report. The Board shall prepare a report of the results of the inspection required by subsection (b) above. The report shall be furnished to Owners within the time set forth for furnishing Owners with the Budget. The report must include at least the following:

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

(ii) a description of all maintenance, repair and replacement planned for the ensuing Fiscal Year and included in the Budget;

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

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

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

(vi) such other matters as the Board deems appropriate.

ARTICLE X

10. Use Restrictions.

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

10.1. Single Family Residence.

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

10.2. Business or Commercial Activity.

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

10.3. Nuisances.

No noxious or offensive activities may be carried on upon the Properties or on any public street abutting or visible from the Properties. No horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Residence and its contents, may be placed or used on any Lot. Noisy, unsightly, unusually painted or smoky vehicles, large power equipment and large power tools (excluding lawn mowers and other equipment utilized in connection with ordinary landscape maintenance), off-road motor vehicles or items which may unreasonably interfere with television or radio reception to any Lot, and objects which create or emit loud noises or noxious odors may not be located, used or placed in the Properties or on any public street abutting the Properties, or exposed to the view of other Owners without the Board's prior written approval. The Board is entitled to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner may (a) permit or cause anything to be done or kept on the Properties or on any public street abutting the Properties which may (i) increase the rate of insurance in the Properties, (ii) result in the cancellation of such insurance, or (iii) obstruct or interfere with the rights of other Owners, or (b) commit or permit any nuisance thereon or violate any law. Each Owner shall comply with all requirements

of the local or state health authorities and with all other applicable governmental ordinances regarding occupancy and use of a Residence. Each Owner is accountable to the Association and other Owners for the conduct and behavior of persons residing in or visiting his Lot. Any damage to the Common Area, personal property of the Association, Association Maintenance Areas or property of another Owner caused by such persons shall be repaired at the sole expense of the Owner of the Lot where such persons are residing or visiting.

10.4. Signs.

Subject to Civil Code Sections 712 and 713, no sign, poster, billboard, balloon advertising device or other display of any kind shall be displayed within the Properties or on any public street within or abutting the Properties except for the following signs, so long as they comply with applicable City ordinances:

(i) signs (regardless of size or configuration) used by Declarant in connection with construction, alteration or development of the Properties and the Annexable Territory or sale, lease or other disposition of Lots in the Properties or the Annexable Territory,

(ii) entry monuments, community identification signs, or traffic or parking control signs maintained by the Association,

(iii) one (1) nameplate or similar Owner name or address identification sign for each Lot which complies with ARC rules;

(iv) one (1) sign for a Lot advising of the existence of security services protecting a Lot which complies with ARC rules;

(iv) one (1) sign which may be displayed on each Lot advertising the Lot for sale or lease; provided that such for sale or lease signs comply with the following requirements:

(a) the sign is not larger than eighteen inches (18") by thirty inches (30") in size;

(b) the sign is attached to the ground by a conventional, single vertical stake which does not exceed two inches (2") by three inches (3") in diameter (i.e. posts, pillars, frames or similar arrangements are prohibited);

(c) the top of the sign is not more than three feet (3') in height above the ground level;

(d) the sign is of a color and style authorized by the ARC; and

(v) other signs or displays authorized by the ARC.

10.5. Parking and Vehicular Restrictions.

(a) Authorized Vehicles. The following vehicles are Authorized Vehicles: standard passenger vehicles, including without limitation automobiles, passenger vans designed to accommodate ten (10) or fewer people, motorcycles and pick-up trucks having a manufacturer's rating or payload capacity of one (1) ton or less. Authorized Vehicles may be parked in any portion of the Properties intended for parking of motorized vehicles; provided, however, that no Owner may park his or her vehicle in a manner which either restricts the passage of pedestrians or vehicles over streets or sidewalks within the Properties, or extends beyond the limits of the space where the vehicle is parked.

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

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

(d) Parking Regulations. The Board may establish additional regulations regarding any parking areas not assigned to individual Lots, including without limitation designating "parking," "guest parking," and "no parking" areas

thereon; and may enforce all parking and vehicle use regulations applicable to the Properties, including removing violating vehicles from the Properties pursuant to California Vehicle Code Section 22658.2 or other applicable ordinances or statutes. If the Board fails to enforce any of the parking or vehicle use regulations, the City may enforce such regulations in accordance with applicable laws and ordinances.

10.6. Animal Restrictions.

No animals may be raised, bred or kept on the Properties, except that dogs, cats, fish, birds and other usual household pets may be kept on Lots, provided that they are not kept, bred or maintained for commercial purposes, in unreasonable quantities, or in violation of the Restrictions. As used in this Declaration, "unreasonable quantities" ordinarily means more than two (2) pets per household; provided, however, that the Board may determine that a reasonable number in any instance may be more or less. The Board may limit the size of pets and may prohibit maintenance of any animal which, in the Board's opinion, constitutes a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Properties must be either kept within an enclosure or on a leash held by a person capable of controlling the animal. Any Owner shall be liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Properties by such Owner or by such Owner's family, tenants or guests. Each Owner shall clean up after such Owner's animals which have used any portion of the Properties or public street abutting or visible from the Properties. Any Owner who maintains any animal, insect or reptile within the Properties, whether in compliance with or in violation of the Restrictions, shall indemnify, defend and hold harmless the Association, its officers, directors, contractors, agents and employees from any claim brought by any person against the Association, its officers, directors, agents and employees for personal injuries or property damage caused by such animal, insect or reptile.

10.7. Trash.

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

10.8. Temporary Buildings.

No outbuilding, tent, shack, shed or other temporary building or Improvement may be placed upon any portion of the Properties either temporarily or permanently, without the prior written

consent of the ARC. No garage, carport, trailer, camper, motor home, recreation vehicle or other vehicle may be used as a residence in the Properties, either temporarily or permanently.

10.9. Common Area Facilities.

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

10.10. Outside Installations.

No projections of any type may be placed or permitted to remain above the roof of any building within the Properties, except one or more chimneys and vent stacks originally installed, if at all, by Declarant. No basketball backboard or other fixed sports apparatus may be constructed or maintained in the Properties without the ARC's prior approval. No fence or wall may be erected, altered or maintained on any Lot except with the ARC's prior approval. No patio cover, wiring, or air conditioning fixture, water softeners, or other devices may be installed on the exterior of a Residence or be allowed to protrude through the walls or roof of the Residence (with the exception of those items installed during the original construction of the Residence) unless the ARC's prior written approval is obtained.

10.11. Antennae.

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

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

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

The Board also has the power to (i) prohibit an Owner from installing an Authorized Antenna on property which such Owner does not own or is not entitled to exclusively use under the Restrictions, or (ii) allow an Owner to install an antenna other than an Authorized Antenna subject to applicable architectural standards and review by the ARC.

10.12. Drilling.

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

10.13. Further Subdivision.

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

10.14. Drainage.

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

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

10.15. Water Supply Systems.

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

10.16. Inside Installations.

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

10.17. View Obstructions.

Each Owner acknowledges that (a) there are no protected views within the Properties, and no Lot is assured the existence or unobstructed continuation of any particular view, and (b) any construction, landscaping or other installation of Improvements by Declarant or other Owners may impair the view from any Lot, and the Owners hereby consent to such view impairment.

10.18. Solar Energy Systems.

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

10.19. Installation of Front Yard Landscaping.

Declarant may install front yard landscaping. If not installed by Declarant, each Owner shall complete the installation of landscaping on the front yard of such Owner's Lot in accordance with a plan approved by the ARC within six (6) months after the Close of Escrow. Each Owner shall obtain all permits necessary and shall comply with all requirements of the City.

10.20. Rights of Disabled.

Subject to the provisions of Article VIII hereof, each Owner may modify his Residence and the route over the Lot leading to the front door of his Residence, at his sole expense, in order to facilitate access to his Residence by persons who are blind, visually impaired, deaf or physically disabled, or to alter conditions which could be hazardous to such persons, in accordance with California Civil Code Section 1360 or any other applicable law or ordinance.

ARTICLE XI

11. Damage and Condemnation.

Damage to or destruction of all or any portion of the Common Area, or those portions of the Association Maintenance Areas which are not part of the Residences, and condemnation of all or any portion of the Common Area shall be handled in the following manner:

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

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

(c) If all or any portion of the Common Area is taken by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the Association and deposited in the Operating Fund. No Owner may participate as a party, or otherwise, in any proceedings relating to such condemnation.

ARTICLE XII

12. Insurance.

12.1. Casualty Insurance.

The Board shall obtain and maintain fire and casualty insurance with extended coverage for loss or damage to all insurable Improvements installed by Declarant or by the Association on the

Common Area or remaining portions of the Association Maintenance Areas for the full replacement cost thereof without deduction for depreciation or coinsurance, and may obtain insurance against such other hazards and casualties as the Association may deem desirable. The casualty insurance shall include earthquake coverage unless the Board is directed not to obtain earthquake coverage by a majority of the Association's voting power. The Association may also insure any other real or personal property it owns against loss or damage by fire and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The policies insuring the Common Area and the Association Maintenance Areas must be written in the name of, and the proceeds thereof must be payable to the Association. Unless the applicable insurance policy provides for a different procedure for the filing of claims, all claims made under such policy must be sent to the insurance carrier or agent, as applicable, by certified mail and be clearly identified as a claim. The Association shall keep a record of all claims made. Subject to Article XI(b) and XIII(d) hereof, the Association shall use insurance proceeds to repair or replace the property for which the insurance was carried. Premiums for all insurance carried by the Association are a Common Expense.

12.2. Insurance Obligations of Owners.

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

12.3. Waiver of Subrogation.

All policies of physical damage insurance the Association maintains must provide, if reasonably possible, for waiver of: (a) any defense based on coinsurance; (b) any right of setoff, counterclaim, apportionment, proration or contribution due to other insurance not carried by the Association; (c) any invalidity, other adverse effect or defense due to any breach of warranty or condition caused by the Association, any Owner or any tenant of any Owner, or arising from any act or omission of any named insured or the respective agents, contractors and employees of any insured; (d) any rights of the insurer to repair, rebuild or replace, and, if any Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured; (e) notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Lot; (f) any denial of an Owner's claim because of negligent acts by the Association or other Owners; or (g) prejudice of the insurance by any acts or omissions of Owners that are not under the Association's control. As to each policy of insurance the Association maintains which will not be voided or impaired

thereby, the Association hereby waives and releases all claims against the Board, the Owners, the Manager, Declarant, and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by such persons, but only to the extent that insurance proceeds are received in compensation for such loss.

12.4. Liability and Other Insurance.

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

12.5. Notice of Expiration Requirements.

If available, each insurance policy the Association maintains must contain a provision that said policy may not be canceled, terminated, materially modified or allowed to expire by its terms, without ten (10) days' prior written notice to the Board and Declarant and to each Owner and Beneficiary, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice, and every other Person in interest who requests such notice of the insurer.

ARTICLE XIII

13. Rights of Mortgagees.

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

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

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

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

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

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

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

accrued prior to the time such Mortgagee acquires title to such Lot in accordance with Section 7.7.

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

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

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

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

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

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

(g) The Board may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of VA, FHA, FHLMC, FNMA, GNMA or any similar entity, so as to allow for the purchase, insurance or guaranty, as the case may be, by such entities of first Mortgages encumbering Lots with Residences thereon. Each Owner hereby agrees that it will benefit the Association and its Members, as a class of potential Mortgage borrowers and potential sellers of their Lots, if such agencies approve the Properties as a qualifying subdivision under their respective policies, rules and regulations. Each Owner hereby authorizes his Mortgagees to furnish information to the Board concerning the status of any Mortgage encumbering a Lot.

ARTICLE XIV

14. Declarant Exemption.

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

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

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

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

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

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

from time to time be reasonably necessary to the proper development and disposal of the Properties; or

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

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

ARTICLE XV

15. General Provisions.

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

15.1. Enforcement of Restrictions.

(a) Violations Identified by the Association. If the Board determines that there is a violation of the Restrictions, or the ARC determines that an Improvement which is the maintenance responsibility of an Owner needs installation, maintenance, repair, restoration or painting, then the Board shall give written notice to the responsible Owner identifying (i) the condition or violation complained of, and (ii) the length of time the Owner has to remedy the violation including, if applicable, the length of time the Owner has to submit plans to the ARC and the length of time the Owner has to complete the work proposed in the plans submitted to the ARC.

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

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

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

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

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

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

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

15.2. Severability.

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

15.3. Term.

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

15.4. Interpretation.

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

15.5. Termination and Amendment.

(a) Notice of the subject matter of a proposed amendment to, or termination of, this Declaration in reasonably detailed form shall be included in the notice of any meeting or election of the Association at which a proposed amendment or termination is to be considered. The resolution can only be adopted by the vote, in person or by proxy, or written consent of Members representing not less than (i) sixty-seven percent (67%) of the voting power of each class of Members, and (ii) sixty-seven percent (67%) of the Association's voting power residing in Members other than Declarant; provided that the specified percentage of the Association's voting power necessary to amend a specified Section or provision of this Declaration may not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. In addition, Article XIV hereof may not be amended, nor is any amendment effective which would be counter to Article XIV or any other rights of Declarant, without the prior written consent of Declarant for so long as Declarant is an Owner or entitled to add Annexable Territory to the Properties without the vote or consent of Owners.

(b) In addition to the notices and consents required by Section 15.5(a), the Beneficiaries of fifty-one percent (51%) of the first Mortgages on all the Lots in the Properties who have requested the Association to notify them of proposed action requiring the consent of a specified percentage of first Mortgagees must approve any amendment to this Declaration which is of a material nature, as follows:

(1) Any amendment which affects or purports to affect the validity or priority of Mortgages or the rights or protection granted to Beneficiaries, insurers and guarantors of first Mortgages as provided in this Declaration.

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

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

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

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

(c) Termination of this Declaration shall require approval by the Members as provided in subsection (a) of this Section 15.5.

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

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

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

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

(h) Notwithstanding any other provisions of this Section 15.5, the Association shall obtain the prior written consent of the Planning Director of the City prior to implementing any amendment or terminating this Declaration.

15.6. No Public Right or Dedication.

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

15.7. Constructive Notice and Acceptance.

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

15.8. Reservation of Easements.

Declarant hereby reserves for the benefit of each Owner and such Owner's Lot reciprocal, nonexclusive easements over the adjoining Lot or Lots for the control, maintenance and repair of the utilities serving such Owner's Lot. Declarant expressly reserves for the benefit of all of the real property in the Properties, and for the benefit of all of the Lots and of the Owners, reciprocal, nonexclusive easements over all Lots and the Common Area, for maintenance and repair of utility services, for drainage from the Lots of water resulting from the normal use of adjoining Lots, and for maintenance and repair of any Residence. If any Residence encroaches upon the Common Area and Improvements thereon as a result of construction by Declarant or as a result of reconstruction, repair, shifting, settlement or movement of any portion of the Properties, a valid easement for minor encroachment and for its maintenance shall exist so long as the minor encroachment exists. Declarant and the Owners of each Lot on which there is constructed a Residence along or adjacent to such Lot line shall have an easement appurtenant to such Lot over the Lot line to and over the adjacent Lot for the purposes of accommodating any natural movement or settling of any Residence located on such Lot; any encroachment of any Residence

due to minor engineering or construction variances, and any encroachment of eaves, roof overhangs and architectural features comprising parts of the original construction of any Residence located on such Lot.

15.9. Notices.

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

15.10. Enforcement of Bonded Obligations.

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

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

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

decision of the Association, and the Board shall thereafter implement such decision by initiating and pursuing appropriate action in the Association's name.

15.11. Nonliability and Indemnification.

(a) Nonliability.

(i) General Rule. No Person is liable to any other Person (other than the Association or a party claiming in the name of the Association) for injuries or damage resulting from such Person's acts or omissions within what such person reasonably believed to be the scope of the Person's Association duties ("Official Acts"), except to the extent that such injuries or damage result from the Person's willful or malicious misconduct. No Person is liable to the Association (or to any party claiming in the name of the Association) for injuries or damage resulting from such Person's Official Acts, except to the extent that such injuries or damage result from such Person's negligence or willful or malicious misconduct. The Association is not liable for damage to property in the Properties unless caused by the negligence of the Association, the Board, the Association's officers, the manager or the manager's staff.

(ii) Nonliability of Volunteer Board Members and Officers. A volunteer Board member or volunteer Association officer shall not be personally liable to any Person who suffers injury, including without limitation bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of the volunteer officer or Board member if all of the applicable conditions specified in Section 1365.7 of the California Civil Code, as modified, amended, or replaced, are met.

(b) Indemnification.

(i) For Association Representatives. The Association has the power and the duty to indemnify Board members, Association officers, ARC members, and all other Association committee members for all damages and pay all expenses incurred by, and satisfy any judgment or fine levied against, any Person as a result of any action or threatened action against such Person brought because of performance of an Official Act to the fullest extent authorized by California law. Board members, Association officers, ARC members, and all other Association committee

members are deemed to be agents of the Association when they are performing Official Acts for purposes of obtaining indemnification from the Association pursuant to this Section. The entitlement to indemnification hereunder inures to the benefit of the estate, executor, administrator, heirs, legatees, or devisees of any person entitled to such indemnification.

(ii) For Other Agents of the Association. The Association has the power, but not the duty, to indemnify any other Person acting as an agent of the Association for any damages and pay all expenses incurred by, and satisfy any judgment or fine levied against, any Person as a result of any action or threatened action against such Person because of an Official Act as authorized by California law.

(iii) Provided by Contract. The Association, acting through the Board, also has the power, but not the duty, to contract with any Person to provide indemnification beyond the scope of indemnification authorized by applicable law on such terms and subject to such conditions and the Board may impose.

15.12. Priorities and Inconsistencies.

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

15.13. Mergers or Consolidations.

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

15.14. Dispute Resolution.

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

(a) Construction Defect Disputes. Prior to the commencement of any legal action by the Association or any Owner against the Declarant or Declarant Party based upon a claim for defects in the design or construction of any

Residence, Common Property or Improvements thereon, the Association or Owner must first comply with the requirements of Civil Code Section 1375 (notwithstanding the fact that Section 1375 does not apply to Owners by its terms). If the parties are unable to resolve their dispute in accordance with the procedures established under Civil Code Section 1375, the dispute shall be resolved in accordance with subsection (c) below, and the parties shall be responsible for bearing their own attorneys' fees in such proceeding.

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

(c) Judicial Reference. Any unresolved disputes under subsections (a) and (b) above, shall be submitted to general judicial reference pursuant to California Code of Civil Procedure Sections 638(1) and 641-645.1 or any successor statutes thereto. The parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceeding. Declarant shall not be required to participate in the judicial reference proceeding unless it is satisfied that all necessary and appropriate parties will participate. The parties shall share equally in the fees and costs of the referee, unless the referee orders otherwise.

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

- (i) The proceedings shall be heard in the county in which the Project is located;
- (ii) The referee must be a retired judge or a licensed attorney with substantial experience in relevant real estate matters;
- (iii) 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;

(iv) The referee may require one or more pre-hearing conferences;

(v) 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;

(vi) A stenographic record of the trial shall be made, provided that the record shall remain confidential except as may be necessary for post-hearing motions and any appeals;

(vii) The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable; and

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

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

15.15. Additional Provisions.

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

15.16. Electric Power Lines and Electromagnetic Fields.

Underground electric transmission and distribution lines are located within the Properties. These lines are owned, operated and maintained by Southern California Edison Company. Numerous scientific and epidemiological studies have been conducted to determine whether there are any adverse health effects from electric and magnetic fields (EMF) generated by electric power lines. Although the California State Department of Education has established site selection standards for locating new schools near power lines with voltage of 50kV or greater, no state agency has established any setback or other limitations on construction of residential housing in the vicinity of electric power lines. In November, 1993, the California Public Utilities Commission (PUC) found that recent EMF studies have not concluded that an EMF health hazard actually exists.

However, the PUC also found that additional research is necessary to determine if there is a health hazard from EMF. Such research is being undertaken by the California Department of Health Services. Further information on this subject is available from the Electric and Magnetic Fields Program, California Department of Health Services, 2151 Berkeley Way, Annex 10, Berkeley, CA 94704, (510) 540-3657, or Bill Hatzman, Regional EMF Manager, Southern California Edison Company, 14155 Bake Parkway, Irvine, CA 92718, (714) 458-4481.

15.17. Community Facilities District.

Each Owner acknowledges that the Properties are located within the boundaries of Community Facilities District No. 89-1 ("CFD 89-1"), which was formed by the City of Corona, to finance, among other things, the acquisition of land and the design and construction and/or refurbishment of Capital Improvements serving the Property, including certain streets and street facilities, including traffic signals, water production, treatment, transmission and distribution facilities, or capacity in such facilities; sewage and wastewater collection, transmission, treatment and disposal facilities, or capacity in such facilities; flood control and storm water drainage facilities; parks and park and recreation facilities; fire protection and suppression facilities, including a fire truck; landscaping; and the acquisition of land, rights-of-way and easements necessary for any of the facilities described herein. CFD 89-1 is authorized to issue bonds. The amount of bonds which are sold are repaid through special taxes levied against the Lots in the Properties and other properties within CFD 89-1. The special taxes constitute a continuing lien on each Owner's Lot and are charged to each Owner's Lot as a portion of such Owner's real estate tax bill issued by the County of Riverside. The lien of the special taxes shall continue in force and effect until the special tax obligation is permanently satisfied and canceled or otherwise ceases to be levied in accordance with applicable law. In the event an Owner shall fail to pay his special taxes when due, the City may exercise its legal remedy to foreclose on such Owner's Residence. A Notice of Special Tax Authorization ("Notice") for CFD 89-1 was recorded on January 31, 1990, as Instrument No. 039778 in the Official Records of Riverside County. In addition to the above, the Notice contains additional specific information regarding each Owner's obligations. Each Owner should review a copy of the Notice to understand the effect of CFD 89-1 on the Owner's Lot.

15.18. Street Light and Landscaping District.

Each Owner acknowledges that his respective Lot is within the Street Light and Landscape District No. 84-1 ("Maintenance District") which was formed to maintain, among other things, various landscaped areas and to provide street lighting within the Maintenance District. The assessment ("Maintenance Assessment") levied by the Maintenance District will be collected through the real property tax bill issued by the County of Riverside for each Lot (and other properties) within the Maintenance District. The Corona City Council will review the budget for the Maintenance District annually and the amount of the Maintenance Assessment will depend, among other things, upon the nature of the landscaping and related improvements, the cost of performing such maintenance, and the cost of providing street lighting services. The Maintenance Assessment is subject to annual adjustments as the City Council deems appropriate.

15.19. Landscape Maintenance District.

The Properties are included within Landscape Maintenance District No. 84-2 ("LMD"), Zone 19, formed by the City pursuant to the Landscaping and Lighting Act of 1972 per Resolution No. 90-69 adopted by the City Council, June 6, 1990, and is therefore subject to an annual assessment for landscaping and lighting improvements consisting of maintaining the irrigation system, trees and ground cover for parkways, median island and adjacent streetscape lots on both sides of Foothill Parkway, Main Street, Lincoln Avenue, Mountain Gate Drive and other arterial streets as adopted in the Landscape Element of the South Corona Community Facilities Plan. Bicycle paths and open space lots as shown in the Foothill Ranch Specific Plan 89-1, and other open space areas accepted for maintenance by the City.

15.20. Marketing Name.

The Properties shall be marketed under the name "Brentridge," unless and until changed by Declarant in its sole and absolute discretion from time to time. Declarant shall notify the DRE of any change in the name of the Properties under which it is marketed by Declarant.

15.21. Post-Tension Slab System.

Each Owner hereby acknowledges that the concrete slab for some or all of the Residences constructed on the Properties may have been reinforced with a grid of steel cable which was installed in the concrete and then tightened to create a very high tension. This type of slab is commonly known as a "post-tension slab system ("System"). Each Owner further acknowledges that cutting into the System for any reason (e.g., to install a floor safe, to remodel plumbing, etc.) is very hazardous and may result in serious damage to the Residence and/or personal injury. By accepting a grant deed to a residential Lot, each Owner hereby specifically covenants and agrees that:

- (a) Owner shall not cut into or otherwise tamper with the System;
- (b) Owner shall not knowingly permit or allow any other person to cut into or tamper with the System, other than a licensed contractor who has been informed that the slab is post-tensioned and who has identified the location of the cables running within the slab;
- (c) Owner shall disclose the existence of the System (if any) to any tenant, subsequent purchaser or lessee of the residential Lot, and
- (d) Owner shall indemnify and hold Declarant, and its respective officers, employees, contractors and agents, free and harmless from and against any and all claims, damages, losses or other liability (including attorneys fees) arising from any breach of this Section.

15.22. Debris Basin.

A debris and catch basin is located adjacent to the Properties. A portion of this basin may be used for recreational purposes. There may be noise and other impacts of this basin on some Owners' Lots.

15.23. Corona Airport.

The Corona Airport is located near the Properties. Aircraft taking off and landing at the Corona Airport may create significant noise heard within the Properties. Declarant has no control over the usage of the Corona Airport.

15.24. Upper Drive.

Upper Drive is located adjacent to the Properties. Some Lots in the Properties abut Upper Drive. The impact from this major street may include, without limitation, increased noise levels and automobile traffic.

15.25. Seismic Hazard Zone.

The Properties are located within an seismic hazard zone. Risks include landslides and "liquefaction," which is the process by which water-saturated soils become unstable under heavy shaking thus jeopardizing the building and foundations. Some Lots may be subject to special setback requirements based on the Lot's proximity to the fault. No structures may be erected within the setback areas. For more information concerning seismic activity and risks, contact the California Department of Conservation at (213) 620-3560.

15.26. No Representations or Warranties.

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

ARTICLE XVI

16. Annexation of Additional Property.

Additional real property may be annexed to Phase 1 and such additional real property may become subject to this Declaration by any of the following methods:

16.1. Additions by Declarant.

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

16.2. Other Additions.

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

16.3. Rights of Added Territory Members.

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

16.4. Notice of Addition.

The additions authorized under Sections 16.1 and 16.2 must be made by Recording a Notice of Addition, or other similar instrument (which notice or instrument may contain the Supplemental Declaration, if any, affecting each such Phase), with respect to the Added Territory ("Notice of Addition") which will extend the general plan of this Declaration to such Added Territory. The Notice of Addition for any addition under Section 16.1 must be signed by Declarant. The Notice of Addition for any addition under Section 16.2 must be signed by at least two (2) officers of the Association to certify that the requisite Member approval under Section 16.2 was obtained. The Recordation of said Notice of Addition effectuates the annexation of the Added Territory described therein, and thereupon said Added Territory will constitute a part of the Properties, become subject to this Declaration and encompassed within the general plan of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the Association's functions, powers and jurisdiction; and the Owners of Lots in the Added Territory will automatically become Members. Such Notice of Addition may contain a Supplemental Declaration with such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration as may be necessary to reflect the different character, if any, of the Added Territory, or as Declarant deems appropriate in the development of the Added Territory, and as are not inconsistent with the general plan of this Declaration. In no event, however, may such Notice of Addition or Supplemental Declaration revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Declaration as the same pertain to the real property originally covered by this Declaration. Concurrently with the first

Close of Escrow for the sale of a Lot in any Phase annexed to the Properties in accordance herewith, Declarant shall pay to the Association an appropriate amount (as determined by DRE) for reserves for replacement or deferred maintenance of the Common Area in such Phase necessitated by or arising out of the use and occupancy of the Residences in such Phase under a rental program conducted by Declarant if such rental program was in effect for at least one (1) year prior to such first Close of Escrow.

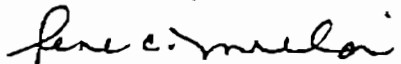
16.5. Deannexation and Amendment.

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

This Declaration is dated for identification purposes SEPTEMBER 18, 1998.

CENTEX HOMES, a Nevada general partnership

By: Centex Real Estate Corporation, a Nevada corporation, managing partner

By: 
Rene C. Millar
Its: Assistant Secretary

"Declarant"

)

COUNTY OF RIVERSIDE)

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

WITNESS my hand and official seal.

Notary Public in and for said State

(SEAL)

