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LAKESIDE

DECLARATION OF RESTRICTIONS

If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.1 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

**LAKESIDE
DECLARATION OF RESTRICTIONS**

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Exhibit "B-2"	Commercial Area Property Subject to Annexation (Section 4.02.A)
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Exhibit "D-2"	Property Subject to Maintenance by the Commercial Area (Section 18.04)
Exhibit "E"	Adjacent Property (Section 1.06)

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LAKESIDE DECLARATION OF RESTRICTIONS

A Declaration of Covenants, Conditions, and
Restrictions for the Creation and
Maintenance of a Planned Development

NOTICE

THIS DOCUMENT CONTAINS LIMITATIONS UPON THE LIABILITY OF THE OWNERS ASSOCIATION, OFFICERS OF THE OWNERS' ASSOCIATION, OFFICERS OF THE OWNERS' ASSOCIATION, MEMBERS OF THE BOARD OF DIRECTORS OF THE OWNERS' ASSOCIATION, MEMBERS OF THE PLANNING COMMITTEE, AND OTHERS SEE SECTIONS 8.05, 8.06, 9.08I, AND 11.09

ARTICLE 1 DECLARATION

Section 1.01. Date and Property. This Declaration is made this 23 day of February, 1995, by GRUPE DEVELOPMENT ASSOCIATES-2, a California limited partnership, with respect to that certain real property described in Exhibit "A" of this Declaration ("Subdivision").

Section 1.02. Name of Declaration. This Declaration may be referred to and cited as the "Lakeside Restrictions."

Section 1.03. Declaration. It is hereby declared that the Subdivision is subject to this Declaration, which is for the purpose of creating and maintaining a planned development and for the improvement and protection of the value, desirability, and attractiveness, of the Subdivision.

Section 1.04. Runs With Property. This Declaration shall run with the Subdivision, and the provisions of this Declaration shall be enforceable as equitable servitudes, covenants running with the land, and in any other manner allowed by law, and shall be binding upon and inure to the benefit of Declarant, the Association, each Owner of the real property within the Subdivision, or any part of it, and each successor-in-interest of Declarant, the Association, and any such Owner and shall be binding on each user of the Subdivision.

Section 1.05. Description of Subdivision. It is the present intent of Declarant that the Subdivision shall be a mixed use planned development consisting of single and multiple family residences. The Subdivision may contain the following: (i) a man made lake of approximately 39.4 acres in size with residential development adjacent to it; and (ii) a recreational facility which will contain a clubhouse and a swimming pool located on and adjacent to the Lake. An owners' association will enforce this Declaration and own and maintain landscaping, the Lake, the recreational complex and certain other facilities that are

for the benefit of the entire residential portion of the subdivision. The streets in the Subdivision may be either public or private. The Subdivision may contain wetland areas that will be Common Area of the Association and which must be maintained in accordance with a management plan approved by the United State Army Corps of Engineers and Sacramento County. There are adjacent Commercial Areas that are part of this Subdivision only for certain limited purposes. The Commercial Areas are required to: (i) maintain certain landscaped areas; (ii) conform to certain use and architectural restrictions; and (iii) to make payments to the Association for the Commercial Area's share of the cost of maintaining the wetland area and for the Commercial Area's share of the cost of maintaining the water quality of the Lake. This description is provided only as an aid to reading this Declaration and represents the present intent of Declarant and is not a warranty or guarantee that the Subdivision will be completed in this fashion. This Section is subject to and subordinate to all of the other provisions of this Declaration.

Section 1.06. Enforcement by Adjacent Property Owners. During any time that E & J Properties, Ltd., a California limited partnership ("E&J"), owns any part of the property described in Exhibit "E," or during any time any successor-in-interest to E&J owns three (3) acres or more of the property described in Exhibit "E," E&J or any such qualified successor-in-interest may enforce the provisions of this Declaration. It is the intent of this Section that E&J and their qualified successors shall only have the power to enforce the provisions of this Declaration that would have a direct impact on the land described in Exhibit "E," and such enforcement would involve only Improvements and activities visible from Elk Grove Boulevard. This provision is a covenant running with the land, pursuant to California Civil Code Section 1468, and is given as consideration in the transfer of the land described in Exhibit "A," "B-1," and "B-2" from E&J to Declarant.

Section 1.07. Repeal of Prior Restrictions. The property described in Exhibits "A," "B-1," and "B-2" is subject to that certain Declaration entitled "Elliott Ranch North Protective Restrictions" recorded November 29, 1989, in Book 89-11-29, Series No. 288847 Records of Sacramento County ("Prior Restrictions"). Declarant and E&J, by executing this Declaration agree that the Prior Restrictions are terminated and no longer have any force and effect in the areas described in Exhibit "A." It is also agreed that the Prior Restrictions shall terminate and shall no longer have any force and effect within any area annexed to this Subdivision and when this Declaration annexes all of the land covered by the Prior Restrictions the Prior Restrictions shall terminate without further action.

ARTICLE 2 DEFINITIONS

Section 2.01. Application of Definitions. Unless the context otherwise requires, the terms defined in this Article shall have the meanings as defined in this Article for the purposes of this Declaration. These definitions are equally applicable to both the singular and plural forms of the defined terms. Any term or phrase not defined in this Article, but either specifically defined or shown in quotes in parentheses in another provision of this Declaration, shall have the meaning set forth in such provision as if it were defined in this Article. The capitalization of the first letter of any term, other than proper names, used in this Declaration, indicates that such term is defined in this Declaration.

Section 2.02. Articles of Incorporation. "Articles of Incorporation" or "Articles" means the Articles of Incorporation of the Association, as amended from time to time.

Section 2.03. Association. "Association" means the corporation described in the Article entitled "Organization, Powers, and Duties of the Association," and any predecessor or successor of such corporation. The name of the Association is, or shall be, "Lakeside Community Owners' Association."

Section 2.04. Bank Area. "Bank Area" means all land not within a Lake but within twenty-five (25) feet into a Lot from the edge of a Lake bulkhead as it exists from time to time. The phrase "edge of the Lake" for purposes of this definition means the physical edge of a Lake as it exists from time to time and not the edge of the parcel designated as the Lake on any Recorded map.

Section 2.05. Board. "Board" means the board of directors or other governing body of the Association.

Section 2.06. Bylaws. "Bylaws" means the bylaws of the Association, as amended from time to time.

Section 2.07. Commercial Area. "Commercial Area" means those parcels of real property that are annexed to the Subdivision and designated as "Commercial Area" in the Declaration of Annexation, and any real property actually used for commercial purposes consistent with this Declaration. This Section shall not be construed to permit the commercial use of any real property which is limited to other uses by this Declaration, any Declaration of Annexation, or by law. Commercial Area is subject to this Declaration only for the Commercial Area Payments as provided by the Section entitled "Commercial Area Payments" and for the provisions of the article entitled "Application of Declaration to Commercial Area." Commercial purposes shall include multi-family dwellings other than duplexes and triplexes that are not part of a Project.

Section 2.08. Common Area.

- A. **Common Area Generally.** Common Area is real property that is either owned or maintained by the Association for the use and benefit of some or all of the Members of the Association or for the use and benefit of the Association, and listed in Subsection "B" of this Section or designated as Common Area of the Association in any Declaration of Annexation. Common Area can include areas over which the Association has only a duty to maintain. Other real property owned by the Association, including property acquired by foreclosure or deed in lieu of foreclosure for failure to pay assessments, is not Common Area. Common Area does not include Project Common Area.
- B. **Initial Common Area.** The initial Common Area for the Association is: (i) the private street identified as Lot 262, as shown on the Map; (ii) pedestrian corridors identified as Lots 257 and 263 on the Map;

and (iii) the landscape areas identified as Lots 258 through 261, inclusive as shown on the Map. Fences and walls to be maintained by the Association shall be shown on diagrams attached as Exhibit "D" to Declarations of Annexation.

- C. **When Property Becomes Common Area.** Real property described in Subsection "B" of this Section shall not be considered Common Area for the purposes of this Declaration until an interest in such real property is conveyed to the Association.

Section 2.09. Declarant. "Declarant" means GRUPE DEVELOPMENT ASSOCIATES-2, a California limited partnership, and any successors or assigns of Declarant, in accordance with the Section entitled "Assignment by Declarant." If more than one (1) person or entity is named as Declarant, the powers of Declarant held by more than one (1) person or entity may be exercised by such persons or entities acting either jointly or by any such person acting individually.

Section 2.10. Declarant's Delegate. Declarant's Delegate shall mean the Delegate selected by Declarant pursuant to the Section entitled "Declarant's Delegate," to represent Declarant and all Merchant Builders and to cast the Class I and Class II votes of the Declarant and Merchant Builders, as provided in this Declaration and in the Bylaws.

Section 2.11. Declaration. "Declaration" means this document, including the limitations, restrictions, covenants, and conditions set forth in this document, in any amendments to this document, and in any Declaration of Annexation.

Section 2.12. Declaration of Annexation. "Declaration of Annexation" means a declaration executed in accordance with the provisions in the Section entitled "Annexation" and Recorded for the purpose of making any real property, subject to this Declaration.

Section 2.13. Delegate. "Delegate" shall mean (i) Declarant's Delegate; and (ii) a natural person selected pursuant to the Sections entitled "Portions of the Subdivision within Projects" and "Portions of the Subdivision not in a Project" to represent all of the Members exclusive of Declarant and the Merchant Builders within a Delegate District to vote on their behalf, as further provided in this Declaration and in the Bylaws. All provisions of this Declaration and the Bylaws pertaining to the election, removal, qualification or action of Delegates shall be equally applicable to alternate Delegates.

Section 2.14. Delegate District. "Delegate District" shall mean an area in the Subdivision in which a single Delegate shall represent the collective voting power of all Members owning Lots within such area other than Declarant and Merchant Builders.

Section 2.15. Design Guideline. "Design Guidelines" means those design standards for signs and certain other items described in the Section entitled "Design Guidelines."

Section 2.16. First Mortgage; First Mortgagee. "First Mortgage" means a Security Device which constitutes a lien of first priority against any Lot or Lots including Security

Devices securing development and construction loans made in whole or in part for the development or construction of the Subdivision if secured in whole or in part by any portion of the Subdivision. For purposes of this Section, the fact that the lien of a Security Device is inferior to mechanics' liens, or to tax liens, easements, declarations of covenants, conditions, and restrictions, and similar limited interests, does not deprive such lien of "first priority" within the meaning of this Section. "First Mortgagee" means any Institutional Lender who is a Secured Party who holds a First Mortgage as defined in this Section, and includes any assignee, in whole or in part, of such a First Mortgage. "Institutional Lender" means any company or entity that is in the business of making real property loans and that is regulated by or chartered for that purpose under federal or state laws. "Institutional Lender" includes, without limitation, any bank, savings and loan association, savings bank, insurance company, mortgage broker, credit union, pension or profit sharing trust fund, or a federally chartered corporation or a government agency that is either a lender or that purchases mortgages.

Section 2.17. Fiscal Year. "Fiscal Year" means the calendar year, or any other period of twelve (12) consecutive calendar months adopted from time to time by the Association by Bylaw or Board resolution as its Fiscal Year, including any initial fiscal year of less than twelve (12) months. In the event the Association changes its fiscal year, "Fiscal Year" shall be deemed to include any interval between the end of the previous complete fiscal year and the beginning of the newly adopted fiscal year.

Section 2.18. Governing Documents. "Governing Documents" means this Declaration, and the Articles, Bylaws, and Rules of the Association or of a Project Association as the context requires.

Section 2.19. Guarantor. "Guarantor" means a government agency or an insurance company that has insured or guaranteed a First Mortgage.

Section 2.20. Improvements. "Improvements" means all improvements and includes, without limitation: (i) buildings, outbuildings, sheds, basements, and storage buildings; (ii) roads, driveways, walkways, and parking areas; (iii) fences, gates, walls, sound walls, and retaining walls; (iv) stairs, docks, decks, hedges, windbreaks; (v) poles, antennas, and signs; (vi) man-made canals, pumps, fountains, aerators, bridges, dams, swimming pools, lakes and watercourses, spas, hot tubs, tennis courts, sports equipment including basketball standards, and recreational structures; (vii) mechanical, utility and communication installations, whether above or underground; and (viii) any work, structure and excavation of any kind, whether temporary or permanent, and anything deemed to be a "work of improvement" as defined in California Civil Code Section 3106.

Section 2.21. Lake. "Lake" means a body of water that is Common Area and which: (i) has adjacent Lots which front or abut the body of water or which have portions which form part of the Lake bed of the body of water and the Lake bank is located on the Lot; (ii) the adjacent Lots have special rights to use the body of water; and (iii) the adjacent Lots are assessed in addition to the regular assessment paid by all Lots for all or part of the maintenance of the body of water, its bulkhead, or other costs. A body of water not having these characteristics, including bodies of water that are located within a Project, are not

"Lakes" for the purpose of this definition unless designated as such in a Declaration of Annexation. Areas may be designated as a Lake and Lots may be designated as Lake Lots in a Declaration of Annexation. If a Lake consists of bodies of water joined by pipes or a culvert, the pipes, culvert, and other Improvements joining the Lake shall be considered part of the Lake.

Section 2.22. **Lake Lot.** "Lake Lot" means (i) any Lot or Common Area that fronts or abuts a Lake; (ii) any Lot or Common Area or Project that does not front or abut on the Lake but which is designated as a "Lake Lot" in any Declaration of Annexation and (iii) any Project whose Project Common Area, or whose Unit or Units front or abut the Lake. Fronting or abutting the Lake also includes situations in which part of the Lot forms a part of the bed of the Lake and the Lake bank is located on the Lot.

Section 2.23. **Lot.** "Lot" means (i) any lot or parcel; and (ii) any Project Unit not otherwise a Lot as defined in (i) located within the Subdivision. "Lot" when used with a number or letter or other specific limitation refers to the specific Lot so designated on the subdivision or parcel map specifically referenced including Common Area. Upon the splitting of a Lot or the consolidation of Lots or the adjustment of any Lot's boundaries, "Lot" shall refer to the resulting Lots or parcels. A Lot shall be deemed to include any immediately adjacent area over which the Owner of the Lot has an appurtenant easement that allows such Owner's exclusive use or such Owner's exclusive use subject only to a use for utilities or used for maintenance of adjoining Improvements or both. Any Lot subject to such an easement shall be deemed to exclude the easement area. "Lot" when not used with a specific number or letter or other specific limitation means any of the Lots within the Subdivision, but does not refer to Common Area or Project Common Area. Lot includes all Improvements on or to such Lots or parcels.

Section 2.24. **Map.** "Map" means that certain subdivision map entitled "Lakeside Unit No. 5-A," Recorded August 3, 1994, in Book 233 of Maps, Map No. 10, Official Records of Sacramento County.

Section 2.25. **Membership; Member.** "Membership" means membership in the Association by Owners of Lots as described in the Article entitled "Membership in the Association; Voting Rights." "Member" means the one (1) or more persons or entities holding any such Membership.

Section 2.26. **Merchant Builder.** "Merchant Builder" means, for the purposes of this Declaration, an Owner who has acquired any of the following: (i) five (5) or more Lots, held at the same time; (ii) more than one (1) but less than five (5) Lots other than pursuant to the authority of a Public Report but, in the case of this Subsection (ii), the Owner is a "Merchant Builder" only as to the Lots acquired other than pursuant to the authority of a Public Report; (iii) a Lot or Lots designated for a Project, but in the case of this Subsection (iii) the Owner is a Merchant Builder only as to such Lot or Lots; (iv) a Lot for the purpose of resale or for the purpose of building Improvements on the Lot for resale or lease, and in the case of this Subsection (iv), the Owner is a Merchant Builder only as to such Lot; or (v) a person or entity who is required to obtain a public report to sell Lots owned by it in the Subdivision to the public. Lots acquired pursuant to an exemption from a public report

or a final Public Report issued to allow a "bulk sale" are not considered acquired pursuant to a Public Report for the purpose of this definition. An Owner, for the purposes of this definition, includes any persons or entities affiliated with Owner, owned in common with Owner, or acting in a common purpose with Owner. Declarant is not a Merchant Builder. The term "Lot" as used in this Section excludes Commercial Lots.

Section 2.27. Notice. "Notice" means a notice delivered in accordance with the Section entitled "Notices; Documents; Delivery."

Section 2.28. Occupant. "Occupant" means any natural person properly permanently residing in a Unit pursuant to the Governing Documents, whether as an Owner, tenant, or a member of an Owner's or tenant's family.

Section 2.29. Owner. "Owner" means any person or entity, including Declarant, who holds all or any undivided part of the fee title to a Lot, except as otherwise provided in this Section. Such fee interest must be an interest that would be disclosed by a search of title in the office of the recorder of the County in which the Subdivision is located, except that a purchaser under an executory installment land sales contract is an Owner whether or not such interest is shown of Record. A Secured Party is not an Owner. If a Lot is transferred or conveyed to a trust, the Owner is the trustee or the co-trustees of such trust. A person or entity is not an Owner due to: (i) community property or other marital rights not shown of Record; (ii) rights of adverse possession not shown of Record; or (iii) other equitable rights not shown of Record. The Association is not an Owner for the purposes of this definition.

Section 2.30. Phase. "Phase" means the property described in Exhibit "A" ("Initial Phase"). Phase also means property annexed to the Subdivision by any Declaration of Annexation ("Subsequent Phases"). If a Declaration of Annexation designates property as being a Phase that would not otherwise be a Phase by this definition, the property so designated shall be a Phase. The use of the term "Phase" is primarily for convenience of reference and does not necessarily mean Subsequent Phases will be added. Phases as defined in this Section are not necessarily phases for Public Report purposes.

Section 2.31. Planning Committee. "Planning Committee" means the committee under the Article entitled "Architectural Control and Planning Committee" of this Declaration for the purpose of considering and having approval power with respect to proposed Improvements.

Section 2.32. Project. "Project" means any condominium project, planned unit development, or any other common interest development as defined in Civil Code Section 1351(c) within the Subdivision which comprises four (4) or more separate interests ("Project Units") and a common area ("Project Common Area") jointly owned or controlled by the owners of such Project Units or by an association of such owners. This Subdivision is not a Project for the purpose of this declaration.

Section 2.33. Project Association. "Project Association" means the Project's "association" as defined in Section 1351(a) of the California Civil Code.

Section 2.34. Project Board. "Project Board" means the Board of Directors or other governing body of an association.

Section 2.35. Project Common Area. "Project Common Area" means the real property within a Project either jointly owned or controlled by Owners of Project Units within such Project or by the Project Association. Project Common Area is not "Common Area."

Section 2.36. Project Unit. "Project Unit" means the improved separate interests within a Project including without limitation: (i) units of a condominium project; and (ii) the individual lots within a planned unit development that are not Project Common Area.

Section 2.37. Public Report. "Public Report" means, with respect to any Phase, the final subdivision public report issued by the California Real Estate Commissioner, pursuant to Section 11018 of the California Business and Professions Code, authorizing the sale of Lots within such Phase, but does not include a public report issued to allow a "bulk sale" or an exemption to a public report issued by the California Real Estate Commissioner.

Section 2.38. Record; Recorded; Recordation. "Record," "Recorded," and "Recordation" mean, with respect to any document, the recording of the document in the Office of the Recorder of San Joaquin County, California.

Section 2.39. Recreational Facility. "Recreational Facility" means any real property annexed into the Subdivision Common Area that may be improved with a recreation center or related facility. All Improvements on or to such property shall be Common Area.

Section 2.40. Residential. "Residential" means property within the Subdivision that is not part of the Commercial Area.

Section 2.41. Rules. "Rules" mean the rules from time to time in effect pursuant to the Section entitled "Rules and Regulations."

Section 2.42. Security Device; Secured Party. "Security Device" means a mortgage, deed of trust, or executory installment land sale contract, given for value, which constitutes a lien against any Lot. "Secured Party" means any mortgagee, beneficiary under a deed of trust, or seller under an executory installment land sale contract who holds a "Security Device" as defined in this Section.

Section 2.43. Setback. "Setback" means the distance between a house or other Improvement on a Lot and any point on the boundary line of such Lot. Any Setback requirement established in any subdivision map or deed executed by Declarant, or by any project map or plan approved by the government agency having jurisdiction, or by this Declaration, for any dwelling house or other Improvement, shall be the minimum Setback for such dwelling house or Improvement.

Section 2.44. Subdivision. "Subdivision" means the real property subject to this Declaration including after annexation any real property annexed in any Declaration of

Annexation, together with all Improvements on or to such real property. The Subdivision is a "planned development" within the meaning of Section 1351(K) of the California Civil Code.

Section 2.45. **Supplemental Declaration.** "Supplemental Declaration" means a declaration of Covenants, Conditions and Restrictions recorded following this Declaration or subordinate to this Declaration and covering in whole or in part the Subdivision, including declarations for Projects within the subdivision.

Section 2.46. **Unit.** "Unit" means the Improvements located on each Residential Lot comprising a single family dwelling and appurtenances whether the dwelling is detached or part of a multi-unit building. The term "Unit" also includes Project Units unless the context excludes that interpretation.

Section 2.47. **Wetlands.** "Wetlands" means certain areas set aside as permanent wetland areas and maintained pursuant to agreements entered into between Declarant and the United States Army Corps of Engineers and the County of Sacramento. The Lots which contain Wetlands shall be identified in the Declarations of Annexations that include Wetlands. Any area designated initially as Wetlands may be redesignated as part of the Commercial Area or Residential Area by a subsequent instrument.

ARTICLE 3 PERSONS SUBJECT TO DECLARATION

Section 3.01. **Application to Persons.** All Owners, Occupants, and all other persons using the Subdivision including, without limitation, the invitees of Owners and Occupants, are subject to this Declaration.

Section 3.02. **Application to Owners.**

- A. **Owner a Natural Person.** When an Owner is a natural person, the following shall apply.
1. **Rights and Duties.** Such Owner shall have all of the rights, duties, and obligations as set forth in this Declaration for Owners, except as otherwise provided in this Subsection "A."
 2. **Common Area Use.** If a Lot is rented or leased by the Owner to another person, or is otherwise legally occupied by another person or persons to the exclusion of the Owner, then Common Area recreational and service facilities that may be used by the Owner may only be used by the Occupants and their guests, and not by the Owner, subject to any restrictions governing the use of such facilities by guests.

B. Owner Not a Natural Person. When an Owner is not a natural person, the following shall apply.

1. **Rights and Duties:** Such Owner shall have all of the rights, duties, and obligations as set forth in this Declaration for Owners, except as otherwise provided in this Subsection "B."
2. **Membership.** Such Owner may exercise its vote and other rights as a Member through any natural person specifically designated in writing and, in addition, if the Owner is a partnership, through a general partner or, if the Owner is a corporation, through an officer of the corporation.
3. **Common Area Use.** The Common Area recreational and service facilities that may be used by an Owner may only be used by the Occupants of the Lot and their guests, and not by the Owner, subject to any restrictions governing the use of such facilities by guests.

Section 3.03. When Declarant Considered an Owner. Declarant shall be considered to be an Owner of a Lot within the Subdivision for the purpose of any provision of this Declaration that requires Declarant's consent, that determines Declarant's Class II voting power and Class III rights or that gives Declarant any powers or privileges not granted to other Owners if such Lot has never been conveyed to a third party buyer and is currently being held in inventory for sale or pending sale, and is owned by: (i) Declarant; (ii) a partnership or joint venture of which Declarant is a general partner or co-venturer; (iii) a corporation of which Declarant owns fifty percent (50%) or more of the stock; or (iv) an Institutional Lender for which Declarant is developing the Subdivision.

Section 3.04. Rights of Occupants. The Occupants of a Residential Lot have the same rights to use Common Area facilities as do the Owners of the Lot subject to the other provisions of this Article.

ARTICLE 4 PROPERTY SUBJECT TO DECLARATION

Section 4.01. Owners' Interests. The real property interest of each Residential Lot shall include the components set forth in this Section. No component may be severed from the Lot to which it is appurtenant. The components are as follows:

- (i) Title to a Lot;
- (ii) Membership in the Association;
- (iii) A nonexclusive easement of use, enjoyment, ingress, egress, and support, in, over, and throughout all Common Area walkways, roads,

and recreational and service facilities of the Association, except for Lakes, subject to any prohibitions and limitations contained in the Section of this Declaration entitled "Use of Common Area," or in any Rules promulgated under this Declaration and subject to any provisions of this Declaration under which such easement may be modified or extinguished;

- (iv) If such Lot is a "Lake Lot," a non-exclusive easement of use and enjoyment in and to the Lake to which the Lot is adjacent subject to any prohibitions and limitations contained in the Section of this Declaration entitled "Restrictions Applicable to Lake and Lake Lots," or in any Rules promulgated by the Association and to any provisions of this Declaration under which such easement may be modified or extinguished.

Section 4.02. Annexation. Any real property included within Exhibit "B" and which consists of a legal parcel or parcels not then as part of the Subdivision may be annexed to the Subdivision in accordance with this Section, and shall thereupon become subject to this Declaration.

- A. **Unilateral Annexation by Declarant.** Declarant may, from time to time and in its sole discretion without the assent of the Association, E&J or Owners, annex to the Subdivision any of that certain real property not then within the Subdivision described in Exhibit "B-1," if the Declaration of Annexation for such property is Recorded prior to the fifth (5th) anniversary of the transfer of the first Lot pursuant to the most-recently-issued Public Report for a prior Phase of the Subdivision, and if the aggregate number of single-family duplex and triplex Lots and Project Units in the Subdivision, including the property to be annexed, does not exceed the projected number of Lots set out in Subsection H of this Section. Annexation by Declarant not in compliance with the preceding sentence requires the approval of a majority of the Owners, including two-thirds of the Owners other than Declarant. Declarant shall, however, not annex a Lake until such time as some or all of the Lake Lots adjacent to such Lake are annexed. Declarant may from time to time, and in its sole discretion without the assent of the Association or Owners, annex to the Subdivision as Commercial Area any of that certain real property not then within the Subdivision described in Exhibit "B-2." At any time prior to the first conveyance of a Lot within annexed property and prior to the last day to annex that property Declarant may, without the assent of the Association or Owners, rescind or amend such Declaration of Annexation. Conveyance of an entire Phase is not a conveyance of a Lot for this purpose.

- B. Annexation by Association.** The Association may annex real property to the Subdivision, other than Commercial Area, whether or not such property qualifies for annexation under Subsection "A" of this Section, provided that such annexation: (i) occurs after Declarant's right to annex ceases as provided by Subsection "A" of this Section; and (ii) is approved by a vote or written consent of a majority of the Owners.
- C. Method of Annexation.** Any annexation undertaken in accordance with this Section shall be effective when a Declaration of Annexation signed by the annexing party and the owner and Mortgagee of the interest to be annexed covering the property to be annexed, and setting forth all modifications of this Declaration as they apply to the annexed property, or to the Subdivision including the annexed property, has been Recorded, including:
- (i) A description of the property to be annexed;
 - (ii) A description of any part of such property that will be Common Area of the Association, including property located on public lands and rights-of-way the Association shall maintain;
 - (iii) A description of any part of such property that will be a Project;
 - (iv) A description of any part of such property that will be a Lake Lot;
 - (v) A description of any required street trees along specific streets within such property;
 - (vi) Any allocation of costs or maintenance between the Association and a Project Association;
 - (vii) A description of any Common Areas of the Association which are Wetlands;
 - (viii) A description of any Delegate District included within the annexed property; and
 - (ix) A description of any such property that is in the Commercial Area.
- D. Additional Restrictions.** The annexing party may provide for additional or different limitations, restrictions, covenants, conditions, and easements, with respect to the use of all or part of the annexed Phase or Phases in the Declaration of Annexation or by the incorporation of other documents. Any additional provisions may be

made as a result of characteristics unique to the property to be annexed, including, without limitation, zoning, surface features of the land, method of subdivision, including zero lot line, "Z" lot line configurations, and attached housing, adjacent Common Areas and the character of the Improvements. Any additional provisions shall: (i) be approved in the same manner as the annexation; (ii) not discriminate in use of Common Area between the Occupants of similarly designated residential Lots located in different Phases, except for the distinctions allowed by this Declaration; (iii) not change the general character of the Subdivision; (iv) be harmonious and not in conflict with the provisions relating to the use in the Article entitled "Use of the Property;" and (v) not change the basis of assessments for the Lots that were part of the Subdivision prior to the annexation, so as to increase their proportionate assessments. Annexed Phases may be condominium projects or separate common interest developments. This Subsection does not apply to Supplemental Declarations.

- E. **Effect of Declaration of Annexation.** Upon any annexation becoming effective, the Declaration of Annexation shall become a part of this Declaration, and shall be deemed amended by any amendment to this Declaration.
- F. **Completion by Declarant.** It is the responsibility of Declarant to complete, or have completed, all Common Area Improvements on or part of any property originally subject to this Declaration or later annexed to the Subdivision by Declarant without cost to the Association. As part of completion, all Common Area systems shall be put in operating order, including paying all fees, deposits, and charges required to hook up or operate any such system, and all governmental approvals shall be obtained required for the operation of the Subdivision and the Common Area systems. All Common Area Improvements in any Subsequent Phase shall be consistent in quality with the Improvements in the Initial Phase and shall be substantially complete or arrangements made for this completion prior to annexation.
- G. **Assessments and Voting Rights in Subsequent Phases.** Except as modified by a Declaration of Annexation, assessments and voting rights applicable to Lots in Subsequent Phases shall be as set forth in the applicable provisions of this Declaration.
- H. **Projected Lots in Subdivision.** The total number of Lots projected for this Subdivision is One Thousand Nine Hundred Eleven (1,911). Seventy-five percent (75%) of that number is One Thousand Four Hundred Thirty-three (1,433). If property described in Exhibit B-2, which is property designated for Commercial Area is annexed into the Subdivision as Residential property, the number of Lots on such property will increase the total number of Lots projected for the

Subdivision.

Section 4.03. Conveyance of Common Area. Prior to the conveyance of the first Lot within an area covered by a Public Report, Declarant shall convey to the Association, in fee simple or such lesser title approved in the Public Report, title to the Common Area within such area or otherwise assure its conveyance at a later time, subject only to the title exceptions set forth in Subsection "E" of the Section entitled "Duties of the Association" unless such Common Area is located on public property or a public right-of-way. The Association has no duty to maintain Common Area if it has no legal right to enter or maintain the property or if it has no legal access to such property.

Section 4.04. Exempt from Declaration. Property owned by a government entity or by a public school district shall be exempt from the provisions of this Declaration during such time as such Property is used for government purposes. In no case shall a Lot improved with Improvements used as a residential dwelling be exempt.

Section 4.05. Effect of Supplemental Declarations. Supplemental Declarations for Projects including condominium subdivisions and other common interest subdivisions are specifically allowed by this Declaration and are subject to this Declaration and to the Rules provided for by this Declaration to the extent such Subordinate Declaration covers property also subject to this Declaration. Such Declarations may contain use and architectural restrictions more stringent than the restrictions contained in this Declaration.

ARTICLE 5

EASEMENTS, RESERVATIONS, RIGHTS, AND RIGHTS-OF-WAY

Section 5.01. Reservations of Easement. Easements, reservations, and rights-of-way may be made by designation on the Map by dedication or by reservation or grant by Declarant in any conveyance.

Section 5.02. Consent of Planning Committee. No house, building, or other structure of any kind shall be built, erected, or maintained upon any such easement, reservation, or right-of-way without the express consent of the Planning Committee in addition to any other consents that may be required by law.

Section 5.03. Extinguishing Reservations. The Association, or Declarant with the consent of the Association, shall have the right at any time to extinguish easements, reservations, and rights-of-way provided that the consent of the holder or owner of any such easement or right-of-way has been obtained. The consent of the holder or owner of an easement or right-of-way created solely by this Declaration does not have to be obtained unless provided otherwise in this Declaration. No such extinguishment shall deprive an Owner of access to such Owner's Lot, the Subdivision, or any facility such Owner is entitled to use by virtue of this Declaration.

Section 5.04. Clearing Reserved Area. Under any reservation in favor of the Declarant, the Declarant, or the Association, or a user of the easement with the permission of Declarant or the Association, shall have the right at any time to cut and remove any trees,

bushes or branches from such easements, reservations, and rights-of-way as may be necessary for their use.

Section 5.05. Owner's Easements. The Owner of any Lot or Unit that is served by communication, service or utility facilities, lying within the Common Area may enter upon such Common Area or may have utility, communication, or service companies do so, at reasonable times after prior Notice to the Association to modify, repair, replace, or maintain such facilities as necessary, when such work is not the responsibility of the Association or for other reasons is undertaken by such Owner. Such Owner, and person performing such work at such Owner's request, shall be jointly and severally liable for the full cost of restoring all property affected by such work to its previous condition. Such work is subject to approval by the Planning Committee in accordance with the requirements of the Article entitled "Architectural Control and Planning Committee," and the Planning Committee may require from the Owner performing the work a bond or other assurance to protect against mechanics' liens arising against the Common Area.

Section 5.06. Lake Lot Owners Easement. To the extent needed, Owners of any Lake Lot shall have a non-exclusive easement over the Lake for the maintenance of any dock attached to such Owner's Lot permitted by the Section entitled "Additional Building Standards for Lake Lots" and for boating on the Lake as permitted by this Declaration.

Section 5.07. Private Road Easement. The Owner of a Lot or Unit that is located adjacent to a road that is Common Area shall have an easement over such road for ingress and egress by foot or by motor vehicle to the connecting public street or streets.

Section 5.08. Association Easements.

- A. **General.** The Association has nonexclusive easements and rights of use on and over all of the Subdivision for the purpose of performing its powers and duties with respect to maintenance of the Subdivision and enforcement of this Declaration and the Subdivision Rules. Such easements shall include a right of entry onto a Lot without civil or criminal liability for such entry, by persons whose services are reasonably required: (i) to correct any condition existing on the Lot, and threatening any other Lot or Common Area; (ii) in the event of an emergency; (iii) in connection with any maintenance, repair, cleanup, landscaping, or construction for which the Association is responsible; or (iv) to correct or abate any violation of this Declaration, including without limitation to remove any structure, object, item, or condition causing such violation. Such entry shall: (i) be made only after prior Notice to the Occupant, except in case of emergency; and (ii) be made with the least practicable inconvenience to the Occupant. This Subsection does not place any duty on the Association to perform any such work.

- B. **Lake Use Easements.** The Association or its duly authorized agents, shall have a nonexclusive easement and right at any time, and from time to time, without liability for trespass or otherwise, to enter upon the Bank Areas of Lake Lots for the purpose of repairing or fortifying the banks and bulkhead of the Lake dredging, or otherwise maintaining or improving the Lake. In performing any such work, docks, floats, structures, and plantings may be removed where necessary or convenient, but all removed items shall be returned in good condition, except that the Association can remove and not replace any item not installed with the consents required by this Declaration or not conforming to the conditions of the consent given and such items shall not be reinstalled without the Association's consent. This Subsection does not place any duty on the Association to perform any such work.
- C. **Lake Pipes.** The Association shall have a nonexclusive easement to maintain, replace and reconstruct pipes, drains, pumps and gates and valves used to fill and drain the Lake.
- D. **Lake Encroachment Easement.** If any portion of the Lake or bulkhead of the Lake, as actually constructed, encroaches upon any Lake Lot, an easement exists for such encroachment and for the maintenance of the bulkhead and the Lake.

Section 5.09. Declarant's Easement for Wetlands. Declarant reserves an exclusive easement over Wetlands to monitor and maintain such Wetlands for such period as Declarant is required to monitor and maintain such Wetlands pursuant to Declarant's agreement with the United State Army Corps of Engineers, the County of Sacramento, and the requirements of any other government entities having jurisdiction.

Section 5.10. Encroachments. If any Improvements within Common Area encroach upon any Lot, or if any Lot encroaches upon the Common Area, for any reason, including without limitation: (i) construction, reconstruction, repair, shifting, settlement, movement of any part of the Subdivision; (ii) any work approved by the Planning Committee; or (iii) misdescription or error in draftsmanship on the Map, other than an intentional encroachment, a valid easement exists for such encroachment and for its maintenance so long as the encroachment remains, and all Lots and the Common Area are subject to such easements.

ARTICLE 6 USE OF THE PROPERTY

Section 6.01. Purpose. The purpose of the limitations, restrictions, and controls in this Article are to enhance, protect, establish and maintain the character, value, desirability and attractiveness of the real estate within the Subdivision and to ensure the proper development of the Subdivision. All Residential property within the Subdivision is subject to this Article and in the event of any conflict between any portions of this Article, the more stringent prohibition shall control. The prohibitions in this Article are subject to the rights

of Declarant as set out in the Article entitled "Application of Declaration to Declarant." The Commercial Area is not subject to this Article.

Section 6.02. Rights of Owners; Exceptions. Each Residential Lot in the Subdivision shall be for the exclusive use and benefit of its Owner, subject, however, to all of the following rights, standards, limitations, and restrictions.

- A. **Compliance of Improvements.** Any Improvements and work regulated and controlled by provisions in this Declaration shall be done only in strict compliance with such provisions.
- B. **Landscaping.** The landscaping and Improvements on each Owner's Lot shall be maintained in a neat and attractive manner. All grass, mass plantings, and other plantings shall be mowed, trimmed, and cut as necessary at reasonable regular intervals prior to a Lot being landscaped, all weed and grass shall be cut to comply with the Association's rules on weed and grass control.
- C. **Owner's Responsibility.** Each Owner shall comply with this Declaration and will cause and be responsible for Owner's Occupants, including without limitation, family, agents, guests, contractors, employees, and any person renting, leasing, or using Owner's Lot or any Improvements on such Lot to do likewise.

Section 6.03. Restrictions Applicable to Residential Area. The following prohibitions apply to all Residential property within the entire Subdivision, and the adjoining streets, whether public or private.

- A. **Violations of Law.** Any activity that violates any governmental rule, regulation, ordinance, statute, or law now or hereafter applying to Lots and the use of Lots is prohibited.
- B. **Nuisances.** Activities, noises, uses, and Improvements prohibited which are: noxious, illegal, create an unsafe condition, or offensive; or which may be or become a nuisance, or cause unreasonable embarrassment, disturbance, or annoyance to Occupants in the quiet enjoyment of their Lots; or which may adversely affect the availability or cost of insurance; or which may impair the structural integrity of any building.
- C. **Insects and Rodents.** Doing any act, including leaving food and garbage exposed, which attracts ants, termites, rodents, or other pests onto or into any Lot or building within the Subdivision is prohibited.
- D. **Shortwave or Other Electronic Interference.** The operation of any shortwave or any other kind of electronic device within the Subdivision that in any way interferes with radio, television, or other electronic signal reception within the Subdivision is prohibited.

- E. **Mining.** Surface entry for the exploration of oil, gas, other hydrocarbons and mineral rights and mining, quarrying, drilling, boring, or exploring for or removing natural subsurface materials within the Subdivision is prohibited, except for activities which take place five hundred (500) feet or more below the surface.
- F. **Use of Name.** Use of the name of the Subdivision, except as necessary as a postal address; and use of pictures of the Subdivision in advertising or publicity, except for the use of pictures of Improvements by the Owner or Occupant of such Improvements, without the written consent of Declarant is prohibited.
- G. **Common Area Improvement.** The maintenance, replacement, removal or decoration of any Improvements or landscaping within the Common Area without the prior written approval of the Association is prohibited.
- H. **Accessory Structures.** No accessory structures or buildings shall be constructed, placed, or maintained upon any Lot prior to the construction of the main structure or structures; provided, however, that the provisions of this Subsection shall not apply to temporary construction shelters or facilities maintained only during, and used exclusively in connection with, the construction of any Improvement permitted by this Declaration.
- I. **Storage of Hazardous Materials.** The storage of flammable, explosive, radioactive, toxic or hazardous materials or items that endanger the safety of Improvements or may cause an increase in insurance rates to Association, any Project Association, or to any other Owner is prohibited.
- J. **Refuse.** The accumulation, throwing, dumping, or outdoor burning of garbage, clippings from trees, weeds, shrubs, or lawns, trash, litter, debris, ashes, or other refuse on any Lot is prohibited. This Subsection does not apply to the burning of natural materials in connection with fire control. No Owner shall cause or permit any condition on his Lot which creates a fire hazard. Each Owner shall provide or have available for such Owner's use suitable receptacles for the collection of refuse. Such receptacles shall be enclosed and screened from public view and any common area and protected from disturbance. No refuse shall be placed in streets or public view more than twenty-four (24) hours prior to the scheduled pick up time.
- K. **Accumulations on Lots.** All weeds, rubbish, debris, manure, composting or decaying vegetation material, and other unsightly objects or materials of any kind shall be removed from Lots whether such Lots contain Improvements or not, and shall not be allowed to accumulate

on any Lot. Contractors constructing Improvements on one or more Lots may use containers or fenced areas to hold construction waste during such construction on one or more such Lots. These containing or fenced areas do not need to be concealed from view. This Subsection shall not be construed to prohibit refuse containers, woodpiles, storage areas, or machinery and equipment related to yard care and maintenance, provided such materials are screened from the view of adjacent streets, Lots, and Common Area.

- L. **Indefinite Parking.** The indefinite parking of any vehicle, including trailers, in any street or parking area or on any driveway is prohibited for any purpose. "Indefinite Parking" means the parking of any vehicle for a period exceeding seventy two (72) hours. This Subsection does not apply to vehicles parked in garages, driveways, or otherwise properly screened from view.
- M. **Nonstandard Vehicles; Mobile Homes.** The placement or maintenance of mobile homes, motor homes, trucks, commercial vehicles, campers, boats, trailers, or similar vehicles is prohibited, except: (i) within enclosed garages or areas completely screened from adjoining Lots and Common Area roadways; (ii) where required temporarily for the construction, repair, refinishing, or maintenance of any part of the Subdivision; (iii) for moving furnishings, equipment, or supplies into or out of the Subdivision; (iv) for the loading of house trailers or motor homes for a period not to exceed 24 hours; or (v) light pick up trucks and vans which fit into a standard garage space which do not contain exterior racks and storage of a commercial type and which are used for personal use and not for commercial purposes. Any use of a motor home or trailer for sleeping or cooking while within the Subdivision is prohibited.
- N. **Motorcycles; Bicycles.** The placement or maintenance of motorcycles, trail bikes, off-road vehicles, or bicycles is prohibited, except within enclosed areas on Lots where they are not visible from adjoining streets or in locations approved by the Board by Subdivision rule.
- O. **Vehicle Repair.** The parking or placement of any vehicles or other mechanical equipment for the purpose of repairs or reconstruction is prohibited, except within an enclosed garage. In no case are unsightly, inoperable or damaged vehicles permitted on Lots or private streets or within any Apartment Project or any Project Common Area.
- P. **Oil Trays.** The placement, use, and maintenance of oil trays and other containers on driveways is prohibited. Any oil spots on a driveway shall be immediately removed by the Owner or Occupant whose Unit is served by such driveway.

- Q. Exterior Antennas.** The installation or maintenance of any exterior antennas is prohibited. This prohibition may be enforced even if enforcement action is not commenced within the time limitations otherwise provided by this Declaration. Nothing in this Subsection prohibits the erection, installation, placement or maintenance of one (1) dish antenna for satellite reception, provided such antenna is screened so as to not be visible from the street, any adjoining Lot, or Common Area.
- R. Lighting.** The installation of any exterior lighting whose source is visible from neighboring Lots, without the prior written approval of the Board is prohibited, except for ordinary nondirectional bulbs that: (i) do not exceed a total of 150 watts for the bulbs in a single fixture; and (ii) are white or yellow in color. This provision does not prohibit holiday lighting decorations temporarily installed for the holiday season which are promptly removed following the holidays.
- S. Utility Lines.** Except for high voltage electrical lines, temporary lines used during construction and for preexisting electrical lines installed prior to construction of the Subdivision, all utility lines, including, but not limited to, electrical, gas, telephone, cable television, and other communications shall be underground, except for access ports and above ground transformers.
- T. Residential Use.** No Lot shall be occupied, used, or improved for other than residential and associated noncommercial purposes. No Occupant shall take in persons for boarding or care within Occupant's unit, except that one (1) person may be taken in as an integral part of the Occupant's family group. No Unit or Project Unit shall be occupied by more than two (2) persons per bedroom plus one (1) person without the prior written approval of the Association. No Lot may be rented or leased for transient or hotel purposes except as provided in this Subsection.
- U. Rental of Lots.** No Unit shall be rented or leased or otherwise occupied by persons to the exclusion of the occupancy of the Owner or the Owner's immediate family, except in its entirety together with the Lot or interest in real estate on which it is located and pursuant to a written lease or rental agreement that expressly makes the occupancy subject to the provisions of the Governing Documents and that expressly makes a breach of the Governing Documents a default under the lease or rental agreement. No such Unit may be rented or leased for a period of less than thirty (30) consecutive days. The Association may, by Rule, prescribe the form of the provisions required by this Section to be included in such leases or rental agreements and may require the registration of such lease or rental agreements. Any Occupant of a Lot, or Project Unit shall be bound by the requirements

and duties set forth in the Governing Documents, except that Occupants other than Owners shall not be personally liable by the provisions of this Declaration for the payment of assessments other than Remedial Assessments. Any monetary obligation incurred by any non-Owner Occupant to the Association under this Declaration or the Subdivision Rules shall also be the personal obligation of the Owner of the Lot so occupied, and may be levied against such Lot as an assessment. No Lot or Unit may be subleased or any lease or rental agreement of a Lot assigned in whole or in part, without compliance with this Section.

V. **Noise.** No power or garden tool or speaker, horn, whistle, bell, or other similar sound facility or equipment shall be permitted upon any Lot which is capable of producing any sound in excess of sixty-five (65) decibels measured at a point fifty (50) feet from: (i) the outside of the Unit within which the sound emanates; or (ii) the speaker or other similar facility or equipment from which the sound emanates. No activity shall be undertaken or permitted upon any Lot, which activity causes any sound, whether intermittent, recurrent, or continuous, in excess of forty five (45) decibels measured at any point on the boundary line of the Lot. Decibel measurements shall be the average of at least three (3) and at most five (5) decibel readings by a qualified technician, Association security guard, or law enforcement officer. The foregoing provisions of this Subsection shall not apply to the installation or use of alarm devices designed and used solely for security or fire warning purposes, provided such devices conform to state laws and local ordinances, or apply to the construction and construction work and activities of any Improvement built in accordance with this Declaration.

W. **Trades or Businesses.** The conducting of any trade or business, including distributorships, is prohibited, except those trades or businesses that are permitted by and comply with zoning and other laws or ordinances and which do not: (i) change the overall residential use of the Unit; (ii) require the use of more than twenty percent (20%) of the square footage of the Unit and are conducted entirely within the Unit located on the Lot; (iii) have persons other than an Occupant employed or reporting to work at the Unit; (iv) display or publish the address of the business, except on business cards and letterhead; (v) display signs or other exterior indications of a trade or business except for the name of the business on the mailbox; (vi) have items sold or offered for sale on the premises; (vii) involve in-person calls by customers, employees, or deliverymen except on an infrequent basis; (viii) require the storage of large amounts of bulky goods or inventory or any hazardous or toxic materials; or (ix) require the parking of vehicles on roads and streets. The Subsection shall not be construed as to prohibit management offices, maintenance facilities, and other

necessary facilities within Projects.

X. Animals.

1. **General.** The keeping, raising, or breeding of animals, including reptiles or birds of any kind, on any Lot or Project Unit, is prohibited except as specifically allowed by this Subsection. Not more than four (4) animals of any kind and not more than two (2) dogs or two (2) cats may be kept. Fish and other marine life may be kept confined in an aquarium or pond. Birds that are domestic or household pets, such as parrots and parakeets, may be kept, provided they are kept in a cage inside the Unit. The keeping of animals for commercial purposes is prohibited. Any dogs which the Board determines to be trained to attack persons or other animals are prohibited. No unleashed dogs are permitted within the Common Area or off the Owner's Lot. Occupants must prevent dogs and other pets from continuously barking, or making other loud noises, or defecating in the Common Area or on other Lots. Animals which: (i) are kept in violation of this Subsection; (ii) violate this Subsection; or (iii) the Board jurisdiction finds to be vicious by nature or by temperament, shall be removed by their owner from the Subdivision upon order of the Board, and if not removed by the owner, may be removed by the Association and delivered to an animal shelter, pound, or animal control officer, without liability to the Board, the Association, or to the officers, Directors, employees and agents of the Association.
2. **Pit Bulls.** Dogs which are commonly referred to as "pit bulls" are subject to the following special requirements relating to handling, confinement and liability insurance;
 - a. The term "pit bull" dog refers to any dog which exhibits those distinguishing characteristics which substantially conform to the standards established by the American Kennel Club for American Staffordshire Terriers or Staffordshire Bull Terriers, or which substantially conform to the standards established by the United Kennel Club for the American Pit Bull Terriers.
 - b. Pit bulls must at all times be securely confined indoors or confined in a securely and completely enclosed and locked pen in a backyard area. Such pen as permitted by this Subsection, is a "backyard structure" subject to Subsection "F" of the Section entitled "Additional Restrictions Applicable to Single Family Lots." Any pen shall be posted with a conspicuous sign displaying the

words "Dangerous Dog" that complies with the design guidelines.

- c. At any time that a pit bull is not confined, the dog shall be muzzled in such a manner as to prevent it from biting or injuring any person or animal, and kept on a leash.
- d. Each owner of a pit bull shall maintain and provide to the Association evidence of a liability insurance policy of not less than \$300,000.00 for bodily injury to or death of any person, or damage to property which may result from the ownership, keeping or maintenance of such pit bull. Proof of insurance shall be evidenced by the filing with the Association of a certificate of insurance from an insurance company authorized to do business in the State of California stating that the owner is and will be insured against liability for such damages. The Association may require, in place of such evidence of insurance, a surety bond or a personal bond secured by sufficient assets to be posted.

Y. **Signs.** The erection or maintenance of any signs on Common Area, or on yard areas of Lots, whether commercial, political, or otherwise, which are visible from other Lots or Common Area is prohibited, except for the following, when in accordance with Subdivision Rules regulating location.

- a. Such signs and notices as may be required by legal proceedings or by this Declaration for warning of dangerous dogs;
- b. During the time of actual construction of any initial structure or other initial Improvement, one (1) job identification sign conforming to the Design Guidelines set forth in the Section entitled "Design Guidelines" with identification of not more than a total of three (3) lenders, contractors, subcontractors, material suppliers, developers or any combination thereof. Such signs must be located on or immediately adjacent to the Improvements under construction or at the entrance to the area under construction facing the street that provides access directly to the Improvements, and shall be removed promptly upon the completion of the Improvements;
- c. Appropriate safety, directional, and identification signs installed by Declarant, the Association, or required by law, including appropriate Project, Apartment Project,

and health care facility identification and rental signs;

- d. Entrance signs and monuments;
- e. Not more than one (1) "for sale" or "for rent" sign for each Unit or Project Unit in conformity with the Design Guidelines. Such signs must be located on the front or side yard of a Lot fronting a street at an elevation not exceeding five (5) feet from the finished Lot. Such signs must be professionally made. This Subsection "v" only applies to signs located on Projects when the signs are located adjacent to streets or other Lots. For other signs within Projects, only the provisions relating to dimensions apply; such signs shall be removed within two (2) weeks after the close of a sale or two (2) weeks after a lease has been entered into;
- f. Signs which may designate ballot issues, political nominees or parties, or both, provided such signs do not exceed six (6) square feet in area and provided such signs are removed within twenty-four hours after the appropriate election. The Board may set standards for the location and design of such signs by Subdivision Rule. In no event shall such campaign signs be permitted in any Common Areas, nor on vacant Lots;
- g. Reasonable residential identification signs, including addresses or Lot numbers, the name of the Owner or Occupant, and security service signs.

Z. **Window Coverings.** The hanging from, affixing to, or maintaining in any window, any signs or any aluminum or metal foil or other reflective materials is prohibited. The color of such window coverings visible from the street shall be white or off-white. The other characteristics of curtains, drapes, shades, blinds, or other coverings shall conform to the Subdivision Rules.

AA. **Tricycles; Play Toys; and Other Equipment.** The placement of unattended tricycles, play toys, or other equipment in front yards and areas visible from adjoining Lots, Common Areas, or streets is prohibited. This subsection does not apply to equipment kept in yards fenced with split fencing.

AB. **Street Trees.** If a street tree is planted as a part of the initial development of any Lot, any such tree shall be replaced by the Owner if the street tree dies, is destroyed, or removed. The replacement tree must be of the same species. Declarant, by a recorded supplement to

this Declaration or by a Declaration of Annexation, can specify specific trees to be planted as street trees on Lots located along certain streets. Owners must plant such street trees and must replace any such street tree that dies or is destroyed or removed with trees of the same species in the same location.

- AC. **Time of Construction.** No construction activities shall be done prior to 7 a.m. or after 6 p.m. Monday through Saturday, nor on Sunday except in cases of emergency or except as approved in writing by Declarant.
- AD. **Lake Protection.** The storm drainage system for the entire Subdivision drains into the Lake. For this reason no waste materials, sewage, garbage, petroleum, or other chemical product shall be permitted in the storm drainage system or in streets or gutters that drain into the system. Only liquid fertilizers may be used on yards or landscaping within the Subdivision so as to control the growth of organisms in the Lake and no fertilizer shall be applied within five (5) feet of the Lake bulkhead.
- AE. **Use of Firearms.** The discharge of firearms including air powered firearms is prohibited, except for their use in the protection of property. Recreational use of firearms within the Residential Area, including hunting, is prohibited.

Section 6.04. Additional Restrictions Applicable To Single Family Lots. All Residential Lots except those Lots improved with Residential Projects or Apartment Projects, including Apartment Projects that offer congregate care and medical care, shall be subject to the following additional obligations, standards, limitations and restrictions set forth in this Section.

- A. **Garage Parking.** No garage shall be used for storage or otherwise utilized so that it cannot be used to store at least two (2) of the occupant's motor vehicles. No garage shall be converted to living quarters or otherwise disabled from being used for vehicle parking unless a replacement garage approved by the Planning Committee is constructed on the Lot. Occupants shall utilize the garage to park Occupant's motor vehicles to the capacity of the garage. Occupants shall keep the exterior garage door closed except when such garage is in actual use by an Occupant. Motor vehicles belonging to an Occupant shall be parked in the driveway of the Lot to the extent garage space is not available.
- B. **Garage Sales.** The use of front yards and garages for garage sales or other activities which clutter areas visible from the adjacent street for more than two (2) days within any twelve (12) month period is prohibited. Exterior signs advertising garage or yard sales are

prohibited within the Subdivision. Yard and garage sales within areas served by Common Area streets are prohibited. The Association by rule can require prior registration of such sales.

- C. **Sports Apparatus.** The erection of basketball standards or fixed sports apparatus is prohibited, except as provided by this Subsection. A single basketball standard affixed to the structure of a dwelling and located over or adjacent to the garage door(s) is permitted as is a free-standing standard located immediately adjacent to a house and located so a ball in normal play cannot strike a neighboring house or go into the street. Except as provided in the next sentence, a basketball standard may not be located more than three (3) feet from the wall of a Unit including an attached garage. In addition with the written approval of the Planning Committee, a basketball standard may be allowed along the outside or inside curve of a curved driveway provided it is set back from the street as far as the wall of the Unit including an attached garage which is closest to the street. No basketball standard will be located on or near a sidewalk or the street. A basketball standard must be maintained in good condition and repair. Any portable basketball standard must be stored out of sight of the street or neighboring houses except when it is being used for play.
- D. **Mail Boxes.** Mail boxes detached from the residence or structure they serve are prohibited, unless the United States Postal Service requires them to be housed in common structures. Detached mailboxes shall conform to the Design Guidelines.
- E. **Clothes Lines.** The erection or maintenance of outside clothes lines are prohibited, except within fenced yards so as not to be visible from streets, or the ground level of adjoining Units.
- F. **Backyard Structures.** No free-standing structure including but not limited to tree houses or other similar structures shall be erected or maintained in a backyard, for play or otherwise, which allows a person to stand on a surface more than twenty-four (24) inches above ground level within fifteen (15) feet of any Lot line. This prohibition does not apply to swing sets and other play equipment intended for use by children. No free-standing structure over eight (8) feet in height shall be erected or maintained within fifteen (15) feet of any Lot line. The Planning Committee may grant a waiver of this prohibition for such structures provided they are otherwise consistent with this Declaration.

Section 6.05. Additional Restrictions Applicable to Lakes and Lake Lots. The following additional easements, standards, limitations, and restrictions are applicable to the Lake and Lake Lots. This Section shall apply only to property designated as a "Lake" and "Lake Lots" by a Declaration of Annexation or a Supplemental Declaration, which may

specify different or additional limitations, easements, standards, and restrictions applicable to such Lake or Lake Lots.

- A. **Number of Boats.** The number of boats that may be used on the Lake by a Lake Lot is limited as set forth below, and as such provisions may be modified by any Declaration of Annexation that annexes a Lake to the Association. The number of boats includes both the boats in the Lake, docked, or stored on the Lake Lot, but does not include boats stored on a Lake Lot of a type that cannot be used in the Lake.
1. **Lake Lots.** Not more than one (1) boat for each increment of fifty (50) feet of lake frontage of such Lot may be moored, docked or launched from a Lake Lot, but not to exceed three (3) boats for any Lake Lot. Each lot having on it a single detached family Unit shall be entitled to a minimum of two (2) boats. This Subsection does not apply to Projects governed by Subsection "A2" of this Section, below.
 2. **Projects on Lake.** Any Project consisting of attached Units having Lots or Project Common Area Lake Lots may have not more than one (1) boat for each increment of fifty (50) feet of Lake frontage for such Project. The use of the boats is to be allocated as provided by the Governing Documents of the Project.
 3. **Off-Lake Lots.** Owners and Occupants of Lots that are not Lake Lots have no right to use a lake.
 4. **Association Use.** The Lake may maintain other boats on a Lake for the purpose of maintaining and repairing the Lake and the bulkhead.
 5. **Boats Used by Declarant.** Boats maintained for the use of Declarant may be used on a Lake subject to the limitations of the Article entitled "Application of Declaration to Declarant."
- B. **No Dwelling.** No boat, raft, float or dock, or other watercraft or structure shall be used for dwelling purposes or as a dwelling while on or within a Lake or moored to its shoreline.
- C. **Size of Watercraft.** Where a Lake Lot is entitled to operate only one (1) boat, it shall not exceed sixteen (16) feet in length. Where a Lake Lot is entitled to operate two (2) or more boats, one shall not exceed sixteen (16) feet in length and the other boats shall not exceed eight (8) feet each in length. No engine powered boat, other than electrically operated boats, shall be allowed. This Subsection shall not apply to boats operated by Declarant or by the Association for

purposes of safety, maintenance, Lake Improvements, or promotion of the Subdivision, including sales promotion. The number of boats which may be operated and moored at docks on the Lake shall be governed by Subsection "A" of this Section.

- D. **Clean and Covered.** All boats must be kept clean and boats with a painted surface kept properly painted. Inflated boats must be kept clean and under cover.
- E. **Fishing.** No persons fishing in or on the Lake shall use any live bait other than earthworms. There shall be no trapping or taking of any wildlife by other than the Association, except fishing by use of hook and line.
- F. **Fish and Wildlife.** No persons shall release any animal or fish into a Lake except under the direction of the Association or other owner of the Lake. Under no circumstances shall any carp or any non-California native fish or wildlife be released into a Lake. No person, except with the permission of the Association or other person maintaining the Lake, shall feed any bird or fish inhabiting the Lake.
- G. **Foreign Objects.** No waste materials, sewage, garbage, petroleum, or other chemical product, paper, food, or other foreign object shall be placed or permitted in the Lake or drainage system which serves the Lake, and no activity shall be carried on, except as required by necessary construction, which shall stir up, contaminate, or pollute the Lake's waters. This Subsection shall not prevent the use of chemicals and other products in the Lake by Association or other Lake Owner in carrying out its responsibilities and exercising its rights pursuant to this Declaration, or the application in normal quantities of customary insect, animal, or plant control substances, liquid fertilizers and plant foods, or paints and protective compounds on Lots and Lake Lots, or the discharge of storm drains even if containing materials prohibited by this Subsection, but all such activities shall be carried out in a manner to minimize contamination of the Lake.
- H. **No Pumping.** No water shall be pumped out of the Lake by any person for any reason, except by the Association or by a governmental entity having control over the Lake for storm drainage retention purposes.
- I. **No Use Contrary to-Plan.** Nothing may be placed in the Lake and no use of the Lake may be contrary to the Final Lake Management Plan and Urban Run-Off Treatment Plan approved by the Sacramento County Water Resources Division pursuant to Condition No. 29 of the Lakeside Rezone Agreement, Resolution No. 90-1109.

- I. **Signs.** No "For Sale," "For Rent," or other signs shall be allowed on a Lake Lot that are visible from the Lake unless installed by the Association for safety purposes.
- K. **Nonstandard Vehicles; Mobile Homes.** The placement or maintenance of mobile homes, motor homes, trucks, commercial vehicles, campers, boats, trailers, or similar vehicles is prohibited on Lake Lots, except in areas that are screened from all adjoining Lake Lots, Common Areas, and from the view of any other Owner of any Lake Lot.

Section 6.06. **Restrictions and Permitted Uses of Common Area.** All Common Area shall be subject to the following obligations, standards, limitations, and restrictions set forth in this Section.

- A. **Association.** All Common Area of the Association designed for recreational and open space use is reserved equally for all Owners for the normal uses associated with such areas, except with respect to the Recreational Facility. The Association may use Common Area to park and store its motor vehicles and maintenance equipment.
- B. **Recreational Facility.** The use of the Recreational Facility is reserved equally for all Owners, other than Apartment Project Owners and the Owners of Units created from the conversion of an Apartment Project which Owners do not have the right to use the Recreational Facility.
- C. **Common Area Roads.** All Common Area roads and sidewalks are reserved equally for the use of Owners within the area served by the private road except as provided below. Where Common Area roads controlled by separate privacy gates serve the Lots owned by less than all the Owners within such roads, and any privacy gates, shall be reserved for the use only of the Owners whose Lots are served by such roads and gates. Common Area roads shall be used only for ingress and egress by foot or by motor vehicle and for parking, where permitted. The Association may regulate the use of such roads by Rule and may prohibit uses not granted by this Subsection.
- D. **Lake Overlooks.** Common Area Lots adjacent to a Lake and designed as overlook areas shall be kept open for views of the Lake. These Lots shall be kept landscaped and shall be used for no other purpose. Fencing may be placed on such Lots to prevent access to the adjoining Lake but such fencing shall be wrought iron or equivalent that will allow the Lake view to be unimpeded.
- E. **Lake.** The use of the Lake is restricted to the Owners and Occupants of Lake Lots as provided by the Section entitled "Additional Restrictions Applicable to Lakes and Lake Lots."

- F. **Signs.** Except for signs installed or specifically allowed by the Association, easements reserved from Common Area and by rights given to Declarant, no signs are allowed in the Common Area.
- G. **Bicycle Path.** All Common Area bicycle paths shall be used only by pedestrians, skaters, and persons riding bicycles. No motor vehicles and no horses shall use any such trail.
- H. **Common Area Fence.** No person shall attach any Improvement to any fence forming the boundary between Common Area and a Lot.
- I. **Use by Others.** Except to the extent such use is limited, conditioned, or prohibited by this Declaration, the Bylaws, or the Rules, any Owner may allow such Owner's Occupants and guests to use the Common Area and facilities which such Owner has a right to use. The Association may impose reasonable fees for the use of the Recreational Facility by guests of Owners.

Section 6.07. Maintenance and Architectural Standards.

- A. **Building Standards For All Residential Area Lots.** The following building standards shall apply to any and all Improvements from time to time existing or to be built on any Residential Lot including Projects. This Section does not apply to Common Area.
 - 1. **Roofs.** All roofs shall be of tile, wood shingles or wood shakes, copper, cement, or other roofing materials that simulate traditional tile and wood shingles, and that are approved by the Planning Committee. No built-up roofs, and no composite, fiberglass, or asphalt shingles or roof material shall be allowed unless such shingles or roofing materials are approved by the Planning Committee. Projects may have the roofs or roofing material otherwise prohibited by this Subsection. By Planning Committee Rule, the Planning Committee may designate the appropriate roofing materials.
 - 2. **Exterior Materials.** Exterior materials may be of wood, masonite or its equivalent, stucco, copper, stone, and brick. No Improvement shall use exterior wall materials of plywood, aluminum, other metal, vinyl, or other plastics, or have a plastic or vinyl finish except in the case of garage doors except as approved by the Planning Committee. Door and window frames shall be of wood or vinyl or metal materials, but in no case in bright aluminum or other bare metal color.

3. **Finishes.** No reflective finishes shall be used on exterior surfaces, other than surfaces of hardware fixtures, including, without limitation, the exterior surfaces of any of the following: roofs, all projections above roofs, retaining walls, doors, trim, fences, pipes, equipment, mail boxes and newspaper tubes.
4. **Color.** Except for doors and roofs, the exterior of all Improvements shall be painted in white, light pastels, or earth tones. Wood may be finished in stains. No Improvements shall be painted in black, red, purple, pink, or orange or in shades of those colors. All exterior colors shall comply with the Sub-division Rules. The Planning Committee can allow black and other prohibited colors.
5. **Detached Structures and Additions.** Any shed or building detached from the main Improvement must be painted, stained, or finished to blend in color with the main Improvement with which it belongs, and may be of no more than one (1) story in height and such building or shed shall not be located within fifteen (15) feet of any Lot line if it exceeds eight (8) feet in height to the top of the roof. Additions to the main structure of an Improvement must match it in color, materials, style, and quality of workmanship. The provisions of this Subsection shall not apply to temporary construction shelters.
6. **Fences.** All fences visible from adjoining streets or Common Area shall be of wood, brick, stone, stucco, wrought iron, or a combination of such materials. Any wood fence other than a shingle or shake fence shall be grade select, tight knot or better cedar or redwood or better. No cyclone or other wire fence shall be allowed where it is visible from the adjacent streets, Common Area, or the Lake. Without the approval of the Planning Committee, there shall be no solid fences and no hedge or mass planting within twenty (20) feet of any front yard property line adjacent to any street, except to screen parking areas within Projects, unless such fence or mass planting is also along the back property line of an adjacent Lot. Fences are required along the back yard and side yards of the back yard of houses except where such areas are adjacent to the Lake. The work of installing all fencing along the rear property line, or along any side yard property line, shall be completed not less than twelve (12) months from the date of completion of the main building on such Lot unless the Owner of the adjoining Lots agree otherwise.

7. **Mechanical.** All air conditioning, swimming pool and spa equipment, and other mechanical equipment located on the exterior of a Unit or other Improvement shall be screened so as not to be visible from the ground level of adjacent Lots, streets, and Common Area.
8. **Setbacks.** All Improvements shall be constructed in accordance with either applicable building Setback requirements shown on a subdivision map or deeds executed by Declarant or on maps or plans approved by the government agency having jurisdiction.
9. **New Construction.** All Improvements erected on any Lot shall be of new construction, and no building constructed off the Subdivision shall be relocated and placed on any Lot. This Subsection shall not be construed to prohibit used brick or other such materials preservative of property values.
10. **Utility Lines.** Except for high voltage electrical lines, temporary lines used during construction and for pre-existing electrical lines installed prior to construction of the Subdivision, all utility lines, including, but not limited to, electrical, gas, telephone, cable television, and other communications shall be underground, except for access ports and above ground transformers.

B. Building Standards for Single Family Dwellings. Any Unit which is not a Project Unit shall conform to the following standards.

1. **Height.** No Unit excluding chimneys shall exceed thirty-five (35) feet in height from the finished Lot.
2. **Address Signs.** All Units shall have residential identification signs, showing Lot address numbers.
3. **Garages.** Each Unit shall have at least a two (2) car garage, but not more than a three (3) car garage unless approved by the Planning Committee. No carport shall be constructed or maintained on any Lot unless approved by Planning Committee.
4. **Roof Pitch.** No Unit shall have a flat roof or the main portion of the roof with less than a 5 and 12 pitch unless approved by the Planning Committee.
5. **Parking Improvements.** Unless first specifically approved by the Planning Committee, no facilities for vehicular parking other than a garage and a driveway connecting the garage to the

street shall be constructed on any portion of a Lot visible from the street or Common Areas.

6. **Landscaping.** All Lots shall be landscaped and open areas not covered by patios, swimming pools, porches, driveways, and flower beds, and other normal and customary Improvements shall be planted in grass, or other ground cover approved by the Planning Committee. The Planning Committee shall have the authority to determine the ratio of lawn area to other types of planting. Such work shall be completed, with respect to the front yard area of any Lot, not more than twelve (12) months from the date of completion of the Unit on such Lot and such landscaping shall include the following: (i) an underground sprinkler system controlled by an automatic time valve system; (ii) all lawns and grass planted as sod. No yards visible from the street, a Lake, or Common Area shall be covered with rock, gravel, or other non-growing ground cover unless approved by the Planning Committee. Landscaping shall be designed, with respect to both density and height, so as not to materially impair the visibility of the structure from adjacent streets. Fences, hedges, and mass plantings shall not exceed six (6) feet in height unless approved by the Planning Committee.

7. **General Requirements for Builders.** Where adjacent single-family Units are constructed by the same or affiliated builders, they shall be done in a variety of designs, elevations, roof configurations, colors, trim, and Lot placement to avoid a sameness in appearance of adjoining Units.

C. **Building Standards for Projects.** Any Project shall conform to the following standards.

1. **Roof Pitch.** No building shall have a flat roof or a roof with less than a 5 and 12 pitch unless approved by the Planning Committee.

2. **Landscaping.** All Projects shall be landscaped and open areas not covered by patios, swimming pools, parking lots and other normal and customary Improvements shall be grass, trees, and other ground cover approved by the Planning Committee. All parking areas shall be shielded from roadway view by landscaping berms. All grass landscaping within Projects shall be installed as sod and irrigated by an automatic underground sprinkler system.

D. **Building Standards for Lake Lots.** The following additional building standards shall apply to any and all Improvements from time to time existing or to be built on any Lake Lot.

1. **Landscaping.** The work of construction and installation of landscaping in the backyard area of any Lake Lot shall be completed not more than twelve (12) months from the date of completion of the Unit on such Lake Lot.
2. **Approval of Plantings.** In addition to Planning Committee approval, all planting within five (5) feet of the Lake edge, except for grass lawns, must be approved in writing by the Association. The Association reserves the right to trim or prune any shrub or planting which may overhang the Lake or is within five (5) feet of the Lake's edge, but will not be required to do so. No trees or large shrubs in excess of four (4) feet in height of any kind shall be planted within fifteen (15) feet of the Lake edge.
3. **Structures, Fences and Plantings.** No structure other than approved fences, docks, bulkheads, landscaping, swimming pools, gazebos and arbors shall be constructed or maintained within the Bank Areas, and no fence, hedge, or mass planting shall be maintained within fifteen (15) feet of the Lake bulkhead at a greater height than four (4) feet from the grade of the Lake Lot when conveyed by Declarant, unless it is a fence of open-work metal and fences may protrude over the Lake bulkheads to prevent entry over the bulkhead from an adjacent yard. No gazebo or arbor shall exceed fifteen (15) feet in height or be located within fifteen (15) feet of the Lake bulkhead.
4. **Docks.**
 - a. No dock landing or float ("Dock") shall be installed or maintained on or in the Lake which does not comply with the standards set forth in Exhibit "C." The Association may establish a uniform design or pattern for such structures which modify the standards of Exhibit "C."
 - b. No Dock shall be enclosed or roofed over, or constructed at a level higher than the bulkhead, except as permitted in accordance with the standards of Exhibit "C," and as necessary for the connecting deck to clear the top of the bulkhead.

- c. No Dock shall be attached to the bulkhead, nor shall such Dock put weight on the bulkhead, and each such Dock shall be movable to allow for repair and renovation of the bulkhead.
- d. Docks shall be constructed of redwood or cedar or comparable materials and shall be maintained in good condition.
- e. Docks shall be no greater size than set out below. The width of the Dock refers to its length parallel to the bulkhead of the Lake. The depth of the Docks refers to its length measured perpendicularly from the bulkhead of the Lake.
 - (1) Docks must have a minimum depth of four (4) feet.
 - (2) Docks shall have a depth not exceeding ten (10) feet in depth on Lots having a Lake bulkhead of thirty (30) feet or less and shall have a depth not exceeding fifteen (15) feet in depth on Lots having a Lake bulkhead of more than thirty (30) feet. In no case shall any dock extend beyond the property line of the Lot to which it attaches.
 - (3) Docks shall be set back from the side yard lot line of the Lake bulkhead a minimum distance of ten (10) feet on Lots having a Lake bulkhead of more than thirty (30). In Lots having a Lake bulkhead length of thirty (30) feet or less Docks shall be set back from the side yard lot line a minimum distance of five (5) feet.

- 5. **Approval of Construction.** No construction or excavation shall be commenced in the Lake or Bank Areas until the plans have been approved in writing by the Planning Committee, which can require an opinion by a soils engineer or other expert supporting the feasibility of the work for which the approval is requested and require that the Owner submitting plans pay the fee charged by such engineer or other expert. Such work may be disapproved or conditionally approved if it will impair the stability of any bank or bulkhead of the Lake in the absence of adequate corrective measures.

6. **Special Permission.** Declarant may grant the right to build structures and dwellings in the Bank Area to purchasers from Declarant, provided the Deed or another recorded document referencing such Lot executed by Declarant expressly sets forth the setback limitations for the Lot, and the Improvements are otherwise consistent with the Declaration.

Section 6.08. Design Guidelines. The Association shall adopt as part of the Subdivision Rules "Design Guidelines." The Design Guidelines shall prescribe the standards including size, materials, construction, and colors for all signs used in Common Area, and for signs erected by Owners, contractors, subcontractors, material suppliers, builders, real estate developers, and real estate brokers relative to the construction, alteration, sale, and leasing or rental of Improvements. The size of such signs and the materials allowed on such sign shall comply with the minimum standards required by applicable laws and ordinances. The Design Guidelines shall also prescribe the standards including size, materials, construction and color for all solar energy units and fencing. Nothing in this Section permits the placement of signs within Project Common Area.

ARTICLE 7

MEMBERSHIP IN THE ASSOCIATION; VOTING RIGHTS

Section 7.01. Membership.

- A. **Qualifications.** Each Residential Owner, by virtue of being an Owner and during such time as such Owner remains an Owner, is a Member of the Association. No person or entity shall be a Member of the Association other than by virtue of being an Owner. When more than one (1) person or entity holds an ownership interest in any Lot, all such persons shall be Members.
- B. **Transfer of Membership.** Neither Membership nor the right to vote may be severed from any Lot, and any sale, transfer, or conveyance of a beneficial interest in the fee of any Lot to a new Owner shall operate automatically to transfer the appurtenant Membership and voting rights.

Section 7.02. Classes of Membership. Each Association, shall have three (3) classes of Membership, Class I, Class II, and Class III.

- A. **Class I.** All Owners other than Declarant shall be Class I Members and shall have one (1) vote for each Association Regular Assessment share, without regard to classes of assessment, as set out in Subsection "A" of the Section entitled "Allocation of Regular Assessments," except that the Owner of a Lot improved with a duplex or triplex residential building shall have one (1) vote. On matters concerning the maintenance or use of the Lake, only Lake Lot Owners may vote and they shall have one (1) vote for each Regular Lake Maintenance

assessment share, as set out in Subsection "B" of the Section entitled "Allocation of Regular Assessments." Those matters requiring a vote of the Owners of Lake Lots are set forth in Subsection "B" of the Section entitled "Classes of Expenses" and in Subsections "A2" and "A4" of the Section entitled "Amendment or Repeal."

- B. **Class II.** Declarant shall be the only Class II Member, and shall have three (3) votes for each vote that a Class I member would have for the same ownership interest. Class II Memberships shall cease and be converted to Class I Memberships on the earlier of when seventy-five percent (75%) of the Residential Lots projected to be subject to the Association have been transferred or ten (10) years following the first transfer of a Lot pursuant to a Public Report for any part of the Subdivision. The number of Lots projected for the Subdivision is set out in Subsection "H" of the Section entitled "Annexations."
- C. **Class III.**
1. **Period of Effectiveness.** Declarant shall be the only Class III Member and shall have the right as a Class III Member to appoint all of the Directors of the Board of the Association, other than the positions voted upon solely by Class I Members to serve as independent directors ("Independent Director"). The Class III membership shall cease on the earlier of when fifty percent (50%) of the Residential Lots projected to be subject to the Association have been transferred or six (6) years following the first transfer of a Lot subject pursuant to a Public Report for any part of the Subdivision. The number of Lots projected for the Subdivision is set out in Subsection "H" of the Section entitled "Annexation."
 2. **Transfer.** A Lot shall not be considered transferred for the purpose of this Section when conveyed to a Merchant Builder or to a successor Declarant. A transfer by Declarant, or a Merchant Builder to a person who is not a Declarant or a Merchant Builder shall be considered a transfer for the purposes of this Section.

Section 7.03. Voting.

- A. **Voting Rights.** Each Owner within the Association may vote on all matters properly submitted for vote to the Membership of the Association, except matters relating to Lake maintenance and the Bank Area, as set forth more fully in Subsection "A" of the Section entitled "Classes of Membership," shall be submitted to vote and voted on only by Owners who are Owners of Lake Lots. The right to vote with respect to any Lot shall not vest until the commencement of Regular

Assessments against such Lot under Subsection "F" of the Section entitled "Rules Governing Regular Assessments" and the right to vote shall cease at any time the Lot is no longer liable for the payment of Regular Assessments. Voting on behalf of any Owner not present at a meeting may be by written proxy or absentee ballot.

- B. Voting Rules.** When any provision of the Declaration requires the vote or consent of the Members the following rules shall apply unless the provision specifically provides otherwise.
1. **Membership in More than One Name.** The effect of a vote for any Lot in which more than one (1) person holds an ownership interest shall be determined by the Bylaws unless the provision of this Declaration which requires the vote specifically provides otherwise.
 2. **Written Consent in Lieu of Vote.** Whenever a vote is required for action to be taken under this Declaration, it is sufficient to obtain the written consent of the same percentage and same Class of members, except as required by the Bylaws, as amended from time to time.
 3. **Voting Percentage.** Any percentage requirement shall be a percentage of the number of votes and not a percentage of the number of Members.
 4. **Quorum.** Quorum requirements for meetings of Members shall be as set forth in the Bylaws. Any vote required by this Declaration to amend or repeal this Declaration shall be governed by this Declaration and not by the vote requirements of the California Corporations code relating to meetings and solicitation of votes without meeting in nonprofit mutual benefit corporations.
 5. **Entity Voting.** A vote by any Member that is not a natural person shall be cast only by the person set forth in Subsection "B2" of the Section entitled "Application to Owners."
 6. **Class II Requirements.** Until there has been a termination of the Class II Membership in the Association, any provision of this Declaration which requires the vote or consent of a prescribed majority of the Owners other than Declarant shall require the vote or consent of such majority of the votes of both classes of Membership. After the termination of Class II Memberships, any provision of this Declaration which requires the vote or consent of a prescribed majority of the Owners other than Declarant shall require both: (i) a bare majority of

the total voting power of the Association; and (ii) the prescribed majority of votes taken pursuant to the Section entitled "Bond Enforcement" nor to votes or elections taken in accordance with the Sections entitled "Rules Governing Regular Assessments" or "Special Assessments."

7. **Suspended Vote.** If a vote is taken at a time when the voting rights of one (1) or more Owners have been suspended in accordance with this Declaration, the vote of each such Owner shall be excluded from the computation of any necessary majority vote, as though the Subdivision did not include such Owner's Lot; provided that, for any amendment of this Declaration, the certificate of such amendment shall set forth the fact of such exclusion, and the names of the Owners whose vote has been so excluded, and identifies the Lot owned by such Owners. This Subsection shall not apply to any vote or election taken in accordance with the Sections in this Declaration entitled "Rules Governing Regular Assessments" or "Special Assessments."

Section 7.04. Delegate Districts. The Subdivision shall be divided into Delegate Districts. A Delegate District may be established by methods set out in the following two (2) Sections.

Section 7.05. Portions of the Subdivision Within Projects. If a Project is created within the Subdivision, then the real property covered by the Project, including property annexed to the Project, shall constitute a single Delegate District ("Project Delegate District"). Subject to provisions concerning qualifications of Delegates, the Association Board may appoint the Delegate and Alternate Delegate in the manner of appointments in Non-Project Areas and in the absence of such an appointment the President shall be the Delegate, and any Vice-President, the Secretary, and the Treasurer of the Project Association, in that order of priority, shall be the alternate Delegates for such Project.

Section 7.06. Portions of the Subdivision Not in a Project. For portions of the Subdivision not in a Project ("Non-Project Area"), the initial Delegate District is established by Subsection E of the Section entitled "Voting by Delegates" and subsequent Delegate Districts shall be established by Declarant by provisions of the Declarations of Annexation. The Lake Lots will be a separate Delegate District. Subject to provisions of this Declaration and the Bylaws concerning qualifications of Delegates, the Delegate and alternate Delegate to represent any Delegate District established within any Non-Project Area pursuant to this Section shall be appointed and removed by the Board of the Association or by a committee which may be constituted from time to time by the Board for the purpose of appointing Delegates ("Delegate Committee").

Section 7.07. Appointment of Declarant's Delegate. Declarant shall be entitled to appoint Declarant's Delegate to cast all of the Class I and Class II votes which Declarant and the Merchant Builders are entitled to cast pursuant to this Declaration and the Bylaws.

All votes represented by Declarant's Delegate shall be cast in the manner directed by Declarant. From time to time, at its sole discretion, Declarant may change the person which it has appointed to serve as Declarant's Delegate and may also designate an alternate Declarant's Delegate to act in such capacity when Declarant's Delegate is absent or otherwise unable to act. Declarant shall give written Notice to the Board of any such appointment or change in appointment.

Section 7.08. Voting by Delegates.

- A. **Qualification.** Subject to the provisions of Subsection C of this Section, each Delegate, other than Declarant's Delegate, shall exercise the voting power of all of the Members in such Delegate District other than the voting power of the Declarant and the Merchant Builders. Any Class III power shall be exercised solely by Declarant. Delegates and Alternates must be: (i) an authorized agent or employee of Declarant or a Merchant Builder; or (ii) an Owner who resides in the Delegate District represented by such Delegate. If the Member is a corporation, partnership, trust, estate, or other entity, then, subject to the preceding sentence, the authorized agent of such entity shall be eligible to serve as a Delegate. Delegates must act personally at a meeting of the Delegates or by written ballot, and may not act by proxy. If a Delegate is not present at a duly called meeting of the Delegates, then the alternate for such absent Delegate may attend the meeting and exercise all rights, powers, and votes to which the absent Delegate would be entitled. If a Delegate should arrive prior to the adjournment of any meeting, the alternate shall no longer be entitled to act in the place of such Delegate. Any matter previously voted or acted upon by the alternate in his temporary capacity as Delegate shall be valid.
- B. **Term; Vacancies; Removal.** The term of office of each Delegate shall expire on the date of the annual meeting within the Delegate District such Delegate represents, except that the term of office of each Delegate representing a Project Association Delegate District who is an officer of the Project Association shall be coincident with such Delegate's term of office as an officer of the Project Association. Delegates may serve consecutive terms whether as a Delegate, alternate Delegate, or any combination thereof. The office of a Delegate shall be deemed vacant upon the death, resignation, removal, or judicial adjudication of mental incompetence of a Delegate, or upon the Delegate's failure to satisfy all of the qualifications of Delegate. Delegate vacancies occurring for any reason other than expiration of a Delegate's term shall first be filled by the alternate Delegate, and if there is no alternate Delegate, then by the Board or the Delegate Committee, if any. Subject to the eligibility and vacancy provisions, each such person shall serve the remainder of the unexpired term of office of the predecessor Delegate, or until a successor is elected and

appointed. An officer of a Project Association serving as a Delegate for a Project Delegate District shall be deemed removed concurrently with such officer's removal as an officer of the Project Association. Delegates appointed by the Board of Directors or the Delegate Committee may be removed by action of the Board or of the Delegate Committee.

C. **Voting Proposals.** All voting rights shall be subject to this Declaration. Whenever a matter which this Declaration requires to be approved by the vote of the Delegates, including the amendment of this Declaration, is to be submitted to the Delegates for approval, the voting proposal shall first be submitted to a vote of the Members represented by such Delegates pursuant to Subsection "D" below. Delegates may not exercise any discretion when casting the voting power represented by the Delegates. The Delegates are merely vote carriers. Accordingly, when voting on a voting proposal, each Delegate shall cast all of the votes which such Delegate represents "for" or "against" a proposal or for individual candidates in the case of the election of Directors as follows.

1. **Instructed Votes.** Those votes attributable to Declarant's Delegate and the Owners actually voting, whether in person, or by proxy, or written ballot ("Instructed Votes"), shall be cast by the Delegate in the same manner as such votes were actually cast by Declarant and the voting Owners.

2. **Imputed Votes.** Votes attributable to Owners within the Delegate District who have not voted on a voting proposal shall be cast "for" and "against" such voting proposal or for individual candidates in the case of the election of Directors, in the same proportions as the Instructed Votes were cast ("Imputed Votes"). No Imputed Vote shall be cast for an Owner who has voted but abstained on any voting proposal. No quorum requirement applies to the votes or written consents cast within a Delegate District, except as otherwise provided in this Section.

D. **Special Voting Rules.** The following rules apply to any voting proposal to be voted upon by both Class I and Class II Members or by special groups.

1. **Special Groups.** Where the votes of a special group of Members are required, such as Lake Lot Owners or Members other than Declarant, each Delegate shall segregate the votes of the members of such special group separately from other Members, and cast the votes of such group separately as though such votes were cast in a separate election at which only such group was voting. If a Delegate is casting votes for more than

one (1) of such groups, the Delegate shall segregate the votes cast for each such group.

2. **No Quorum Requirements within Districts.** There are no quorum requirements for votes or written consents taken within a District to instruct a delegate when the Imputed Votes are included in the vote.
 3. **Bond Enforcement.** For any vote to enforce a bond specified in the Section entitled "Bond Enforcement," the voting power of only Members other than Declarant, shall be considered in such vote. A vote of a majority of the voting power of such Members in all Delegate Districts in the aggregate to take action to enforce the obligations under such bond shall be deemed to be the decision of the Owners. The Board shall implement such decision when the total votes of Members in all Districts are totaled and it is determined that a majority vote of such Members has been cast. In such vote, only the Instructed Votes within each District are considered and no Imputed Vote is included.
 4. **Votes on Assessments.** Votes or elections taken in accordance with Subsection B of the Section entitled "Rules Governing Regular Assessments" and Subsection C of the Section entitled "Special Assessments" require the Owners constituting more than fifty percent (50%) of the Owners and casting a majority of the votes at a meeting of the Association or by written ballot. In such a vote or written consent only the Instructed Votes within each District are considered and no Imputed vote is included. The quorum requirements of such Subsections must be met as to the entire Subdivision when the Instructed votes for all Delegate Districts are added together.
- E. **Initial Delegate District.** The Initial Phase of the Subdivision is a single Delegate District, identified as "Delegate District No. 1."

ARTICLE 8

ORGANIZATION, POWERS, AND DUTIES OF THE ASSOCIATION

Section 8.01. Organization.

- A. **Nonprofit Corporation.** The Association shall be organized as a nonprofit corporation charged with the duties and empowered with the rights prescribed by law or set forth in this Declaration, its Articles, and its Bylaws.

- B. **Unincorporated Association.** If after formation the Association loses its corporate powers or is dissolved, a nonprofit, unincorporated association shall immediately and without further action or notice be formed and shall have all the rights and obligations of the Association until a nonprofit corporation is formed. Such unincorporated association shall not be deemed to be a partnership, or to create a general agency between the Owners for any purpose. The unincorporated association's affairs shall be governed by the laws of the State of California and, to the extent not inconsistent with such laws, by this Declaration, the Articles, and Bylaws, respectively, as if they were created for the purpose of governing the affairs of an unincorporated association.
- C. **Certificate of Identity.** The president and secretary of the Association or a majority of the Board may execute, acknowledge, and Record a certificate of identity stating the names of all of the members of the then current Board, officers of the Association or members of any architectural or planning committee of the Association, or any of such groups. The most recently Recorded certificate shall be conclusive evidence, in favor of any person relying on such certificate in good faith, of the identity of the persons listed in such certificate as members of the Board, corporate officers, or members of any architectural or planning committee.

Section 8.02. Powers of the Association.

- A. **General.** The Association shall have all of the powers set forth in its Articles, together with its general powers as a nonprofit corporation, limited only as expressly set forth in its Articles, its Bylaws and this Declaration, to do any and all lawful things which the Association is authorized, required or permitted to do under this Declaration, and to do any and all acts which may be necessary or proper for the exercise of any of the express powers of the Association, or for the peace, health, comfort, safety, and general welfare of Owners. All powers of the Association, except those for which a vote of the Members is required by this Declaration, the Bylaws, or by law, may be exercised by the Board.
- B. **Enumerated Powers.** In exercising any of its powers or performing any of its duties under this Declaration, including, but not limited to, its powers or duties for the maintenance, repair, operation, or administration of Common Area, and for the development, construction, installation or acquisition of a capital Improvement, the Association may perform the following functions as it deems necessary or appropriate.

1. **Common Area Maintenance and Repairs.** The Association may provide for the improvement, maintenance, restoration, and repair of the Subdivision in accordance with the Articles entitled "Maintenance," "Damage, Destruction, and Eminent Domain of Lake," and "Damage, Destruction, and Eminent Domain of Common Area Other than Lake." The Association may also maintain or upgrade the maintenance of landscaped areas within the Subdivision maintained by assessment districts or other governmental entities.
2. **Insurance.** The Association may obtain, maintain, and pay for such insurance policies or bonds, whether or not required by this Declaration, as the Association shall deem to be appropriate for the protection or benefit of the Subdivision, the Association, the directors and officers of the Association, and the Owners. The Association may, on behalf of the Owners and consistent with this Declaration, enter into any appropriate agreement for the holding by a trustee of proceeds paid under any insurance policy held by the Association ("Insurance Trust Agreement"), which agreement may contain such provisions relating to the trustee's powers, duties, and compensation, as the Association may approve.
3. **Debt.** The Association may borrow money and incur indebtedness and give a security interest to secure such indebtedness, including a security interest in a future assessments of the Association; but any indebtedness incurred after the total indebtedness exceeds the Association's estimate of its estimated gross revenues for the year the indebtedness is incurred or that will cause the total indebtedness of the Association to exceed that amount, or any indebtedness to be repaid over a period longer than one (1) year, or any indebtedness secured by Common Area must be approved by a vote or consent of a majority of the Owners.
4. **Utility and Other Services.** The Association may contract and pay for, or otherwise provide for, such utility and other services, including, but not limited to, water, sewer, garbage, electrical, telephone, communication cable, and gas services, as may, from time to time, be desirable or required.
5. **Professional and Personal Services.** The Association may contract and pay for, or otherwise provide for, the services of architects, engineers, attorneys, bookkeepers and accountants, and other professional and nonprofessional services.

6. **Material and Labor.** The Association may contract and pay for, or otherwise provide for, materials, supplies, furniture, equipment, and labor.
7. **Liens.** The Association may pay and discharge any and all liens from time to time placed or imposed upon any Common Area, or on account of any work done or performed by the Association in the fulfillment of any of its duties of maintenance, repair, operation, or administration.
8. **Ownership and Use of Property.** The Association may own both real and personal property and lease, license, or contract for the use of such real and personal property, including land, Improvements, and equipment for recreational or other purposes.
9. **Signs.** The Association may place and maintain upon Common Area signs and curb markings for the: (i) identification of the Subdivision or roads; (ii) regulation of traffic, including parking; (iii) regulation and use of the Common Area; and (iv) health, welfare and safety of Owners, Occupants, and other persons.
10. **Taxes.** The Association may pay, compromise, or contest any and all taxes and assessments levied against: (i) all or any part of the Common Area; (ii) any income of or assessed to the Association; and (iii) any personal property belonging to or assessed to the Association.
11. **Enforcement.** The Association may from time to time, in its own name, or on its own behalf, and on behalf of any Owner or Owners who consent thereto, commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the Governing Documents, or to recover damages therefor or to enforce, by mandatory injunction or otherwise, any or all of the provisions of the Governing Documents, and take any other action required or permitted by the Governing Documents for their enforcement.
12. **Maintenance of Lots and Units.** The Association may maintain, or provide for the maintenance of, any Lot and any Improvement over which the Association has architectural and planning approval, which is not maintained by its Owner in accordance with the requirements of this Declaration, at the expense of any such Owner.

13. **Management Agreement.** The Association may enter into an agreement with a professional managing agent for professional management of the Subdivision, subject to any limitations contained in Subsection "D" of this Section.
14. **Management of Other Subdivisions.** The Association may agree with the governing body of any other subdivision, to manage the affairs of such other subdivision, to jointly manage the affairs of the subdivisions, to jointly hire a manager, to have its affairs managed by any other subdivision, or jointly to engage in other activities not inconsistent with this Declaration, upon such terms and conditions as the Association may deem appropriate.
15. **Discipline.** The Association may temporarily suspend an Owner's rights as a Member, levy monetary penalties and fines upon such Owner, and take other disciplinary action for failure of any Owner or an Occupant, guest, or invitee of such Owner's Unit to comply with the Governing Documents. The Association shall provide for reasonable notice and an opportunity to be heard before a decision to impose discipline is reached, and shall otherwise conform to Section 7341 of the California Corporations Code, as it may hereafter be amended, repealed or renumbered, relating to the termination of membership in a non-profit mutual benefit corporation. The Association may set fines, penalties and other discipline by Subdivision Rule, in accordance with Subsection "A.3." of the Section entitled "Rules and Regulations." If any such Rule includes a schedule of monetary penalties that is governed by applicable law, including, without limitation, California Civil Code Section 1363(i) as it may be renumbered or amended, such law shall control as it relates to requirements for Notice to Members. The Members of the Board, officers of the Association, and the Association's manager and its employees have the power to establish hearings for the alleged failure to comply with the Governing Documents and to give Notice of such hearings. The Board may appoint a committee and give the committee the power to hear cases, including violations of the Governing Documents, and to submit to the Board for ratification its proposed penalties for such violations.
16. **Security Control.** The Association may provide security control, including but not limited to security guards, locked doors or gates, fences, or burglar or fire alarm systems as it deems necessary to afford reasonable protection to: (i) persons legally within the Subdivision; (ii) real and personal property within the Subdivision; and (iii) Common Area.

17. **Reimbursement.** The Association may reimburse any members of the Board or officer of the Association for reasonable expenses incurred in carrying on the business of the Association.
18. **Transfer of Title Fees.** The Association may impose and collect, and assign to a professional managing agent the power to impose and collect an assessment, penalty or fee in connection with a transfer of title to a Lot, subject to the limitations set forth in the Section entitled "Transfer of Title Fees."
19. **Power to Convey and Dedicate Property to Government Agencies.** The Association with the approval of Owners representing at least two-thirds (2/3) of the voting power of the Association including two-thirds (2/3) the voting power other than Declarant, may grant, convey, dedicate, or transfer to any public or government agency or authority having jurisdiction, all or part of those Lots comprising Common Area, for such purpose and subject to such terms and conditions as the Association shall deem appropriate, subject to the provisions elsewhere contained in this Declaration. No such conveyance shall deprive any Owner of access to the Subdivision or access to such Owner's Lot, or access to any facility which such Owner has a right of use.
20. **Power to Perform Committee Functions.** The Board shall have the power to perform the functions of a committee that has not been appointed or which for any other reason is not functioning.
21. **Executory Installment Land Sale Contracts.** The Association may execute any documents that confirm the subordination of assessment liens to the interests of any Institutional Lender that is or will be the seller under an executory installment land sale contract for a Lot, as such subordination is provided in the Section entitled "Application of Assessments to First Mortgages." Nothing in this Subsection authorizes the Association to waive any right it may have under this Declaration or by law to enforce the collection of assessments.
22. **Other Action.** The Association may take such action, including, without limitation, self-help remedies that do not breach the peace or otherwise violate applicable law or this Declaration, whether or not expressly authorized by this Declaration, as may reasonably be necessary or desirable to enforce or carry out the purposes of the Governing Documents.

C. **Common Area.** The Association shall operate and control Common Area for the sole purpose of carrying out the purposes of this Declaration. The Association may take all of the actions listed in the following Subsections without a vote of the Members to the extent such power is needed, each Owner, upon acceptance of such Owner's deed to a Lot, does hereby irrevocably appoint the Association such Owner's attorney-in-fact to make the conveyances described in this Subsection, and such power of attorney shall be held to be coupled with an interest in the property conveyed and irrevocable.

1. **Easements.** The Association may grant and convey easements or rights-of-way in, on, over or under any Common Area for the purpose of constructing, operating, and maintaining utilities, sewer and water disposal facilities, water systems, communication facilities and related equipment.
2. **REA's.** The Association may enter into reciprocal easement agreements and joint use and maintenance agreements for use of roadways, parking areas, recreational facilities, water supply systems, or other common use areas when the Association determines, in its sole discretion, that it is in the best interests of the Owners to do so.
3. **Convey Common Area; Lot Line Adjustments.** The Association may Convey or transfer Common Area in addition to the authority contained in Subsection "B.19" of this Section, provided such conveyance is done only for the purpose of making minor lot line adjustments or for the purpose of adjusting boundaries and facilities with adjacent property owners. One specific purpose of this provision is to allow the Association to sell, exchange, or adjust the boundaries of Common Area adjacent to land originally annexable by Declarant that is not presently annexed, to provide for proper open areas between buildings, access, parking, security and for other such purposes. This Declaration shall terminate with respect to such transferred property unless the conveyance document or deed expressly states this Declaration shall continue to burden the property transferred.
4. **Convey Common Area; Government Entity.** The Association may convey or transfer Common Area or interest therein to a government entity or agency to be used for purposes consistent with this Declaration or in lieu of property being taken by the power of eminent domain.
5. **Maintenance.** The Association may close roads and other Common Areas for the purpose of maintenance and repair and

where reasonably necessary for the safety of Owners, Occupants, and other users.

D. Majority Vote Required. Any of the actions by the Association listed in the following Subsections shall require the assent, by vote at a meeting of the Delegates or by written ballot without a meeting pursuant to the Bylaws, of a simple majority of the voting power represented by all Delegates except the Class II votes held by the Declarant's Delegate, constituting a quorum consisting of more than fifty percent (50%) of the voting power of the Association other than the Class II votes held by Declarant's Delegate.

1. Contracts Exceeding One (1) Year. Entering into contracts for the furnishing of goods or services for the Common Area or the Association for a term longer than one (1) year, with the following exceptions:

- a. A management contract, the terms of which have been approved by the Federal Housing Administration, if such agency is financing or making a guarantee of the financing of the Subdivision or of individual Lots, provided that no management contract shall, under any circumstances, have a term exceeding three (3) years or any shorter duration otherwise prescribed by this Declaration;
- b. A contract with a public utility, if the rates charged for the materials or services are regulated by the California Public Utilities Commission, provided that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;
- c. Prepaid policies of casualty or liability insurance of not to exceed three (3) years' duration, provided that the policy permits short rate cancellation by the insured;
- d. Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years' duration, provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more;
- e. Agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years' duration, provided that the supplier is not an entity in which Declarant has a direct

or indirect ownership interest of ten percent (10%) or more;

- f. Agreements for the sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five years duration, provided that the supplier or suppliers are not entities in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more; and
 - g. A contract for a term not to exceed three (3) years if the Association has the right to terminate the contract on or before one (1) year from the contract's commencement by giving written Notice of ninety (90) days or less.
2. **Expenses Exceeding Five Percent (5%).** Incurring aggregate expenditures for capital Improvements to the Common Area in any Fiscal Year in excess of five percent (5%) of the budgeted gross expenses of the Association for that Fiscal Year. Any work necessary to repair an existing Improvement, to the extent the expense for which is already funded by the Maintenance Reserve Fund, is not a capital Improvement for this purpose.
 3. **Sale of Property.** Selling, during any Fiscal Year, property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that Fiscal Year.
 4. **Compensation.** Paying compensation to members of the Board or officers of the Association for services performed in the conduct of the Association's business, provided that the Board may cause a director or officer of the Association to be reimbursed for reasonable expenses incurred in carrying on the business of the Association without a vote of the Owners.

Section 8.03. Duties of the Association.

- A. **Common Area.** The Association shall maintain Common Area that is used by or for the benefit of its Members in good and usable condition. The Association shall maintain the storm drainage system within any private streets except where the storm drainage system has been accepted for maintenance by the government entity having jurisdiction.
- B. **Wetlands Maintenance.** The Association may have as Common Area certain areas designated as wetlands. These areas shall be maintained by the Declarant pursuant to an agreement for a period following their

establishment pursuant to an agreement between the United States Army Corps of Engineers, County of Sacramento, and Declarant. Following Declarant's period of maintenance, such wetlands shall be maintained by the Association pursuant to the wetland management plan approved from time to time by the United States Army Corps of Engineers.

- C. **Insurance and Maintenance.** The Association shall maintain insurance as required by the Article entitled "Insurance" and shall carry out its maintenance obligations under the Article entitled "Maintenance."
- D. **Annual Statement.** The Association shall prepare and distribute to each Owner and Eligible Mortgagee an annual statement complying with the Bylaws, reflecting the Association's receipts and expenditures for each Fiscal Year.
- E. **Acceptance of Title.** If Declarant conveys to the Association title to any Common Area that has been made a part of the Subdivision, including any Wetlands areas to be conveyed to the Association, the Association shall accept title to and delivery of such Common Area. The Association shall execute and Record an acceptance of title, if Declarant so requests, within thirty (30) days of the request. Such acceptance shall occur without prejudice to any right of the Association or the Owners regarding the quality of the Improvements in such Common Area, including any rights established in the Section entitled "Bond Enforcement." The Association is required to accept title only if such Common Area is conveyed free and clear of all title exceptions except those listed below, and the title shall be evidenced by an Owner's policy of title insurance paid for by Declarant and issued to the Association in an amount equal to the fair market value of the property transferred. This Subsection does not apply to property located in public right-of-ways which is Common Area for maintenance purposes only or to Common Areas which are easements, licenses, or other such limited estates or rights. Title may be subject to the following exceptions:
1. **Taxes.** General and special real property taxes, which are not delinquent, provided that Declarant pays or assures payment of all such taxes to the day of conveyance.
 2. **Easements and Restrictions.** This Declaration and reservations, easements, covenants, conditions, and restrictions of Record, which do not materially adversely affect the values of the real property for the purposes contemplated by this Declaration, including without limitation existing easements for utilities, drainage and sanitary sewer.

3. **Private Street Easements.** Nonexclusive easements for ingress and egress for vehicular, pedestrian, and related purposes over private street areas.
 4. **Other Title Matters.** Other matters affecting title to such real property or interests as may be referred to or provided for in this Declaration, including but not limited to, easements, rights of use, and rights-of-way.
- F. **Association Personal Property.** The Association shall accept delivery of and exercise dominion over all personal property transferred and assigned to the Association by Declarant, which is free and clear of all liens and encumbrances, other than any personal property taxes which are not delinquent.
- G. **Taxes.** The Association shall pay all real property taxes and assessments or fees and charges levied upon the Common Area and all income and other taxes levied upon the Association.
- H. **Documents Required Upon Transfer of Lots.** Upon written request in connection with the transfer of a Lot, the Association shall within ten (10) days of the mailing or delivery of the request, provide the Owner of such Lot with a copy of any requested items or documents that are specified in Section 1368(a) of the California Civil Code, as it may be amended. The Association may charge a fee for this service which shall not exceed any limitation imposed by law.
- I. **Release Bonds.** The Association shall promptly and in good faith, cause to be released upon Notice, any bonds or other security posted by Declarant or a Merchant Builder, for the benefit of the Association or its Members or both, when the conditions for such release have been satisfied without regard to any other dispute or negotiation then existing between the Association and Declarant or such other developer and shall provide the Declarant or other developer, a Merchant Builder or the security holder with such documentation necessary or convenient to effect such release.
- J. **Lake Committee.** The Association shall appoint a committee of three (3) Lake Lot Owners to review and report to the Board on any issues regarding the use, maintenance, and operation of the Lake.
- K. **Other Action.** The Association shall take such action, whether or not expressly authorized by this Declaration, as may reasonably be necessary to enforce or carry out the purposes of the Governing Documents.

Section 8.04. Rules and Regulations.

A. **Adoption.** The Association by action of the Board may, from time to time and subject to this Declaration, adopt, amend, and repeal rules and regulations, to be known as "Subdivision Rules" or "Rules." Such Rules may provide for any of the circumstances listed in this Subsection.

1. **Use of Common Areas.** The Rules may govern the use of the Common Area and the Association's facilities, including without limitation, regulations as to time and method of use, such as allocation of time for specific groups using such facilities for classes or competition, reasonable restrictions based on age, and rules necessary or convenient for safety, and regulations limiting or prohibiting, on a non-discriminatory basis, use of Common Area by guests of Occupants and other persons not having the right to use Common Areas, and reasonable charges for such use by guests and such other persons. Such Rules may provide for Rules for the use of the Lake ("Lake Rules").
2. **Roads and Parking.** The Rules may govern the use of roads and parking areas including the imposition of speed limits for vehicles, the designation of parking areas, limited parking areas, and no parking areas; the use of dumpsters and trash containers on such streets; the rights of pedestrians using streets including the rights of way between vehicles and pedestrians; and the parking and storage of Association vehicles and equipment. The Rules can also ban or limit the use of roads for uses other than ingress and egress by vehicles and pedestrians.
3. **Discipline.** The Rules may provide for monetary penalties, temporary suspension by the Association of an Owner's rights as a Member, or other discipline, for failure to comply with the Governing Documents. Such rules may provide for the setting of penalties and fines which may be assessed on a daily basis for any continuing violation or infraction, but not in excess of one hundred dollars (\$100.00) per day for each infraction of the Governing Documents. In such event, any infraction occurring within one twenty-four (24) hour period is considered a separate infraction. Monetary penalties permitted by this Subsection shall be assessed as a Remedial Assessment. Any discipline imposed under this Subsection shall comply with the procedural requirements of Subsection "B15" of the Section entitled "Powers of the Association." No forfeiture or abridgement of an Owner's right to the full use and enjoyment of such Owner's Lot is permitted except by judgment of a court of competent jurisdiction, a decision arising out of arbitration,

or on account of foreclosure or sale under the provisions of the Section entitled "Delinquency and Enforcement of Lien."

4. **Construction.** The Rules may govern the interpretation or implementation of the Article entitled "Architectural Control and Planning Committee," and the designation of plans, specifications, or other documents or things required as a prerequisite for consideration of such proposed work and the placement of dumpsters and other large refuse containers on Lots and Common Area roads and streets.
 5. **Security Control.** The Rules may provide for the implementation of security control procedures within the Subdivision including, but not limited to: (i) the registration, with the Association, of keys, security cards, or other means to control access to private streets or to common facilities, and limitations on the distribution of such keys, security cards, or other means of access to common facilities; (ii) the registration of motor vehicles and bicycles kept within the Subdivision, including the requirement that identification be placed on the vehicles; (iii) the registration of boats used on the Lake; and (iv) requiring certain doors or gates to be kept closed and locked.
 6. **Personal Information.** The Rules may provide for the supplying of information to be supplied to the Association by each Owner with regard to the ownership and transfer of each Lot, the persons living in each Unit, the vehicles kept in the Subdivision, and other information reasonably necessary to administer the Subdivision.
 7. **Design Guidelines.** The Rules may provide for the Design Guidelines.
 8. **Construction of Declaration.** The Rules may provide for the interpretation of the provisions of this Declaration as they would apply to specific factual situations.
 9. **Mediator.** The Rules may provide for the selection of one (1) or more independent mediator or mediation service for use by Members in the mediation of disputes, as set forth in the Section of the Bylaws entitled "Alternative Dispute Resolution."
- B. **Common Area.** The Subdivision Rules may limit and otherwise regulate the use of Common Area, but no such Rule shall eliminate or unduly burden access to a Lot. The Rules relating to the use of Common Area shall not discriminate between Owners and other Occupants, and shall not discriminate between invitees of Owners and

invitees of other Occupants, but may provide rules for invitees differing from those governing Occupants. The Subdivision may prohibit or limit the invitees that may use the Common Area recreational and service facilities and may limit the use of certain areas by children. Such limits on use by children may include Rules prescribing the minimum age for children using any swimming pool area without the supervision of a responsible adult.

- C. **Delivery.** The Association shall give Notice to each Owner, and Notice to each Occupant requesting such Notice, of the Subdivision or Lake Rules as they may, from time to time, be adopted, amended, or repealed. The Association shall also post a copy of the Rules, as they may be adopted, amended, or repealed from time to time, at one (1) or more reasonable locations in the Common Area as the Association determines, in its own discretion, will provide exposure to Owners and Occupants. Upon such Notice and posting, the Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration. Any Rule relating to the health or safety of Occupants or other persons coming upon the Subdivision shall take effect upon adoption if the Rule so states. This Section is subject to any requirements for Notice of monetary penalties established by applicable law.

Section 8.05. Limitation of Liability of Directors and Officers. TO THE EXTENT ALLOWED BY LAW, NO MEMBER OF THE BOARD OR OFFICER OF THE ASSOCIATION BOARD SHALL BE PERSONALLY LIABLE TO DECLARANT, OWNER OR ANY OTHER PERSON, FOR ANY ERROR OR OMISSION OF THE BOARD, THE ASSOCIATION, ITS REPRESENTATIVES AND EMPLOYEES, OR THE MANAGER, PROVIDED THAT SUCH PERSON HAS, WITH THE ACTUAL KNOWLEDGE POSSESSED BY SUCH PERSON, ACTED IN GOOD FAITH. THE FAILURE TO PROVIDE SECURITY CONTROL OR SOME PARTICULAR TYPE OF SECURITY FOR THE SUBDIVISION OR ANY PART OF IT IS NOT GROUNDS FOR LIABILITY OF A MEMBER OF THE BOARD OR OF AN OFFICER OF THE ASSOCIATION. THE BOARD'S DETERMINATION WHETHER OR NOT TO COMMENCE LEGAL ACTION WHEN THE BOARD HAS BEEN INFORMED OF A POSSIBLE CONSTRUCTION DEFECT OR BREACH OF WARRANTY IS NOT GROUND FOR LIABILITY OF A MEMBER OF THE BOARD PROVIDED THE BOARD MEMBER HAS ACTED IN GOOD FAITH.

Section 8.06. Limitation of Liability for the Acts of Others. TO THE EXTENT ALLOWED LAW, THE ASSOCIATION, MEMBERS OF THE BOARD, AND EMPLOYEES AND AGENTS OF THE ASSOCIATION ARE NOT RESPONSIBLE OR LIABLE FOR PERSONAL INJURIES AND PROPERTY DAMAGE CAUSED BY CRIMINAL ACTS, INTENTIONAL ACTS, OR NEGLIGENT ACTS OF OTHERS WHETHER SUCH ACTS WERE FORESEEABLE OR NOT.

**ARTICLE 9
FUNDS, ASSESSMENTS, AND DELINQUENCY**

Section 9.01. Purpose. The purpose of this Article is to provide for the funding of assessments by each Association to pay for the maintenance of Common Area and the administration of the Association. All Residential Lots shall be subject to the Regular, Special, and Remedial Assessments levied by the Association, with Lake Management Expenses to be allocated only to the Owners of Lake Lots. Upon the annexation of additional property into the Subdivision, the allocation of expenses for such annexed property shall be provided in the Declaration of Annexation.

Section 9.02. Assessment Definitions. The Association shall maintain the funds set out in the Section entitled "Funds" and shall levy assessments as provided in this Article. Owners of land in the Commercial Area shall only pay the assessments as provided for in the Section entitled "Commercial Area Payments" and no other assessments. The term "Class of Expense" as used in this Article refers individually to each of the three (3) classes of expenses established in the Section entitled "Classes of Expenses."

Section 9.03. Creation of Personal Obligation and Lien for Assessments.

A. **Residential Owners Agreement to Pay.** Each Owner, including Declarant, covenants and agrees to pay to the Association, for each Lot owned that is not in the Commercial Area:

(i) Regular Assessments;

(ii) Special Assessments;

(iii) Remedial Assessments; and

(iv) All other fees or other monies due to the

Association.

B. **Commercial Area Owners Agreement to Pay.** Each Owner of land in the Commercial Area, including Declarant, covenants and agrees to pay to the Association for each Lot owned: (i) the Commercial Area Payments; and (ii) all other fees or other money due the Association.

C. **Creation of Lien.** Each assessment and the Commercial Area Payments, which together are referred to as "assessments," plus interest, late charges, costs, and attorneys' fees provided by this Declaration, shall be a charge and continuing lien upon the Lot against which such assessment is made from the date the Notice of Delinquent Assessment is Recorded, as provided in Subsection "C" of this Section.

- D. **Recording of Notice.** A notice of delinquent assessment ("Notice of Delinquent Assessment") may be Recorded by the Association when the assessment becomes delinquent or at any later time during which the assessment and any late charge or interest arising from such assessment is due and unpaid. The Notice of Delinquent Assessment shall state the following: (i) the amount of the assessment and such other charges as are authorized by this Declaration; (ii) a description of the Lot assessed; (iii) the name of the record Owner of the Lot assessed; and (iv) the name and address of the trustee authorized by the Association, if any, to enforce the lien by sale. The Notice of Delinquent Assessment may be signed by any officer of the Association, or by an authorized officer or employee of the Association's manager or by the Association attorney.
- E. **Release of Assessment Lien.** If a Notice of Delinquent Assessment has been Recorded, the Association shall, upon payment of assessments, plus interest, late charges, costs, and attorneys' fees, if any, Record a notice of satisfaction and release of lien.
- F. **Personal Obligation.** Assessments and other fees and monies due the Association are payable from and after the time the Association levies the assessments or bills the fees or other monies due the Association and until paid. All assessments, plus interest, late charges, costs, and attorneys' fees shall be the joint and several personal obligation of all Owners of record of the Lot assessed when the assessments are levied. The personal obligation of Owners to pay accrued assessments, other fees and monies due the Association, interest, late charges, costs, and attorneys' fees shall not pass to any successor in title as a personal obligation unless expressly assumed by such successor, but any such successor's title shall be subject to a Recorded lien except as otherwise provided by this Declaration. An Owner who conveys a Lot or Project Unit remains personally liable after conveyance for obligations which accrue before the instrument of conveyance is Recorded and for those obligations accruing after conveyance to reimburse the Association for its costs in determining the Record Owner, as set forth in the Section entitled "Notices; Documents; Delivery."
- G. **No Offset.** Except as specifically provided in this Declaration, all assessments and other charges shall be paid without offset or reduction for any reason, including, without limitation, any claim that the Association is not properly discharging any of its duties under this Declaration.
- H. **Certificate of Payment.** The Association shall, within thirty (30) days after written demand is delivered to the Association by any Owner, and upon payment to the Association of a reasonable fee fixed by the Association to cover costs, furnish to any Owner a written certificate

signed by an officer or other authorized person stating whether the assessments on that Owner's Lot have been paid, and the amount of any unpaid assessments and other charges. Such certificate shall be conclusive evidence, in favor of any third party or Owner relying on it in good faith, of the amount of outstanding assessments, and of payment of any assessment, interest, late charges, costs, or attorneys' fees, stated in the certificate to have been paid.

- I. **Costs of Enforcement.** The costs and attorneys' fees referred to in this Section include all reasonable expenses incurred by the Association in the enforcement of assessments. "Costs" include, but are not limited to, the cost of preparing the Notice of Delinquent Assessment, all filing and recording fees, service of process fees, title search fees, and copying and postage expenses. "Attorneys' fees" include, but are not limited to, fees for preparing, Recording, and enforcing the Association's lien, for consultation in preparation for any enforcement action by the Association, and for representing the Association in court.
- J. **Judgment Liens.** No Special Assessment or increase in Regular Assessments for the purpose of paying a judgment against the Association or satisfying a judgment lien against the Common Area shall be made without the vote or written consent of a majority of the Owners.

Section 9.04. General Funds. The Association shall maintain the following funds, which shall be accounted for separately, for the receipt and expenditure of moneys; provided, however, that this Section shall not apply to Lake Funds. These funds do not need to be segregated in separate bank accounts except for the Maintenance Reserve Fund, which will be placed in a separate bank account if such segregation is necessary to comply with legal restrictions on withdrawals from such fund.

- A. **Operating Fund.** A fund shall be maintained called the "Operating Fund." All funds not deposited in the Maintenance Reserve fund shall be deposited in the Operating Fund as one of the following: (i) Regular Assessments; (ii) Special Assessments; (iii) Remedial Assessments; (iv) Miscellaneous income; and (v) Income and profits attributable to the Operating Fund.
- B. **Maintenance Reserve Fund.** The Association shall maintain a fund called a "Maintenance Reserve Fund." Amounts allocated to reserves from assessments shall be deposited in the Maintenance Reserve Fund. Amounts remaining in the Operating Fund at the end of the Fiscal Year that were collected as fees or assessments and not returned to the Owners shall also be deposited in the Maintenance Reserve Fund to the extent the Association finds that fund is deficient. Amounts from this fund shall be withdrawn and used only for the purposes of maintenance, repair, and replacement of Common Areas, other than

Lake maintenance expenses described in the Section entitled "Lake Funds," requiring such action on a periodic basis or upon damage to or destruction of such Common Areas. Funds collected to pay deductibles on any flood and hazard insurance policy required by this Declaration shall be included in the Maintenance Reserve Fund and be so designated.

- C. **Reconstruction Fund.** The Association shall maintain a fund called a "Reconstruction Fund." Deposits to and expenditures from the Reconstruction Fund, are governed by the Article entitled "Damage, Destruction, and Eminent Domain of Common Area other than the Lake." The Board may enter into an Insurance Trust Agreement for the holding by a trustee of the Reconstruction Fund.

Section 9.05. Lake Funds. The Association shall maintain the following Lake Funds, which shall be accounted for separately, for the receipt and expenditure of moneys, which Lake Funds do not need to be segregated in separate bank accounts except for the Lake Reserve Fund which will be placed in a separate bank account if such segregation is necessary to comply with legal restrictions on withdrawal from such fund. All Lake Funds not deposited in the Lake Reserve Fund or Lake Reconstruction Fund shall be deposited in the Lake Operating Fund as one of the following:

- A. **Lake Operating Fund.** All Lake Funds not deposited in the Lake Maintenance Reserve Fund or Lake Reconstruction Fund shall be deposited in the Lake Operating Fund as one of the following:
1. Regular Lake assessments.
 2. Special Lake assessments.
 3. Miscellaneous income.
 4. Income and profits attributable to the Lake Operating Fund.
- B. **Lake Reserve Fund.** A fund shall be maintained called the Lake Reserve Fund ("Lake Reserve Fund"). Amounts allocated to reserves from regular and special Lake assessments shall be placed in this Reserve Fund. Amounts remaining in the Lake Operating Fund at the end of the Fiscal Year that were collected as fees or assessments, and not returned to Owners, shall be deposited in the Lake Reserve Fund to the extent the board finds that fund is deficient. Amounts from this fund shall be withdrawn and use only for the purposes of maintenance, repair, and replacement of the Lake and Lake bulkhead, or upon damage to or destruction of the Lake and Lake bulkhead.

- C. **Lake Reconstruction Fund.** Deposits to and expenditures from the Lake Reconstruction Fund are governed by the Article entitled "Damage, Destruction and Eminent Domain of Lake." The Board may enter into an Insurance Trust Agreement for the holding by a trustee of the Lake Reconstruction Fund.

Section 9.06. **Classes of Expenses.** The Association must budget for and pay its expenses and collect assessments to pay for its expenses. There are three (3) categories of expenses: A. "General Expenses;" B. "Road Expenses;" and C. "Lake Maintenance Expenses." This Section describes those expenses.

- A. **General Expenses.** The General Expenses ("General Expenses") consist of the expenses for: (i) maintenance and repairs to Common Area landscaping of the Association including, without limitation, berm, paths and trails, and entry features, and Lake overlooks; (ii) maintenance and repair of the Recreational Facility; (iii) the maintenance of wetlands as provided by the section entitled "Maintenance of Wetlands;" (iv) utilities required for Common Areas; (v) management, accounting, bookkeeping, and legal fees and expenses; (vi) insurance and bond premiums and deductibles; (vii) reserves for the replacement of Improvements to Common Area; and (viii) all expenses not included in the Road Expenses or the Lake Expenses. The General Expenses do not include the Road Expenses and the Lake Expenses.
- B. **Road Expenses.** The Road Expenses ("Road Expenses") include: (i) maintenance and repair to roads, sidewalks and gutters, which are common Area, and street light standards and lights located on Common Area; (ii) the cost of electricity and other utilities for the street lights and other Improvements connected with such roads; and (iii) reserves for the replacement of all Improvements connected with the roads, and lighting which are Common Area.
- C. **Lake Expenses.** The Lake Expenses comprise two (2) categories of expenses.
1. **Lake Quality Expenses.** The first category, Lake Quality Expenses ("Lake Quality Expenses"), shall include, but not be limited to: (i) costs for the supply of water to and from the Lake including pumping equipment, pipes, gates and valves; and (ii) maintenance of the Lake water quality, including application of chemicals, use of any other water quality control system, and the costs of any fountains in the Lake maintained by the Association.

2. **Lake Management Expenses.** The second category, Lake Management Expenses ("Lake Management Expenses"), shall include: (i) the costs of maintaining the Lake not included in the Lake Quality Expenses including the costs of maintaining the Lake bulkhead; (ii) management, insurance premiums and deductibles, accounting, bookkeeping and legal expenses related to the Lake and Lake Lots; and (iii) reserves for replacement of the Lake equipment and Improvements including the Lake bulkhead. Any expense not included in the Lake Quality Expenses, if related to Lake and Lake Lot maintenance, shall be a Lake Management Expense.

Section 9.07. Regular Assessments. Not less than sixty days prior to the start of each Fiscal Year and at the start of any partial Fiscal Year, the Association shall estimate the expenses to be incurred during the Fiscal Year for each Class of Expenses for which the Association is responsible, and shall subtract from each estimate an amount equal to the anticipated balance in each class' Operating Fund budgeted for expenditures for such expenses during the Fiscal Year, and the anticipated balance in the corresponding Maintenance Reserve Fund for such expenses budgeted for expenditure during the Fiscal Year. The excess of such estimated expenses for each Class of Expenses over the anticipated balances for each expense's corresponding funds, shall be assessed to each ownership interest as "Regular Assessments."

Section 9.08. Rules Governing Regular Assessments. All Regular Assessments shall be governed by the provisions of this Section. The provisions of this Section shall not apply to Commercial Area Payments.

- A. **Initial Assessment.** Initial Regular Assessments for each Class of Expenses shall not exceed the amount set forth in the initial Public Report for the Subdivision.
- B. **Limits on Assessment Increases.** From and after the end of the Fiscal Year following the conveyance of the first Lot in the Subdivision by Declarant, the Association shall not, without the vote or written assent of Owners constituting a quorum and casting a majority of the votes at a meeting of the Association or by written ballot, impose an annual Regular Assessment that is more than twenty percent (20%) greater than the maximum Regular Assessment for the previous Fiscal Year, adjusted to an annual basis if the previous Fiscal Year was more or less than twelve (12) months. If the Regular Assessment was raised above the maximum for the preceding Fiscal Year, the actual assessment shall be the base upon which the percentages set forth in this Subsection are applied. For the purposes of this Section and the Section entitled "Special Assessments," a quorum means more than fifty percent (50%) of the Owners. Any meeting or election to comply with these Subsections shall be conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of

the Corporations Code and Section 7613 of the Corporations Code, as such laws may be amended. The limits on assessment increases under this Subsection also apply to assessment increases applicable to Lake Lot Owners as to that portion of any assessment that increases the Lake Assessment more than twenty percent (20%). The consent of Lake Lot Owners is necessary for such increase.

- C. Emergency Increases. The provisions of Subsection "B" of this Section do not limit Regular Assessment increases necessary for emergency situations. For purposes of this Section, an emergency situation is any of the following: (i) an extraordinary expense required by an order of a court; (ii) an extraordinary expense necessary to repair or maintain the Subdivision or any part of it for which the Association is responsible, where a threat to personal safety on the Subdivision is discovered; (iii) an extraordinary expense necessary to repair or maintain the Subdivision or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the proforma operating budget required under California Civil Code Section 1365; and (iv) any other expense excepted from the increase limitation by California Civil Code Section 1366(b). Prior to the imposition or collection of an assessment to be levied under Subsection "iii" of this Subsection, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Owners with the notice of assessment.
- D. **Increase in Regular Assessments.** Within the limitations set forth in Subsection B of this Section, the Regular Assessment may be increased by the Association during any Fiscal Year in accordance with a revised budget of the Association's gross expenses.
- E. **Commencement.** Regular Assessments shall commence, as to all Lots within a Phase, on the first day of the month following conveyance of the first (1st) Lot within such Phase. If a Phase includes Condominiums and if some but not all of the Condominiums within the Phase are subject to a Public Report, or if there are two (2) or more Public Reports covering the Condominiums in the Phase, Regular Assessments shall commence only on Condominiums subject to a certain Public Report following conveyance of a Condominium subject to that Public Report. The first annual Regular Assessment shall be prorated for the period from such commencement to the start of the next Fiscal Year. A "conveyance" for the purpose of this Subsection means a transfer of a Lot in which the transferee becomes an Owner as defined by this Declaration or a lease of a Lot for a period greater than one (1) year. A conveyance occurs when the deed,

lease, or memorandum of lease is Recorded. A conveyance to a Merchant Builder shall not be a conveyance for the purpose of this Subsection. A rental or lease of a Lot for a term of one (1) year or less is not a conveyance. If fee title to any Lot has been transferred under an executory installment land sale contract and the contract is not Recorded, conveyance is deemed to have occurred when possession of the Lot is delivered to the buyer.

- F. **Termination.** Regular Assessments shall cease as to a Lot when it ceases to be subject to this Declaration for any reason including without limitation the termination of this Declaration in whole or as to a certain Phase or Lots or to a taking of a Lot by eminent domain when the Lot ceases to be subject to this Declaration.
- G. **Payment.** Regular Assessments shall be due and payable to the Association when levied, or at such times and in such installments as the Association may designate. The Association may determine whether the payment of the Regular Assessments during the Fiscal Year is to be made monthly, quarterly, semi-annually, or yearly. Any assessment payment shall first be applied to any unpaid interest, then to unpaid late charges in the order in which the late charges were incurred, and then to unpaid assessments in the order in which the unpaid assessments were levied. An additional late charge shall not be levied due to the application of payments to delinquent interest, late charges, and assessments as long as timely payment equal to the most recently levied assessment has been made.
- H. **Exemption from Assessment.** Declarant and all Owners shall be exempt from the payment of assessments which are for the purpose of defraying expenses and reserves directly attributable to the existence and use of any Common Area that is not complete at the time assessments are to commence under this Section. The assessments of the Association shall be adjusted to reflect such exemption, and may be adjusted at any time within the Fiscal Year to terminate such exemption upon the earlier of: (i) Recordation of a notice of completion of such Common Area; or (ii) assumption of responsibility for maintenance of such Common Area by the Association, including payment of any expense related to the maintenance of such Common Area.
- I. **Reserve Funding.** In both establishing and in maintaining the level of funding for the Maintenance Reserve Fund, the Board shall determine the expected useful life of the major components of the Common Areas within the Subdivision. The Board shall establish and maintain the reserve accounts to provide funds for the repair or replacement of these major components of the Common Area at the end of their anticipated useful life based upon the calculation of anticipated useful

life and the then estimated repair and replacement costs. The Board may fund such accounts to provide for the full repair or replacement cost of such major components or for less than the full repair or replacement costs of some or all of such components. THE ASSOCIATION AND THE MEMBERS OF THE BOARD AND THE ASSOCIATION'S MANAGER SHALL HAVE NO LIABILITY FOR FAILURE TO FUND RESERVES IF: (I) THE BOARD USES REASONABLE BUSINESS JUDGMENT IN ESTABLISHING THE LEVELS OF FUNDING FOR THE MAINTENANCE RESERVE FUND FOR FULL FUNDING FOR THE REPAIR OR REPLACEMENT COSTS OF SUCH MAJOR COMPONENTS BASED ON THE INFORMATION KNOWN TO THE BOARD; (II) THE BOARD DISCLOSES TO THE MEMBERS THE METHOD OF CALCULATING THE ANTICIPATED USEFUL LIFE AND THE ESTIMATED REPLACEMENT OR REPAIR COSTS; AND (III) THE BOARD DISCLOSES TO THE MEMBERS EACH CASE WHERE IT INTENTIONALLY IS NOT FUNDING THE FULL REPAIR OR REPLACEMENT COST OF A MAJOR COMPONENT. SUCH DISCLOSURE SHALL BE MADE AFTER EACH CALCULATION. BY A MAJORITY VOTE, THE MEMBERS MAY INCREASE OR DECREASE THE FUNDING LEVELS ESTABLISHED BY THE BOARD FOR ANY COMPONENT OF THE COMMON AREA.

Section 9.09. Allocation of Regular Assessments.

- A. Allocation of General Expenses. Association Regular Assessments for General Expenses shall be allocated as set forth below in this Subsection.
1. Unimproved Lot. An unimproved Lot zoned or designated for a single family, duplex, or triplex Residential building shall have one (1) assessment share. Such a Lot shall be assessed for General Expenses and Lake Quality Expenses.
 2. Single Family. A Lot improved with a single family residential Unit shall have one (1) assessment share. Such a Lot shall be assessed for the General Expenses and Lake Quality Expenses.
 3. Duplex or Triplex. A single Lot improved with a duplex or triplex residential building shall have one (1) assessment share for each separate dwelling included within a building. Thus a duplex shall have two (2) assessment shares and a triplex shall have three (3) assessment shares. Such a Lot shall be assessed for the General Expenses and Lake Quality Expenses.

4. **Unimproved Residential Project.** A Lot zoned or designated for a Residential Project but not yet improved with the Project shall have one (1) assessment share. Such a Lot shall be assessed for the General Expenses and Lake Quality Expenses.
5. **Completed Residential Project.** A Residential Project Unit when constructed shall have one (1) assessment share. Such a Lot shall be assessed for the General Expenses and Lake Quality Expenses.
6. **Common Area.** A Lot that is Common Area or Project Common Area shall not be assessed.

B. Allocation of Lake Management Expenses. The Lake Management Expenses described in Subsection "C-2" of the Section entitled "Allocation of Regular Assessments" shall be assessed to Owners of Lake Lots as allocated below.

1. **Unimproved Lot.** An unimproved Lake Lot zoned or designated for a single family, duplex or triplex residential building shall have one (1) assessment share.
2. **Single Family.** A Lake Lot improved with single family residential Unit shall have one (1) assessment share.
3. **Duplex or Triplex.** A single Lake Lot improved with a duplex or triplex residential building shall have one (1) assessment share for each separate dwelling including within a building. Thus, a duplex shall have two (2) assessment shares and a triplex shall have three (3) assessment shares.
4. **Project; Apartment Project.** A Lake Lot zoned or designated for a Project or Apartment Project, but not yet improved with a Project shall have one (1) assessment share.
5. **Constructed Project.** A Residential Project Unit located within a Lake Lot shall, when constructed, have one (1) assessment share.
6. **Common Area.** A Lake Lot that is Common Area or Project Common Area shall not be assessed.

C. Allocation of Road Expenses. The Road Expenses set out in Subsection B of the Section entitled "Classes of Expenses" shall be allocated as provided in Subsection A of this Section to Lots located adjacent to and having access over a road which is Common Area.

- D. **Allocation of Wetland and Water Quality Expenses to Commercial Area.** The expenses for the maintenance of wetlands set out in Subsection A.(iii) of the Section entitled "Classes of Expenses" and the Lake Quality Expenses set out in Subsection C.1. of the same Section allocated by this Section shall be reduced by the portion of those expenses paid by the Commercial Area pursuant to the Section entitled "Commercial Area Payments" and shall be allocated as provided in Subsection A of this Section.
- E. **When a Lot is Improved.** For the purpose of this Section, a Lot or parcel shall be considered Improved when a certificate of occupancy has been issued for the Improvement or upon first occupancy of the Improvement whichever is the earlier. A Project shall not be considered to have been created for each phase of the Project until it becomes a common interest development pursuant to California Civil Code 1351(c) including the first transfer of a separate interest within each phase of the Project.

Section 9.10. Special Assessments.

- A. **Establishment.** The Association may, during the Fiscal Year, levy an assessment for each Class of Expenses, called a "Special Assessment" when the maximum Regular Assessment for such Class of Expenses permitted under the Section entitled "Classes of Expenses" appears likely to prove inadequate for any reason including unforeseen expenditures or any shortage due to nonpayment of or delinquencies in the payment of Regular Assessments.
- B. **Basis of Special Assessments.** All Special Assessments shall be assessed to Lots on the same basis as Regular Assessments.
- C. **Limitations on Special Assessments.** In any Fiscal Year, the Association shall not, without the vote or written assent of the Owners constituting a quorum and casting a majority of the votes of the Owners upon which the assessment is to be levied at a meeting or by written ballot of the Association, levy Special Assessments for a Class of Expenses which in the aggregate exceed five percent (5%) of the Association's budgeted gross expenses for such Class of Expenses including budgeted expenditures from the Maintenance Reserve Fund. For purposes of this Subsection, "quorum" shall have the meaning set forth in Subsection "B" of the Section entitled "Rules Governing Regular Assessments." The provisions of this Subsection do not limit assessment increases necessary for the emergency situations set forth in Subsection "C" of the Section entitled "Rules Governing Regular Assessments."

- D. **Payment.** Special Assessments shall be due and payable to the Association when levied, or at such times and in such installments as the Association may designate.

Section 9.11. Commercial Area Payments.

- A. **Setting of the Payments.** Prior to the start of each Fiscal Year and at the start of each partial first Fiscal Year, the Association shall estimate the expense for: (i) the Wetlands costs as set out in the Section entitled "Maintenance of Wetlands" including an amount for reasonable reserves; and (ii) the Lake Quality Expenses as set out in Subsection C.1 of the Section entitled "Lake Expenses." The total Wetlands costs for this purpose shall be identical to the costs of the Wetlands used for the purpose of the Association budget for the year for which the expenses are estimated. The total Water Quality Costs shall be identical to the Lake Quality Expenses established each year by the Association. The amounts so established shall be assessed as a "Commercial Area Assessment" against the Lots within the Commercial Area based on the ratio that the number of acres in the Commercial Area calculated to the tenth of an acre bears to 631 acres minus the acreage occupied by the Wetlands, the Lake, the Recreational Facility, and any public park or public school site. 631 acres is the entire area using the Lake for storm water drainage and is the area for which the Wetlands Area is a requirement for development. This area is identical to the area that is originally subject to this Declaration plus the area that is subject to Annexation by the Declarant. The assessment shall be payable at such time and in such installments as the Board may designate.
- B. **Allocation of the Assessment.** The Commercial Area Assessment shall be apportioned to and assessed against each Lot in the Commercial Area based on the acreage that each Lot calculated to the tenth of one acre bears to the acreage of all of the assessable Lots in the Commercial Area. In determining the assessment of each Lot, streets, whether public or private, and public facilities including transportation drop off, waiting and turn-around areas, shall not be treated as Lots. Parking lots or other common areas used by some but not all of the Lots within the Commercial Area, shall be assessed as Lots.
- C. **Commencement.** All Commercial Area payments of assessments ("Commercial Area Payments") shall commence as to all Lots within a Phase, on the first (1st) day of the month following the earlier of: (i) the conveyance of the first (1st) Lot within such Phase; (ii) the occupancy or issuance of an occupancy permit for any property within such Phase; or (iii) the Recording of a Declaration of Commencement of Assessments by Declarant or by its successor. "Declaration of Commencement of Assessments" as used in this Subsection means a

document executed by Declarant and Recorded to provide notice to the Owners of the property within a Phase of commencement of Commercial Area Payments.

- D. **Special Assessments.** The Association may during the Fiscal Year, levy a Special Payment against the Owners of Commercial Lots for Wetlands costs and water quality costs or for either of such cost for the Commercial Area share of a special assessment levied for such purposes.
- E. **Application of Other Provisions.** The provisions of the Section entitled "Delinquency and Enforcement of Lien" and Subsection "B" and "C" of the Section entitled "Creation of Personal Obligation and Lien for Assessments" and the Section entitled "Assessments Against Projects" apply to Commercial Area Payments.

Section 9.12. Assessments Against Projects. All Regular, Special, and Commercial Area Payments that are applicable to Project Units, shall be levied against and paid by the applicable Project Association from and after formation of such Project Association. If the applicable Project Association fails to pay any such Assessments prior to delinquency, the Association shall have all of the same rights and remedies against such Project and Project Association as it has against other Lots and Owners, including the right to record a Notice of Delinquent Assessment against the entire Project. However, the Association shall grant a partial release of such lien in favor of the Owner of any Project Unit within such Project who pays such Unit's pro rata share of assessments applicable to the entire Project. Such pro rata share shall be determined by the proportion of such assessment shares payable by the Unit pursuant to the governing document of the Project.

Section 9.13. Remedial Assessment. The Association may levy an assessment, called a "Remedial Assessment," against any Lot excluding Commercial Area Lots, the Owner or Occupant of which has, by negligent or tortious acts or omissions, or acts or omissions in violation of this Declaration, or acts and omissions in violation of the Section entitled "Observance of This Declaration," made necessary any expenditure of money by the Association, except to the extent such expenditure is to pay any liability or remedy any damage or injury that is paid by any type of insurance. Such assessment shall be in an amount necessary to reimburse the Association for all reasonable costs, including attorneys' fees, regardless of whether legal action is brought, incurred in bringing the Owner or Occupant and the Owner's or Occupant's Lot into compliance with this Declaration, or in obtaining compensation from or other remedies against such Owner or Occupant. Such assessment shall be due and payable when levied or in installments as required by the Association. Prior to the levy of a Remedial Assessment, the Association shall conduct a hearing complying with the procedural requirements of Subsection "B15" of the Section entitled "Powers of the Association" to determine the validity and amount of the assessment. The Association shall not be required to conduct such a hearing prior to the levy of late charges imposed under Subsection "A" of the Section entitled "Delinquency and Enforcement of Lien," and a late charge is not a Remedial Assessment.

Section 9.14. Transfer of Title Fees. Each Owner and each purchaser of a Lot is liable for the payment of fees in connection with a transfer of title to such Owner's Lot. The amount of such fee levied by the Association shall not exceed the Association's reasonable costs to change its records and its Reasonable cost to prepare and reproduce any documents requested by an Owner under the Subsection entitled "Documents Required Upon Transfer of Lots" of the Section entitled "Duties of the Association."

Section 9.15. Property Exempt from Assessment. The following Lots are subject to this Declaration but exempt from the levy of assessments pursuant to this Declaration: (i) Common Area lots of the Association; and (ii) Project Common Area lots not occupied by Project Units. During the period of an offer of dedication to a governmental agency on any property is open or during the period such agency has the right to accept an offer for purchase of such property, such property shall be exempt from assessment. In no case shall a Lot improved with Improvements used as a residential dwelling be exempt from assessments.

Section 9.16. Delinquency and Enforcement of Lien.

- A. **Delinquency.** Any assessment provided for in this Article, or in the Articles entitled "Damage, Destruction, and Eminent Domain of Lake" or "Damage, Destruction, and Eminent Domain of Common Area Other than Lake," whether levied monthly, quarterly, or otherwise, that is not paid within fifteen (15) days after it becomes due, is delinquent. The Association may require any Owner who has not paid an assessment within fifteen (15) days after its due date, to pay a late charge, in an amount which the Association may prescribe by Subdivision Rule or, in the absence of such a Subdivision Rule, an amount equal to the greater of ten dollars (\$10.00) or ten percent (10%) of such delinquent assessment, as reimbursement for the costs of handling the delinquent payment. This provision for late charges is designed to encourage the prompt payment of assessments when due, and to compensate the Association for the cost and expenses caused by the late payment of assessments. The existence of this provision, whether or not any such late charge is actually paid in a given case: (i) does not excuse the payment of any assessment or allow an Owner the privilege of extending the due date of any assessment; (ii) does not constitute an agreement to forbear from the collection of any delinquent assessment; (iii) does not prevent such delinquency from being treated as a default of the Owner's obligations under this Declaration; and (iv) does not prevent the collection of the delinquent amount in any lawful manner.
- B. **Interest on Overdue Assessments.** If the assessment, late charges and reasonable costs incurred in the collection of the assessment or any portion of them is not paid within fifteen (15) days after the due date of the assessment, the unpaid amount shall bear interest from the due date at a rate of twelve percent (12%) per annum or at the option of

the Association, at a rate to be set by the Association by Subdivision Rule that does not exceed such rate or any higher rate then allowed by law. Such charges shall constitute an additional assessment collectible together with the assessment for which they were charged.

C. **Charges for Checks Returned from Bank.** If the Association deposits a check tendered by an Owner for the payment of a Regular, Special, Remedial, or Reconstruction assessment, and the bank holding the account upon which the check is drawn returns the check as unpaid, the Association may require such Owner to pay a "bad check charge" in an amount which the Association may prescribe by Subdivision Rule as compensation to the Association for the additional costs incurred in handling the check. Such a "bad check charge" may include any charges imposed on the Association by a bank for handling or processing the return of the check. Such a bad check charge shall constitute an additional assessment collectible together with the assessment for which it was charged.

D. **Remedies.**

1. **General.** If an assessment is not paid within fifteen (15) days after its due date, the Association may bring an action to recover a money judgment against each Owner personally liable for the assessment, and, in the case of Regular or Special Assessments, upon the creation of a lien by the filing of a Notice of Delinquent Assessment, enforce its assessment lien by judicial or non-judicial foreclosure and sale of the Lot or in any other manner permitted by law. When an action is brought, there shall be added to the amount of the delinquent assessment, the late charge and the costs of preparing, filing, and prosecuting the action; any judgment in such action shall include interest as described above, costs, and reasonable attorneys' fees. In the event an Owner is delinquent in the payment of assessments to the Association and to a Project Association, and both such associations Record a lien, liens Recorded by the Association, if any, shall have first priority, and liens Recorded by a Project Association shall have second priority. In any case where a Project Association is required to pay assessments, an action may be brought against the Project Association and Owners of the Lots assessed and a lien may be imposed and foreclosed on the Lots assessed as provided by this Subsection. The assessment lien in such case shall be released against a Lot if the Owner of such Lot pays the amount assessed against that Lot alone and the Owner in such case shall be free also of personal liability for such assessment to both the Association and to the Project Association.

2. **Foreclosure of Lien.** The Association may enforce its lien by nonjudicial foreclosure in accordance with the following provisions.
 - a. **Legal Requirements.** Foreclosure of the lien and sale of the Lot shall be conducted in accordance with Sections 2924 and 2924b through 2924h of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. If it is deemed desirable or required by law, the Association may designate a trustee and may substitute trustees for the nonjudicial foreclosure of the assessment lien and authorize such trustee to sell the property that is being foreclosed. The Association, through its duly authorized agents, may bid on the Lot at the foreclosure sale, take a deed in lieu of foreclosure, and may acquire and hold, lease, mortgage, and convey the Lot.
 - b. **Release of Lien.** The Association shall Record an appropriate satisfaction and release of the lien of any Notice of Delinquent Assessment, when the default giving rise to such notice is timely cured, and all applicable charges, interest, costs, and fees, including a fee not to exceed the greater of \$15.00 or the actual costs incurred by the Association, as determined by the Association from time to time, for the preparation and Recording of such satisfaction and release, have been paid.
 - c. **Writ of Execution.** If the Association Records a Notice of Delinquent Assessment and, before release of the lien, obtains a money judgment against the Owner, then any writ of execution issued upon such judgment shall relate back to the Recording of such notice, and shall have the same priority as such lien.
3. **Cumulative Remedies.** The assessment lien and rights to foreclosure and sale under such lien shall be in addition to, and not in substitution for, all other rights and remedies which the Association may have under this Declaration and by law, including a suit to recover a money judgment for unpaid assessments, as provided by this Section.
4. **Obligations Not Enforceable by Non-Judicial Foreclosure.** Notwithstanding any other provision of this Declaration, monetary penalties imposed by the Association as: a (i) disciplinary measure for failure of an Owner to comply with the

Governing Documents including any Remedial Assessment levied pursuant to the provisions of this Article; (ii) a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Area and facilities for which the Owner was allegedly responsible; or (iii) a means of reimbursing the Association for costs incurred by the Association in bringing the Owner's Lot into compliance with the Governing Documents, shall not create a lien enforceable by the non-judicial sale of the Owner's Lot, pursuant to Sections 2924, 2924b, and 2924c of the Civil Code. This Subsection shall not apply to charges imposed by the Association against a Lot which are: (i) late charges and interest for delinquent Regular or Special Assessments; or (ii) costs reasonably incurred by the Association in collecting delinquent Regular or Special Assessments, including bad check charges and attorneys' fees. This Subsection does not limit in any way other remedies the Association may have to collect monetary penalties in such cases, including, but not limited to, obtaining and enforcing a money judgment and judicial foreclosure of a lien.

5. **Waiver by Association.** The Association may waive interest, late charges, or both on any delinquent assessment if: (i) if the Board determines in its sole discretion, that the amount of the interest or late charge does not warrant the cost of billing it or collecting it or both; or (ii) as part of the settlement of disputed charges or assessments.

ARTICLE 10 MAINTENANCE

Section 10.01. Allocation of Maintenance Responsibilities. Responsibility for maintenance of the Subdivision and all components of the Subdivision, are as set forth in this Article.

Section 10.02. Insured Damage. To the extent that the expense of maintenance, repair, or reconstruction of any part of the Subdivision, whether Lots or Common Area, is covered and payable or paid by insurance held by the Association, the responsibility for such work shall be as set forth in the Article entitled "Damage, Destruction, and Eminent Domain of Common Area Other than Lake" and the Article entitled "Damage, Destruction, and Eminent Domain of Lake."

Section 10.03. Maintenance of Common Area. The Association shall maintain, or provide for the maintenance of, its Common Area and all improvements on Common Area including, without limitation, Lakes, the Recreational Facility and the Lake overlook Lots, berms, green strips, planter areas, landscaped areas comprising or maintained as Common Area, Wetlands which the Declarant ceases to maintain, walking and bicycle paths, and the

exterior surface of fences and walls fronting on public roads shown on Exhibit "D-1," and entry signs, monuments, and features, in good order and repair. Maintenance of a Lake shall include the following: (i) maintaining adequate and proper depth of the Lake and the stability of the Bank Areas, and any fountains in the Lake; (ii) maintaining the proper water level in the Lake and the purity, cleanliness, and esthetics of the water, Lake bottom and Bank Areas; (iii) controlling the use of the Bank Areas and the Lake; and (iv) maintaining, repairing and replacing all Lake bulkheads, and water control structures. Lake maintenance to the extent applicable shall be done in accordance with the final Lake Management Plan/Urban Run Off Treatment Plan approved by the County of Sacramento Water Resources Division pursuant to Condition No. 29 of the Lakeside Rezone Agreement County Board of Supervisors Resolution No. 90-1109. Maintenance of any landscaping on Common Area shall include regular mowing, trimming, weeding, and fertilizing.

Section 10.04. Maintenance of Lots. Each Owner and Project Association shall, at such Owner's and Project Association's sole cost and expense, maintain such Owner's Lot, Project or Apartment Project and all Improvements from time to time located thereon and, if applicable, the area between the Lot and an adjacent Common Area roadway enclosed by an extension of the Lot's sidelines up to the curb of the adjoining Common Area roadway, and any water and sanitary sewer laterals serving only such Owner's Lot, whether all such appurtenant utility systems are located on Common Area or other Lots. Each Owner shall maintain all landscaping on such Owner's Lot, including proper trimming, mowing, watering, planting, weeding, replacement, and fertilizer as needed. Prior to construction on a Lot, weeds and grasses shall be cut and removed to avoid becoming a fire hazard in accordance with the weed abatement policy adopted by the Association. Maintenance of fences between two Lots are the joint responsibility of the Owners of the two Lots. Each Owner shall pay one-half (1/2) of the cost of such maintenance. Maintenance of fences which form a border between a Lot and Common Area or on the boundary of the Subdivision shall be allocated as follows: (a) if such fence is part of the original construction of the Subdivision by Declarant, then the structure of and exterior surface of such fence facing the Common Area shall be maintained by the Association, while the interior surface shall be maintained by the Owner of such Lot; and (b) if such fence is installed by the Owner, the Owner shall maintain the structure and surface of such fence, subject to the right of the Association to paint the exterior surface. The Association may enter upon and maintain, or provide for the maintenance of, any Lot or fence, which is not maintained by the Owner thereof in accordance with the requirements of this Declaration at the expense of any such Owner upon thirty (30) days' written notice to such Owner. This Section does not apply to the Commercial Area.

Section 10.05. Maintenance of Lake Lot Bank Areas and Bulkheads. Except as provided in the Section entitled "Maintenance of Common Area," each Owner of a Lake Lot is responsible for all maintenance of the Bank Areas on such Owner's Lake Lot not the responsibility of the Association, including subsidence and erosion caused by water, wave, and wind action, and such Lake Lot Owner is responsible for repair of all damage to the bulkhead caused by construction of Improvements by such Owner and by root growth of trees planted in the Bank Area.

Section 10.06. Maintenance of Mail Boxes. Mailboxes for single family residences

located on public easements or on Common Area and serving more than one Unit shall be maintained by the Association. Each Owner and Occupant is responsible for any damage done to such mailboxes by such Owner and Occupant or by their invitees.

Section 10.07. **Maintenance of Wetlands.** The Declarant is required to enhance the Wetlands and maintain the Wetlands during certain monitoring periods, pursuant to Permit No. 198900090 issued by the United States Corps of Engineers ("Corps"). The monitoring for successful implementation of enhancement of the Wetlands is for a period of five (5) years, or until success criteria are met, whichever is the greater. Monitoring for maintenance shall be for a period of five (5) years from the buildout of the adjacent property. If and when the Wetlands or any part of them have been conveyed to the Association as Common Area, the Declarant shall continue to control and manage the Wetlands during the monitoring periods. Declarant shall pay all costs of the enhancement of the Wetlands as required by the Corps. At such time as the Declarant is no longer required by the permit to maintain the Wetlands conveyed to the Association, the Association shall assume full control and management of such Wetlands from Declarant. The Association and its members may use the trails within the Wetlands area from the time the Wetlands are conveyed to the Association for pedestrian traffic only, unless other uses are specifically allowed by the Corps.

THE DESTRUCTION OR ALTERATION OF WETLANDS IS CONTROLLED BY FEDERAL LAW, AND THE ASSOCIATION SHOULD CONSULT WITH THE CORPS OR SEEK LEGAL ADVICE BEFORE MAKING ANY ALTERATIONS TO THE WETLANDS AREA.

ARTICLE 11 ARCHITECTURAL CONTROL AND PLANNING COMMITTEES

Section 11.01. **Planning Committees.** There shall be a Planning Committee for the Association. In cases where the Declarant exercises the power of a Planning Committee, approval shall be obtained as provided by the Section entitled "Planning Committee Approval" except that for this purpose "Declarant" shall be substituted for "Planning Committee" wherever the term "Planning Committee" appears.

A. **Composition.**

1. **Composition: Declarant Appointment.** The Planning Committee shall consist of three (3) members. Except as provided in Subsections "A2" below, Declarant shall appoint the initial members of the Planning Committee, and all of their successors, until the first anniversary of the issuance of the original Public Report for the Subdivision. After such anniversary date, Declarant shall have the right to appoint a majority of the members of the Planning Committee until ninety percent (90%) of the projected number of Lots in the Subdivision have been sold, or twelve (12) years from the transfer of a Lot pursuant to the original Public Report for the Initial

Phase, whichever comes first. The projected number of Lots in the Subdivision is set out in Subsection H of the Section entitled "Annexation." The Planning Committee members appointed by Declarant need not be members of the Association. The initial members of Planning Committee are as follows.

Douglas A. Unruh
Larry Gualco
Anna DePedrini

2. **Appointment from Association.** After one (1) year from the first transfer of a Lot pursuant to a Public Report for property within the Subdivision, the Board may appoint one (1) member to the Planning Committee of the Association. When Declarant loses its right to appoint members to the Committee as provided in Subsection "A1" of this Section the Association shall appoint all the members of the Planning Committee. Every person appointed to the Planning Committee by the Association shall be a Member of the Association who owns Residential property, including Delegates who are such Owners, except that at the time the Association has the power to appoint all members, one member may be an engineer, architect, or other expert trained in the review of construction plans and in inspections of Improvements who is not a Member.
- B. **Term of Members.** Each member of a Planning Committee shall hold office until such member resigns or is removed by the person or entity that would be entitled to appoint the position.
- C. **Operations.** The Planning Committee shall meet from time to time as necessary to perform its duties, and shall keep a record of all action taken at such meetings or otherwise. The vote or written consent of a majority of the membership of the Planning Committee shall constitute an act by the Planning Committee, unless a unanimous vote or consent is otherwise required. Unless authorized and paid for by Declarant during the period Declarant has the power to appoint the majority of the members of the Planning Committee, the members of the Planning Committee shall receive no compensation for services rendered.

Section 11.02. Powers and Duties of the Planning Committee. The Planning Committee shall have both the power and duty as needed to take the actions described in this Section.

- A. **Rules.** The Planning Committee may adopt, amend, and repeal, from time to time and by unanimous vote, rules and regulations, to be known as "Planning Committee Rules," that interpret or implement the provisions of this Article and that provide for the designation of plans,

specifications or other documents or things required as a prerequisite for consideration of proposed work.

- B. **Records.** The Planning Committee shall maintain with the corporate records of the Association, for inspection by any Owner, a copy of the Planning Committee Rules, as they may be adopted, amended, or repealed, certified by any member of the Planning Committee.
- C. **Action on Requests.** The Planning Committee shall approve, conditionally approve, deny, or take any other appropriate action upon such proposals or plans as are submitted to it from time to time, in accordance with this Declaration.
- D. **Other Duties.** The Planning Committee shall perform such other tasks as are given to it under this Declaration.
- E. **Notice of Violations.** The Planning Committee shall notify the Association of any Improvement constructed, reconstructed, refinished, altered or maintained in violation of this Article. The Association may, upon thirty (30) days written notice to the Owner of such non-complying Improvement, remove or cause to be removed or brought into conformity with this Declaration, such Improvement, or require the Owner to do so. In either case, such Owner shall reimburse the Association for all expenses incurred in connection therewith, including reasonable attorneys' fees and costs.

Section 11.03. Matters Requiring Committee Approval. No Owner shall, without the approval of the Planning Committee: (i) construct, reconstruct, or recolor, refinish, alter, or maintain any part of the exterior of, any Improvement, including the installation of solar energy systems and the addition or placement of accessory buildings; (ii) alter the topography or natural or existing surface drainage of any part of the Subdivision; (iii) install any utility line, wire, or conduit on or over any Lot or Common Area; or (iv) install or alter the landscaping in any yard visible from a public road or Common Area including the back or side yard of a Lake Lot visible from the Lake. Planning Committee approval is not required to plant flowers, bushes, and shrubs which do not significantly change the landscape design of the Lot. If such work does not constitute a material change in the design or color of Improvements already approved in accordance with this Declaration, it shall be sufficient for an Owner to notify the Planning Committee in writing before commencing the work, and prior approval by the Planning Committee shall not be required unless the Planning Committee determines that such work does constitute a material change. The approval of the Planning Committee is not required for any work done by or for Declarant or by a Merchant Builder who obtains Declarant approval pursuant to the Section entitled "Merchant Builder Architectural Control."

Section 11.04. Planning Committee Approval. The procedure and criteria for Planning Committee approval are as follows:

A. Procedure.

1. **Application.** Any Owner proposing to do any work for which approval of the Planning Committee is required under the Section entitled "Matters Requiring Committee Approval" shall apply to the Planning Committee by submitting in writing an application asking for Planning Committee approval and a short explanation of the work for which approval is requested and submitting, in duplicate, such plans and specifications for the proposed work as the Planning Committee may from time to time request, including, when deemed appropriate by the Planning Committee: (i) Floor plans; (ii) colors of exterior materials and colors, with samples if required by the Planning Committee; (iii) specifications; (iv) building plan or plans; (v) wall sections; (vi) exterior elevations; (vii) roof plan; (viii) landscaping plans; (ix) landscape plans including driveways, walkways, patios, and other hard surface Improvements; (x) fences, walls, and gates; (xi) graphics and exterior furnishings; (xii) the Owner's proposed construction schedule; and (xiii) reports by a soils engineer, civil engineer, structural engineer, or any combination thereof. The Planning Committee may require that the submission of plans and specifications be accompanied by a fee to defray the actual cost of the review of plans and specifications, the amount of which shall be set by the Planning Committee from time to time. Each Owner must obtain approval of Improvements for each Lot within one (1) year of the conveyance of the Lot from the Declarant unless such time period has been extended or terminated in writing by Declarant, or has been extended in writing by the Planning Committee for good cause shown.
2. **Form of Approval.** The approval shall be in writing, and may be conditioned upon the submission by the Owner of such additional plans and specifications as the Planning Committee in its absolute discretion deems appropriate.
3. **Inaction.** Applications made in accordance with this section that are not acted upon within sixty (60) days from the date of submission shall be deemed approved. Any inaction following submission of plans for the proposed installation of solar energy systems shall not be deemed a willful avoidance or delay by the Association, as described in Section 714 of the California Civil Code.
4. **Return of Plans.** If the application is approved, the Planning Committee shall return to the Owner one set of plans and specifications as finally approved and bearing the endorsement

of the Planning Committee. If the Owner originally furnished only one (1) set of plans and specifications to the Planning Committee and the Planning Committee waived the requirement of such plans and specifications in duplicate, the Planning Committee may retain such plans and deliver to the Owner written Notice of the approval of such plans referring to the specific plans and specifications by their dates, by the job numbers and other identification.

5. **Hearing on Disapproval.** If plans are disapproved by the Planning Committee, the applicant is entitled to a hearing before the Board at a regular or special Board meeting if the applicant gives written Notice to the Association within thirty (30) days following the disapproval of the plans. The hearing will be set within thirty (30) days following receipt of the Notice unless the Association and the applicant agree otherwise.

B. Criteria. The Planning Committee shall approve the work only in accordance with the criteria set forth in this Subsection. **PLANNING COMMITTEE APPROVAL DOES NOT ALLOW THE APPLICANT TO VIOLATE ANY PROVISION OF THIS DECLARATION NOR DOES IT IN ANY WAY EXEMPT THE APPLICANT FROM COMPLYING WITH BUILDING AND FIRE CODES, BUILDING PERMIT REQUIREMENTS AND OTHER GOVERNMENTAL REQUIREMENTS.**

1. **General.** The Planning Committee shall not consent to any Improvements described in this Article unless the Owner has submitted the materials required by the Planning Committee.
2. **Findings Required.** The Planning Committee shall not do or consent to any Improvements described in the Section entitled "Matters Requiring Planning Committee Approval" unless the Planning Committee finds that (i) the proposed work conforms to this Declaration and that the applicant has obtained or shall obtain a building permit, if necessary, and conforms to all governmental requirements; (ii) general architectural considerations, including the character, scale, and quality of the design, its architectural relationship with the design of Improvements in the Subdivision, and the building materials, colors, screening, exterior lighting and similar elements are incorporated into the design in order to ensure the compatibility of the proposed Improvement with the character of adjacent dwellings and Improvements; (iii) general site considerations, including site layout, open space and topography, orientation and location, vehicular access, circulation and parking, setbacks, height, walls, fences and similar elements have been designed to provide a

desirable environment; and (iv) general landscape consideration, including the location, type, size, color, texture, and coverage of plant materials provision for irrigation, maintenance, and protection of landscaped areas and similar elements have been incorporated to ensure visual relief, to complement homes and structures, and to provide an attractive environment for the use of residents and for the enhancement of property values in the Subdivision. The Planning Committee may also condition any consent given for any Improvement within the Bank Area with the requirement of review of such change, after completion, by a qualified architect, engineer or other expert. In either case, the Planning Committee may require that the applicant pay any fee required to be paid to such expert or consultant. IF THE PLANS ARE DISAPPROVED, THE PLANNING COMMITTEE SHALL MAKE WRITTEN FINDINGS AS TO THE REASONS FOR THE DISAPPROVAL.

Section 11.05. Completion and Inspection.

- A. **Completion of Improvements; Extension.** Upon receipt of the approval from the Planning Committee, the Owner shall, as soon as practicable, satisfy any conditions of such approval and diligently proceed with the commencement and completion of all work within two (2) years from the date of such approval. This two (2) year period does not extend any earlier time period for the completion of Improvements contained in this Declaration. If there are substantive changes in the work following the original approval of the plans by the Planning Committee, Owners shall submit the changes for the Planning Committee's approval in the same manner as provided for obtaining approval for the original submission. The Planning Committee may extend the two (2) year period if: (i) the Owner makes a written application to the Planning Committee setting forth the reason for the requested extension; and (ii) the Planning Committee finds that the Owner has pursued the work diligently and in good faith. If the Planning Committee approves the extension, the Planning Committee shall, in writing, notify the Owner of the length of the extension. If the Owner fails to complete the work within two (2) years and any applicable extension period, the approval shall be deemed revoked and the work may be treated as having been constructed in violation of this Article. Nothing in this Subsection imposes a requirement upon the Planning Committee to extend such two (2) year period.
- B. **Inspection of Improvements.** Upon completion of the work, the Owner shall give a Notice of the completion of the Improvement, in writing, to the Planning Committee. The Planning Committee, directly or through its authorized representative, may inspect the work for compliance with the approved plans. The Planning Committee shall notify

the Owner of any noncompliance, in writing, and require the remedy of the non-compliance, within sixty (60) days from receipt of Owner's Notice of Completion. If a Certificate of Noncompliance is not Recorded as provided by Subsection "A" of the Section entitled "Limitation Period for Noncompliance," the Improvement shall be deemed to have been completed in accordance with this Article. If a Certificate of Noncompliance is Recorded within such sixty (60) days period, and the Owner fails to remedy such noncompliance within sixty (60) days after receipt of such notice, the Planning Committee may act in accordance with the provisions of the Section entitled "Noncompliance."

Section 11.06. Noncompliance. If Improvements are installed that are not in compliance with this Declaration, or if an Owner fails to commence or complete Improvements required by this Declaration or by the Association, the Association may remove the Improvement, remedy the noncompliance, complete the required Improvement, or require the Owner to do so. In any such case, such Owner shall reimburse the Association for all expenses incurred in connection therewith, including reasonable attorneys' fees and costs whether or not an action is instituted. No Improvement shall be removed from, completed on, or a noncompliance remedied on, a Lot without either the consent of the Owner of the Lot or an order obtained from a court of competent jurisdiction.

Section 11.07. Limitation Period for Noncompliance.

- A. **Periods for Actions to be Filed.** Any work completed without compliance with this Article shall be deemed to have been done in compliance with this Article if, within one (1) year after completion of such work: (i) no legal action is commenced to enforce the provisions of this Article against such work; and (ii) the Association does not Record a Certificate of Noncompliance ("Certificate of Noncompliance") as provided in Subsection "B" of this Section. If the Association does Record a Certificate of Noncompliance, legal action to enforce this Article must be commenced and a notice of pendency of action Recorded within two (2) years of such Recording or the Certificate expires and is of no further force and effect and no action may thereafter be maintained to enforce compliance of the work.
- B. **Certificate of Noncompliance.** The Certificate of Noncompliance referred to in Subsection "A" of this Section shall give a legal description of the Lot affected, state the name of the record Owner, state the date of completion, and describe generally the nature of the noncompliance, including any failure or omission of such Owner to commence or complete a required Improvement, and any action of such Owner that is inconsistent with this Declaration. It shall be signed by an officer or other authorized person for the Association. The Association's right to execute and Record such Certificate is not subject to the Section of this Declaration entitled "Arbitration" or the

Section of the Bylaws entitled "Alternative Dispute Resolution."

Section 11.08. Estoppel Certificate. Within thirty (30) days after written demand is delivered to the Association by any Owner, and upon payment to the Association of a reasonable fee fixed by the Association to cover costs, the Association shall provide such Owner with an estoppel certificate executed by an officer of the Association and acknowledged, certifying with respect to any Lot owned by the Owner, that as of the date of the certificate, either: (i) all Improvements and other work made or done on such Lot by the Owner, comply with this Declaration; or (ii) such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements and work, and set forth with particularity the nature of such noncompliance. Any purchaser from the Owner, and any Secured Party, shall be entitled to rely on such certificate with respect to the matters therein set forth, such matters being conclusive as between Declarant, the Association, and all Owners, and such purchaser or Secured Party.

Section 11.09. Limitation of Planning Committee Liability. NEITHER THE PLANNING COMMITTEE, THE ASSOCIATION, NOR ANY MEMBER OF THE PLANNING COMMITTEE SHALL BE LIABLE TO THE ASSOCIATION, ANY OWNER OR ANY OTHER PERSON FOR ANY DAMAGE, LOSS OR PREJUDICE SUFFERED OR CLAIMED ON ACCOUNT OF: (A) THE APPROVAL OF ANY PLANS, DRAWINGS, OR SPECIFICATIONS, WHETHER OR NOT DEFECTIVE; (B) THE CONSTRUCTION OR PERFORMANCE OF ANY WORK, WHETHER OR NOT PURSUANT TO APPROVED PLANS, DRAWINGS, AND SPECIFICATIONS; (C) THE DEVELOPMENT, OR MANNER OF DEVELOPMENT, OF ANY PROPERTY WITHIN THE SUBDIVISION; (D) THE EXECUTION AND RECORDATION OF AN ESTOPPEL CERTIFICATE, WHETHER OR NOT THE FACTS STATED THEREIN ARE CORRECT, PROVIDED, HOWEVER, THAT THE OFFICER EXECUTING THIS CERTIFICATE, WITH THE ACTUAL KNOWLEDGE POSSESSED BY SUCH OFFICER, HAS ACTED IN GOOD FAITH; OR (E) THE FAILURE OF ANY PERSON CONSTRUCTING IMPROVEMENTS TO OBTAIN CORRECT PROPERTY ZONING, OBTAIN A BUILDING PERMIT, OR TO CONFORM TO BUILDING, OR SAFETY, OR HEALTH LAWS, ORDINANCES, OR REGULATIONS. IN ANY CASE, THE PLANNING COMMITTEE OR ANY MEMBER OF THE PLANNING COMMITTEE, MAY CONSULT WITH OR HEAR ANY OWNER WITH RESPECT TO ANY PLANS, DRAWINGS, OR SPECIFICATIONS, OR ANY OTHER PROPOSAL SUBMITTED TO THE PLANNING COMMITTEE.

Section 11.10. Owner's Liability. Any Owner who alters any portion of the Subdivision, or causes any alteration to the Subdivision, shall be responsible and liable for any damage to Common Area or other Lots resulting from such alteration, and shall be responsible and liable for any violation of any law or governmental regulation resulting from such alteration.

Section 11.11. Mechanics' Liens. No Owner shall permit any mechanics' lien to arise, in connection with any work initiated by such Owner, upon the Common Area or any other Lot not owned by such Owner. Should such a lien arise, the Owner who initiated such work shall immediately take all necessary steps to remove such lien, including, if necessary,

the obtaining of a bond, and shall indemnify the Association and all Owners against, and hold them harmless from, such lien and any costs incurred in removing such lien, including reasonable attorneys' fees. If any Owner fails to promptly pay all such costs upon the written demand of the Association, the Association may levy a Remedial Assessment, in accordance with the Section entitled "Remedial Assessments," against such Owner for such amounts.

Section 11.12. **Property to be Annexed.** Declarant or any other Owner of property not within the Subdivision who wishes to have such property annexed to the Subdivision in accordance with this Declaration, may seek approval of such owner's plans and specifications for Improvements to be made to such property, prior to such annexation. Any such approval given by the Planning Committee in accordance with this Article shall have the same effect as if the property had already been annexed to the Subdivision. This Section shall not be construed to require Declarant to obtain such approval with respect to any property.

Section 11.13. **Compensation of Planning Committee Members.** No member of the Planning Committee may be compensated for such member's duties except (i) the Declarant can compensate its appointees and (ii) the Association may compensate an "expert" appointee who is not an Owner. An "expert" appointee shall be an architect house designer or person with similar skills. Planning Committee members may be reimbursed their expenses incurred in serving as the Planning Committee.

ARTICLE 12 INSURANCE

Section 12.01. **Hazard Insurance.** The Association shall obtain, and maintain in force, a policy of hazard insurance covering all insurable Improvements in the Common Area, including fixtures, and building service equipment that are considered part of the Common Area, and other common personal property and supplies. Such insurance shall cover loss or damage by fire and all other hazards normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects including those covered by the standard "all risk" endorsement. In lieu of an "all risk" endorsement, the policy may include the "broad form" covered causes of loss. The amount of coverage shall be not less than one hundred percent (100%) of the insurable replacement cost of the Common Area Improvements. Coverage does not need to include land, foundations, excavations, or other items that are usually excluded from insurance coverage. To assure full insurable value replacement cost coverage, such policy may include either one of the following endorsements; (i) a Guaranteed Replacement Cost Endorsement, under which the insurer agrees to replace the insurable property regardless of the cost, and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement which waives the requirement for coinsurance; or (ii) a Replacement Cost Endorsement, under which the insurer agrees to pay up to one hundred percent (100%) of the property's insurable replacement cost, and an Agreed Amount Endorsement which waives any requirement for coinsurance. Such policy shall also include the following special endorsements: (i) an Inflation Guard Endorsement, when obtainable; (ii) a Building Ordinance or Law Endorsement providing for contingent liability from the operation of building laws,

demolition costs and increased costs of reconstruction, if the enforcement of any building, zoning or land-use law will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs; (iii) a Steam Boiler and Machinery Coverage Endorsement, if the Common Area has central heating or cooling, which provides for the insurer's minimum liability per accident to at least equal the lesser of two million dollars (\$2,000,000.00) or the insurable value of the buildings housing the boiler or machinery; and (iv) recognition of any Insurance Trust Agreement. In lieu of obtaining a Steam Boiler and Machinery Coverage Endorsement, the Association may obtain separate stand-alone boiler and machinery coverage.

Section 12.02. Liability Insurance. The Association shall obtain and maintain in force, a policy of comprehensive single limit general liability insurance on the Common Area, in the amount of at least Five Million Dollars (\$5,000,000.00), per occurrence and in the annual aggregate insuring Declarant, each Owner, the Association, and the Board, against: (i) liability for bodily injury or death, and property damage, in connection with the ownership, operation, maintenance, or use of the Common Area or any part thereof; and (ii) liability under any applicable worker's compensation statutes. The policy shall contain a "severability of interest" clause or cross Liability Endorsement. The insurer's liability under the policy shall be primary over any other insurance obtained by or for any other Owner and shall not be affected by and the insurer shall not claim any right of set-off, counterclaim, apportionment, proration, or contribution by reason of any act or negligence of any Owner. The policy should also cover commercial spaces, if any, that are owned by the Association, even if they are leased to others. If such policy does not include "severability of interest" in its terms, it must contain a specific endorsement to preclude the insurer's denial of an Owner's claim because of negligent acts of the Association or of other Owners.

Section 12.03. Flood Insurance. If any Common Area property is located in a Special Flood Hazard Area, which is designated as A, AE, AH, AO, AI-30, A-99, V, VE, or VI-30 on a Flood Insurance Rate Map, or in an area identified by the Federal Emergency Management Agency ("FEMA") as having special flood hazards and for which flood insurance has been made available under the appropriate National Flood Insurance Administration Program ("NFIP"), the Association shall obtain a master or blanket policy of flood insurance and provide for the premiums to be paid as a common expense. It shall be in the form issued by members of the National Flood Insurance Association, or in a form which meets the criteria set forth in the most recent guidelines published by the National Flood Insurance Administration. The policy shall cover Common Area Buildings and any other common property located within the special flood hazard area, and shall be in an amount equal to the lesser of: (i) the maximum coverage available under the appropriate NFIP for all buildings and other insurable property; or (ii) one hundred percent (100%) of the insurable value of the Common Area facilities.

Section 12.04. Deductibles. The Association, in its sole discretion, may obtain any policy of insurance with a "deductible" provision, under which losses not exceeding a specified amount are not covered. The amount of the deductible shall: (i) be reasonable, given the amount and type of coverage; and (ii) not exceed any applicable maximum deductible permitted by the Federal National Mortgage Association ("FNMA"). The

estimated amount of deductibles needed shall be included as part of the Association Reserves.

Section 12.05. General Insurance Requirements.

A. Carrier Rating.

1. **General.** All hazard insurance required to be maintained under this Article shall be issued by an insurance carrier meeting the general requirements of this Subsection and the specific requirements of Subsection 2. Such insurance carrier shall have an acceptable rating from either the A.M. Best Company, Demotech, Inc., or Standard and Poor's, Inc. If such carrier does not meet the rating requirements of this Section, it must be covered by reinsurance with a company that meets either one of the A.M. Best general policyholder's ratings or one of the Standard and Poor's claims-paying ability ratings described in Subsection 2. All insurance required to be maintained under this Article shall be issued by an insurance carrier which is specifically authorized by law or licensed to do business in the State in which the Subdivision is located.
2. **Specific Requirements.** An insurance carrier must meet on one of these specific requirements: (i) a "B" or better general policyholder's rating or a "6" or better financial performance index rating in Best's Insurance Reports; (ii) an "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's Insurance Reports-International Edition; (iii) an "A" or better rating in Demotech's Hazard Insurance Financial Stability Ratings; (iv) a "BBBq" qualified solvency ratio or a "BBB" or better claims-paying ability rating in Standard and Poor's Insurer Solvency Review, or (v) a "BBB" or better claims-paying ability rating in Standard and Poor's International Confidential Rating Service.

B. Named Insured; Loss Payee. The Association, and any Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement, shall be named as insured on any insurance policy required by this Article and obtained by the Association, for the use and benefit of the Owners who are Members. The Association, or Insurance Trustee if applicable, shall be named as loss payee, in trust for all such Owners and Secured Parties.

C. Prohibited Provisions. No insurance policy required by this Article shall contain or be subject to any provision under which: (i) the Association, or any Owner or Secured Party would be liable for any contribution or assessment; or (ii) any contribution or assessment for

which any other person is liable may become a lien on any property prior to the lien of a Secured Party; or (iii) loss payments are contingent upon any action by the insurer's board of directors, policy holders, or members; or (iv) a Secured Party, Owner, or the Association would be prevented from collecting insurance proceeds other than in accordance with standard insurance conditions.

- D. **Notice of Cancellation.** No insurance policy required by this Article shall be subject to cancellation, including for nonpayment of premiums, except upon at least ten (10) days' prior written notice to the Association or any insurance trustee for the Association and to any Secured Party listed in such policy.
- E. **Increased Hazards.** No insurance policy required by this Article shall contain a provision relieving the insurer from liability for loss occurring while any covered hazard is increased, whether or not within the knowledge of the Association, the Board, or any Owner, by any act or omission, or breach of any warranty, condition, covenant, or restriction, by the Association Board, any Owner, or any other person acting under such persons.
- F. **Acts of Individual Owners.** Each insurance policy must provide that coverage is not prejudiced by any act or neglect of individual Owners or Occupants not within the control of the Owners collectively.
- G. **Waiver of Subrogation.** Each insurance policy required by this Article shall contain a waiver by the insurer of any right of subrogation to the rights of any person or entity against Declarant, the Board, the Association, and any Owner or Occupant.
- H. **Compliance With Law.** All insurance coverage obtained by the Association shall be in accordance with and consistent with local and state insurance law.
- I. **Mortgagee Clause.** Any hazard insurance policy obtained by the Association shall contain the standard mortgagee clause, in a form commonly accepted by private institutional mortgage investors in the area in which the Subdivision is located, which shall name as Mortgagee either FNMA or the Secured Party for the Mortgages which FNMA holds on Lots. When a Secured Party is named as Mortgagee, its name should be followed by the phrase "its successors and assigns."
- J. **Certificates.** The Association shall hold certificates or other evidence of all insurance policies obtained under this Article, and shall issue such certificate or other evidence to each Owner and First Mortgagee upon request.

- K. **Claim Filing.** For any insurance policy obtained by or on behalf of the Association, only the Association, acting through an authorized representative, may file a claim with the insurance trustee or insurance carrier. Individual Owners must submit any claim to the Association and shall not file any claim directly with the Association's insurance carrier or agent or instruct the Association's insurance agent to accept or file a claim without written authorization from the Association.
- L. **Proceeds.** The Association, and any Insurance Trustee if applicable, shall receive, hold, or otherwise properly dispose of any insurance proceeds in trust for Owners and Secured Parties as their interests may appear.

Section 12.06. Other Insurance. The Association shall consider and may obtain other insurance protection that from time to time is necessary or desirable to protect the Association, its members, directors, and officers, including insurance to protect the Association from loss of assessments due to the damage or destruction of Units.

ARTICLE 13 DAMAGE, DESTRUCTION, AND EMINENT DOMAIN OF COMMON AREA OTHER THAN LAKE

Section 13.01. Applicability. This Article shall not apply to the Lake or Lake bulkhead.

Section 13.02. Reconstruction Fund. Upon the damage or destruction of any part of the Common Area other than the Lake and Lake bulkhead, the Board shall create and maintain a Reconstruction Fund. The Reconstruction Fund shall comprise any: (i) insurance proceeds, and any amounts recovered as a direct settlement from a third party; (ii) accumulated reserves for repair or replacement of the damaged Improvements; (iii) Reconstruction Assessments levied for the damage or destruction; and (iv) damages recovered from an action brought by the Association pursuant to the Section entitled "Recovery of Damages for Damage or Destruction to Non-Lake Common Area." The funds in the Reconstruction Fund do not need to be segregated in a separate bank account. The amount in the Reconstruction Fund shall be disbursed in accordance with the provisions in the Section entitled "Disbursements of Reconstruction Fund."

Section 13.03. Reconstruction Assessment Defined. "Reconstruction Assessment" means those assessments levied against all or some of the Owners to pay the expenses attributable to the damage or destruction of all or any portion of the Common Area. In this Article, "Reconstruction Assessment" applies to assessments for expenses for all Common Area other than the Lake or Lake bulkhead. In the Article entitled "Damage, Destruction, and Eminent Domain of Lake" the term "Reconstruction Assessment" applies to assessments for expenses for the Lake, and Lake bulkhead. Such Reconstruction Assessments shall be considered Special Assessments for the purposes of collection remedies and the provisions relating to Special Assessments contained in Section 1367 of the California Civil Code. The allocation of such Reconstruction Assessments shall be as provided in this Article or in the

Article entitled "Damage, Destruction, and Eminent Domain of Lake."

Section 13.04. **Damage or Destruction to Non-Lake Common Area.** If there is damage or destruction to the Common Area of the Lake other than the Lakes, or Lake bulkhead and related facilities, then:

- A. **Cost Does not Exceed Assessments.** If the cost of replacing or rebuilding does not exceed the amount in the Reconstruction Fund by more than the amount the Board could assess without the Owners' vote under the Section entitled "Rules Governing Regular Assessments," and the Board votes to repair and rebuild, then the Association shall contract to repair or rebuild the damaged areas according to the original plans and specifications, and shall levy a Reconstruction Assessment in the proportions established in the Section entitled "Allocation of Regular Assessment," in the amount, if any, by which the cost of repair or rebuilding exceeds the amount in the Reconstruction Fund.
- B. **Cost Exceeds Assessments:** If the cost of replacing or rebuilding does exceed the amount in the Reconstruction Fund by more than the amount the Association could assess without the Owner's vote under the Section entitled "Rules Governing Regular Assessments" or if the Board does not wish to repair and rebuild, the question of repairing and rebuilding shall be decided by a vote of the Owners, and a disapproval by the Owners of the necessary assessment to replace or rebuild the damaged or destroyed Improvements shall be the affected Owners' decision not to replace or rebuild in which case the Association shall clear the property and place it in a neat and attractive condition.

Section 13.05. **Recovery of Damages for Damage or Destruction to Non-Lake Common Area.** The Association may commence and maintain actions for the recovery of any damage caused to the Subdivision if any part of the Common Area other than the Lake, Lake bulkhead, and related facilities is damaged or destroyed. This provision shall survive the termination of this Declaration, and any recovery minus costs advanced by the Association shall be paid into the Reconstruction Fund, designated, and paid out as provided for under this Article.

Section 13.06. **Disbursement of Reconstruction Fund.** The Reconstruction Fund shall be disbursed to pay for any costs of replacing, rebuilding or removing and placing Common Area in a neat and attractive condition as provided in the Section entitled "Damage or Destruction to Non-Lake Common Area". Any unused amount in the Reconstruction Fund shall be first credited to make up any deficiency in the Maintenance Reserve Fund and then to the Operating Fund.

Section 13.07. **Eminent Domain.**

- A. **Action by Association.** If there is a taking of all or a portion of the Common Area other than the Lake, Lake bulkhead, and related facilities, the Association shall negotiate or settle with the condemning authority for the acquisition of all or part of such Common Area, subject to the rights of affected Owners to so negotiate, litigate, and settle for any loss or diminution to their Lots. Any condemnation award or settlement shall be paid into the Operating Fund.
- B. **Repair of Common Area.** If there is a taking of a portion of the Common Area other than the Lake, Lake bulkhead, and related facilities, the Association has the authority to apply any or all of the condemnation award to the repair or rebuilding of that portion of such Common Area damaged from the severance so that the remaining Common Area is kept in a neat and attractive condition.
- C. **Taking Defined.** A "taking" for the purpose of this Section, is a taking of the Common Area other than the Lake, Lake bulkhead, and related facilities, under the power of eminent domain or as a conveyance of Common Area by the Association in settlement of a proposed taking by eminent domain.

**ARTICLE 14
DAMAGE, DESTRUCTION AND EMINENT DOMAIN OF LAKE**

Section 14.01. **Lake Reconstruction Fund.** Upon the damage or destruction of any part of the Lake, Lake bulkhead, and related facilities, the Board shall create and maintain a Lake Reconstruction Fund. The Lake Reconstruction Fund shall comprise any: (i) insurance proceeds, and any amounts recovered as a direct settlement from a third party; (ii) accumulated reserves for repair or replacement of the damaged improvements; (iii) Reconstruction Assessments levied for the damage or destruction; and (iv) damages recovered from an action brought by the Association pursuant to the Section in this Article entitled "Recovery of Damages for Damage or Destruction to Lake". The funds in the Lake Reconstruction Fund do not need to be segregated in separate bank accounts. The amount in the Lake Reconstruction Fund shall be disbursed in accordance with the provisions in the Section entitled "Disbursement of Lake Reconstruction Fund". "Lake" as used in this Article only, means the Lake, Lake bulkhead, and related facilities.

Section 14.02. **Damage or Destruction to Lake and Related Facilities.** The provisions in this Section apply only to damage or destruction of the Lake. If there is damage or destruction of the Lake, then the following provisions apply.

- A. **Cost Does Not Exceed Assessments.** If the cost of replacing or rebuilding does not exceed the amount in the Lake Reconstruction Fund by more than the amount the Board could assess without the Lake Lot Owners vote under Subsection "B" of the Section entitled "Rules Governing Regular Assessments," and the Board wants to repair and rebuild, then the Board shall contract to repair or rebuild the

damaged areas according to the original plans and specifications, and shall levy a Reconstruction Assessment on all Owners of Lake Lots, in the proportions established in Subsection B of the Section entitled "Allocation of Regular Assessments", in the amount, if any, by which the cost of repair or rebuilding exceeds the amount in the Lake Reconstruction Fund.

- B. **Cost Exceeds Assessments.** If the cost of replacing or rebuilding does exceed the amount in the Lake Reconstruction Fund by more than the amount the Association could assess without the Lake Lot Owners' vote under the Section entitled "Rules Governing Assessments" or if the Board does not wish to repair and rebuild, the question of repairing and rebuilding shall be decided by a vote of the Lake Lot Owners and a disapproval by the Lake Lot Owners of the necessary assessment to replace or rebuild the damaged or destroyed Improvements shall be the Lake Lot Owners' decision not to replace or rebuild, in which case the Association shall clear the property and place it in a neat and attractive condition.

Section 14.03. Recovery of Damages for Damage or Destruction to Lake. The Association may commence or maintain action for the recovery for any damage caused to the Subdivision if any part of the Lake is damaged or destroyed. This provision shall survive the termination of this Declaration, and any recovery minus costs advanced by the Association shall be paid into the Lake Reconstruction Fund, designated, and paid out as provided for under this Article.

Section 14.04. Disbursement of Lake Reconstruction Fund. The Lake Reconstruction Fund shall be disbursed to pay for any costs of replacing, rebuilding or removing and placing the Lake in a neat and attractive condition as provided in the section entitled "Damage or Destruction to the Lake and Related Facilities". Any unused amount in the Lake Reconstruction Fund shall be first credited to make up any deficiency in the Lake Reserve Fund and then to the Lake Operating Fund.

Section 14.05. Eminent Domain of Lake.

- A. **Action by Association.** If there is a taking of all or a portion of the Lake, the Association shall negotiate or settle with the condemning authority, for the acquisition of all or part of such facilities, subject to the right of Owners of Lake Lots to so negotiate, litigate, or settle for any loss to or diminution to their Lots. Any condemnation award shall be paid into the Lake Operating Fund.
- B. **Repair of Lake Facility.** If there is a taking of a portion of the Lake, the Board has the authority to apply any or all of the condemnation award to the repair or rebuilding of that portion of the Lake damaged from the severance so that the remaining portion is kept in a neat and attractive condition.

- C. **"Taking Defined"**. A "taking", for the purpose of this Section, is a taking of the Lake under the power of eminent domain or a conveyance of the Lake by the Association in settlement of a proposed taking by eminent domain.

ARTICLE 15 PROTECTION OF MORTGAGEES

Section 15.01. General Mortgagee Protection.

- A. **Conflict**. The provisions and requirements of this Article, and any other provisions and requirements of this Declaration relating to the rights of First Mortgagees: (i) shall prevail over any conflicting provisions of this Declaration; and (ii) are in addition to any other provisions of this Declaration.
- B. **Application of This Declaration**. Except as specifically provided in this Article or elsewhere in this Declaration, all Security Devices and Secured Parties are governed by this Declaration.

Section 15.02. **Application of Assessments to First Mortgagees**. No First Mortgagee shall be liable for the payment of assessments against the mortgaged Lot except those payable after such First Mortgagee obtains title to the Lot pursuant to its remedies under the First Mortgage. Each First Mortgagee who obtains title pursuant to its remedies under the First Mortgage, and any purchaser at a foreclosure sale conducted pursuant to the provisions of a First Mortgage, shall take title to the Lot free and clear of any claims or liens for unpaid assessments and charges which were payable prior to such acquisition of title. Any such sale shall extinguish such liens, but the purchaser or First Mortgagee who so acquires title shall be liable for all assessments accruing after the date of such sale, including assessments levied against all Lots proportionately to compensate for the unpaid assessments and charges, which assessments shall constitute a lien upon the purchased Lot in accordance with the Article entitled "Funds, Assessments, and Delinquency." If by law the rights of Mortgages or the lien of Mortgagees or both are made in whole or in part subordinate to assessment liens, then the provisions of the law shall control over this section. Any Institutional Lender that is a seller of a Lot under an executory installment land sale contract is considered a First Mortgagee for purposes of this Declaration. Assessment liens are subordinate to the interest of such Institutional Lender until one of the following occurs: (i) the contract is terminated and title to the Lot is conveyed to the purchaser; or (ii) such Institutional Lender retains title to the Lot free of any legal obligation to convey the Lot to the purchaser under the contract.

Section 15.03. **Limitation of Enforcement Against First Mortgagees**. No violation of this Declaration by, or enforcement of this Declaration against, an Owner, shall impair the lien of any First Mortgage against the Owner's Lot or Project Unit, but this Declaration shall be enforceable against any Owner whose title is acquired by foreclosure, trustee's sale, voluntary conveyance, or otherwise.

Section 15.04. Availability of Documents. The Association must have current copies of the Governing Documents, books, records, and financial statements of the Association, available for inspection, during normal business hours, upon request, to Owners, First Mortgagees, and Guarantors.

Section 15.05. No Restraints on Alienation. No provision of this Declaration creates a right of first refusal in the Association or other restraint with respect to the sale, transfer, mortgage, or other conveyance or encumbrance of a Lot as a whole by the Owner.

Section 15.06. Insurance and Condemnation Proceeds. Notwithstanding any other provision of this Declaration, whenever insurance or condemnation proceeds are to be distributed to Owners of Lots, the First Mortgagee of each Lot shall have such rights to priority of distribution of the proceeds allocated to that Lot as are provided for in the First Mortgage.

ARTICLE 16 APPLICATION OF DECLARATION TO DECLARANT

Section 16.01. Limited Application. Declarant is undertaking the work of constructing Improvements upon the Subdivision and any adjacent or related subdivision. The completion of that work and the expeditious sale, rental, or other disposition of the Lots is essential to the establishment of the Subdivision. Accordingly, Declarant and its agents, employees and contractors shall have the rights and privileges established by this Article. For the purpose of this Article only, "Declarant" means the Declarant, its agents, employees, contractors, subcontractors, laborers, suppliers, materialmen, brokers, and sales persons.

Section 16.02. Necessary Work. Declarant may do within the Subdivision whatever is reasonably necessary or advisable in connection with the completion of the work and completing the work on any related or adjacent subdivision. "Necessary Work" includes leaving security or privacy gates open and otherwise keeping the Common Area open during business hours for the use of contractors, subcontractors, materialmen, and professional advisors for the purpose of completing construction and the sale of property in the Subdivision.

Section 16.03. Structures. Declarant may erect and maintain, on any part or parts of the Subdivision, such structures as may be reasonably necessary for the completion of the work and establishment and disposal of the Subdivision in parcels by sale, lease or otherwise, including but not limited to: sales offices, and model units; general business offices for its staff, employees, and contractors; and storage and parking facilities for materials and equipment. The use of single-family houses for any or all of such purposes is expressly permitted by this Subsection.

Section 16.04. Completing Work. Declarant may conduct within the Subdivision its business of completing the work and establishing and disposing of the Subdivision and any related or adjacent subdivision. For this purpose, Declarant reserves easements for access by Declarant, over Common Area roads and driveways, for the purpose of completing construction and sales and may keep open privacy gates during normal business hours for

this purpose. Declarant may also place dumpsters and other refuse collection containers and other equipment on Lots and Common Area for use in completing the work.

Section 16.05. Parking. Declarant may set aside reasonable unassigned parking for use of employees, contractors, and customers.

Section 16.06. Signs. Declarant may maintain such signs on the Subdivision as may be reasonably necessary in the sole discretion of Declarant for the sale, lease, or disposition of the Subdivision or of any Lot, including informational, directional and monument signs.

Section 16.07. Rental Facilities. If parts of the Subdivision are held by the Declarant for leasing or rental, Declarant may maintain on the Subdivision rental offices, service facilities, model units, offices, and parking for its staff and necessary and convenient signs.

Section 16.08. Lake Setbacks. Declarant may construct structures or dwellings within the Bank Area. Any Improvements constructed by Declarant in the Bank Area shall be made in a manner to minimize any obstruction of the view of the Lake from adjoining Lots.

Section 16.09. Use of Subdivision Name. Declarant may use this Declaration and the name of this Declaration in other subdivisions, projects or businesses, whether or not located adjacent to the Subdivision and may use the name of the Subdivision and the name of the Association in connection with other projects, whether or not adjacent to the Subdivision, provided such names have a distinctive number or other designation so that they are not identical to the names of the Subdivision and Association. Consent is hereby given to Declarant and Declarant's assignee to use such names, distinguished as provided by this Section, as the name of a corporation. The Association shall, upon the request of the Declarant, cause to be executed and filed any consent necessary to permit such use.

Section 16.10. Architectural Control. Improvements by Declarant on or to the Subdivision do not require approval of the Association or Planning Committee but must conform otherwise to the architectural requirements of this Declaration. The partition, subdivision, consolidation, and resubdivision of Lots by Declarant are exempt from requirements of Planning Committee or Association approval, as set forth in the Section entitled "Lot Splitting, Consolidation."

Section 16.11. Use of Common Area. Declarant may establish construction, sales, and rental offices within the Common Area, maintain trailers and erect structures on Common Area for these purposes, and may maintain advertising and directional signs on Common Areas for the duration of this Article and may use the Lake and the Recreational Facility for sales, promotion of the Subdivision and is authorized to launch and maintain boats on any Lake for this purpose.

Section 16.12. Separate Gates. In any area having private streets, Declarant may maintain and operate separate entrances and gate systems for the use of Declarant, Merchant Builders, contractors, material suppliers, and others working in the Subdivision and any such entrance shall be under Declarant's sole control.

Section 16.13. No Amendment or Repeal. The provisions of this Article and any other provision of this Declaration providing Declarant special privileges or protections or both, not given to Owners in general may not be amended or repealed without the consent of Declarant.

Section 16.14. Duration of Article. This Article shall be effective only until the later of: (i) the expiration of the final deadline for annexation of a Subsequent Phase by Declarant under Subsection "A" of the Section entitled "Annexation;" (ii) five (5) years following the last annexation of a Subsequent Phase by Declarant under such Subsection.

ARTICLE 17 APPLICATION OF DECLARATION TO MERCHANT BUILDERS

Section 17.01. Public Report. A Merchant Builder shall obtain a Public Report covering the sale or lease of any Lots prior to making any such sale or lease, and make any such sale or lease pursuant to the authority of such Public Report unless such sale is not subject to the requirement of a Public Report, pursuant to Sections 11000, 11010.3, or 11010.4 of the California Business and Professions Code. A Merchant Builder will make any filing for a Public Report within the Subdivision subsequent to Declarant's master filing. A Merchant Builder shall be responsible for any and all security required by its filing and the issuance of a Public Report to Merchant Building unless otherwise agreed by the Declarant in writing.

Section 17.02. Effect of Conveyance to a Merchant Builder. The conveyance to a Merchant Builder of a Lot or Lots shall not be a conveyance under any other provision of this Declaration that will (i) start the commencement of any assessments; (ii) start the operation of the Association or require the first meeting of the Association; or (iii) compel the conveyance of Common Area to the Association, and these events shall not occur on the conveyance of a Lot to a Merchant Builder.

Section 17.03. Assignment of Declarant's Special Powers. Declarant has the power to assign to Merchant Builders the non-exclusive rights to use all or any of the powers and privileges granted to it by the Article entitled "Application of Declaration to Declarant," in addition to the provisions of the Section entitled "Assignment by Declarant." Such assignment must be in writing and may be on such terms and conditions as Declarant determines as to the powers and privileges assigned, their duration, and any other limitations on their use. No such assignment shall prevent Declarant from exercising any of such powers or assigning such powers to other Merchant Builders.

Section 17.04. Ingress and Egress. If access from the public roads to the Lots owned by a Merchant Builder is over private roads or over roads not yet dedicated to public use, Merchant Builders have the right of ingress and egress to and from their Lots to the public streets over the roads in the Subdivision designated in writing by Declarant, or, if such roads are not designated, by the most direct route.

Section 17.05. Sale of Houses. Merchant Builders shall sell or lease Lots designated for residential development only if such Lots have been improved or will be improved at the

time of transfer with a completed house or other residential dwelling Unit unless the sale is to another Merchant Builder.

Section 17.06: ILSFDA. A Merchant Builder will not sell Lots or other subdivision interests in violation of the Federal Interstate Land Sale Full Disclosure Act (115 United States Code, Section 1601, et seq), or sell Lots or other subdivision interests in such a manner as to put Declarant in violation of such Act.

Section 17.07. Merchant Builder Architectural Control. Merchant Builders shall obtain Architectural approval from the Declarant of any Improvements to a Lot, including the approval of any landscaping. This Architectural approval shall be done as provided by the Article entitled "Architectural Control and Planning Committee," except that for this purpose "Declarant" shall be substituted for "Planning Committee" wherever the term "Planning Committee" appears. Declarant may also regulate the placement of dumpsters and other refuse collection containers. Declarant may grant approval to certain models and elevations of Merchant Builders and thereafter, Merchant Builders need only obtain approval for the model and elevation to be placed on each Lot and the color of the Improvements as long as there has been no substantive change to the model and elevation approved. The approval shall be based on compliance of the Improvements with the Article entitled "Use of Property." This approval is in addition to the approval required by the Article entitled "Architectural Control and Planning Committee." If Declarant provides as part of its approval that the Merchant Builder does not have to obtain such additional approval the Merchant Builder does not have to obtain approval as required by the Article entitled "Architectural Control and Planning Committee." If a Merchant Builder obtains architectural approval pursuant to this Section prior to the formation of the Association, the Merchant Builder does not have to obtain approval from such Planning Committee for the Improvements approved pursuant to this Section.

Section 17.08. Design Guidelines for Merchant Builders. Merchant Builders must construct any Improvements and signs set forth in the design guidelines adopted for the Subdivision as provided for in the Section entitled "Design Guidelines." All "For Sale" and other signs used by Merchant Builders, their contractors, lenders, or other affiliated persons must conform to the sign requirements of the Design Guidelines.

ARTICLE 18 APPLICATION OF DECLARATION TO COMMERCIAL AREA

Section 18.01. Application. The provisions of this Article apply only the Commercial Area and to the Owners and occupants of Lots in the Commercial Area. The term "Occupant" for the purposes of this Article means any lessee or licensee or other person with a right to possession of any part of the Commercial Area.

Section 18.02. Other Provisions Not Applicable. The real property that is part of the Commercial Area and the Owner and Occupants of such property are subject to this Declaration only for the purpose of the enforcement of the provisions of this Article and for the purposes of the Commercial Area Payment as set out in the Section entitled "Commercial Area Payment." The Owners of Lots in the Commercial Area are not Members of the

Association and the provisions of Articles 5, 6, 10, 11, 12, 13, 14, 15, 16, and 17 do not apply to the Commercial Area and do not apply to the Owners and Occupants of Lots in the Commercial Area.

Section 18.03. Landscaping and Improvements. The landscaping and Improvements in the Commercial Area, including the areas maintained as provided by the Section entitled "Off-Site Landscaping," shall be maintained in a neat and attractive manner and in good order and repair. All grass, moss plantings, and other plantings shall be mowed, trimmed, and cut as necessary at reasonable regular intervals.

Section 18.04. Off-Site Landscaping. The Owners in the Commercial Area are responsible for maintaining the landscaping along the west side of Harbor Point Drive in the area shown on Exhibit "D-2," unless that landscaping is maintained by an assessment district or other governmental entity.

Section 18.05. Transportation Management Plan. The County of Sacramento approved a Transportation System Management Plan on June 6, 1990, by Board of Supervisors Resolution No. 90-0869. This Plan is binding and enforceable against all Owners and Occupants of the Commercial Area.

Section 18.06. Wetland Costs. Declarant and the Association may be required to maintain certain Wetlands areas located on the Subdivision. Each Owner of real property within the Commercial Area, including Declarant, covenants and agrees to pay to the Association for each Lot owned that Owner's share of the maintenance costs of such Wetlands.

Section 18.07. Lake Quality Expenses. The Lake acts as a storm drainage retention area for water drawing from the entire Subdivision, including the Commercial Area. The Association is required to maintain the quality of the water in the Lake to certain standards in order to discharge water from the Lake. Each Owner of real property within the Commercial area, including Declarant, covenants and agrees to pay to the Association for each Lot owned that Owner's share of the Lake Quality Expenses.

Section 18.08. Commercial Area Restrictions.

- A. **General.** The Commercial Area and the adjoining streets whether public or private shall be subject to the use restrictions set forth in the following Subsections of this Section.
- B. **Violations of Law.** Any activity that violates any governmental rule, regulation, ordinance, statute, or law now or hereafter applying to the Commercial Area and the use of the Commercial Area property is prohibited.
- C. **Nuisances.** Activities, noises, uses, and Improvements that are noxious, illegal, or offensive; or which may be or become a nuisance, or cause unreasonable embarrassment, disturbance, or annoyance are

prohibited.

- D. **Shortwave or other Electronic Interference.** The operation of any shortwave or any other kind of electronic device within the Subdivision that in any way interferes with radio, television, or other electronic signal reception within the Subdivision is prohibited.
- E. **Accessory Structures.** No accessory structures or buildings shall be constructed, placed, or maintained upon any to prior to the construction of the main structure or structures. The provisions of this Subsection shall not apply to temporary construction shelters or facilities maintained only during, and used exclusively in connection with, the construction of any Improvements.
- F. **Refuse.** The accumulation, throwing, dumping, or outdoor burning of garbage, clippings from trees, weeds, shrubs or lawns, trash, litter, debris, ashes, or other refuse on any Lot is prohibited. No Owner shall cause or permit any condition on such Owner's Lot which creates a fire hazard. Each Owner shall provide or have available for such Owner's use suitable receptacles for the collection of refuse. Such receptacles shall be enclosed and screened from public view and protected from disturbance. No refuse shall be placed in streets or public view more than twenty-four (24) hours prior to the scheduled pick up time.
- G. **Accumulation on Lots.** All weeds, rubbish, debris, manure, composting or decaying vegetation material, and other unsightly objects or materials of any kind shall be removed from Lots whether such Lots contain Improvements or not, and shall not be allowed to accumulate on any Lot. This Subsection shall not be construed to prohibit refuse containers, woodpiles, storage areas, or machinery and equipment related to yard care and maintenance, provided such materials are screened from the view of adjacent streets and Lots.
- H. **Nonstandard Vehicles; Mobile Homes.** The placement or maintenance of mobile homes, motor homes, trucks, commercial vehicles, campers, boats, trailers, or similar vehicles is prohibited, except: (i) within enclosed areas; (ii) where required temporarily for the construction, repair, refinishing, or maintenance of any part of the Commercial Area; (iii) for moving furnishings, equipment, or supplies into or out of the Commercial Area; (iv) temporary parking by business invitees; and (v) parking during a temporary trade show displaying such vehicles.
- I. **Vehicle Repair.** Except for vehicle service stations, the parking or placement of any vehicles or other mechanical equipment for the purpose of repairs or reconstruction is prohibited, except within an

enclosed area.

- J. **Utility Lines.** Except for high voltage electrical lines, temporary lines used during construction, and for pre-existing electrical lines installed prior to construction of the Subdivision, all utility lines, including, but not limited to, electrical, gas, telephone, cable television, and other communications shall be underground, except for access ports and above-ground transformers.
- K. **Lake Protection.** The storm drainage system for the Commercial Area drains into the Lake. For this reason no waste materials, sewage, garbage, petroleum, or other chemical product shall be permitted in the storm drainage system or in streets or gutters that drain into the system. Only liquid fertilizers may be used on landscaping so as to control the growth of organisms in the Lake.
- L. **No Residential Use.** No part of the Commercial Area shall be used or caused, allowed, or authorized to be used in any way, directly or indirectly, for any residential or other non-business purpose except for: (i) incidental housing of guards and caretakers as a part of a commercial business; and (ii) the operation of hotels and motels, including their use as apartments.
- M. **Certain Businesses.** The operation of a pornographic or so called "adult" book store, movie theater, video store, or store selling, renting or showing such material or other media is prohibited. This prohibition does not restrict the sale of any book in a book store selling a general range of books, nor does this restriction apply to the sale, rental, or showing of movies, videos, or other media including movies or videos rated "X" or "NC-17" by a place of business selling, renting, or showing a general line of movies or video media.
- N. **Manufacturing.** Manufacturing of any kind is prohibited.

ARTICLE 19 AMENDMENT OR REPEAL; DURATION

Section 19.01. Amendment or Repeal.

- A. **Amendment or Repeal.** Any amendment to this Declaration adopted in accordance with this Section shall become effective upon the Recordation of a certificate signed by the secretary of the Master Association, or the declaration of the sole Owner if there is only one (1) Owner, setting forth in full the amendment so approved, and certifying that the amendment has been approved by the required majority or percentage vote or consent of all, or if applicable, a specified class or subclass of the Owners. The certificate shall also

state whether approval by any other person or class of persons is required and, if so, that the required percentage of such other person or class has approved the amendment. Amendments may be adopted by the method set out below. A repeal of this Declaration shall become effective upon: (i) the approval by the Owners of the decision to terminate this Declaration; and (ii) the Recordation of a Certificate signed by the Secretary of the Association, certifying that the decision to terminate has been approved by the required vote or written consent of the Owners, has been Recorded. This Declaration shall terminate on the expiration date provided in such Certificate.

- B. **Declarant Alone.** Amendments may be adopted by Declarant alone, including amendments to or rescission of a Declaration of Annexation, without the assent of the Association, at any time during which Declarant is the only Owner of property within the Subdivision or, in the case of a Declaration of Annexation, the only Owner of property within the phase to be annexed.
- C. **Only Lake.** Amendments may be adopted affecting the Lake or the Owners of Lake Lots, upon the vote or written consent of fifty-one percent (51%) of the voting power of the Owners of Lake Lots (subject to Subsection "B" of the Section entitled "Voting"). Any vote or written consent obtained from the Owners of Lots that are not Lake Lots, to such amendment, is not effective until the vote or written consent of the necessary Lake Lot Owners is obtained.
- D. **Special Protections.** No provision requiring the consent of Declarant, or a class of Members can be amended without the consent of such person or class. No change may be made in the method of assessment or in the method by which assessments are prorated without the consent of any Owner whose burden of assessment will increase under the amendment.
- E. **Other Amendments.** With respect to all other amendments, amendments may be adopted upon the vote or written consent of fifty-one percent (51%) of the Owners.
- F. **Required Vote on Specific Provisions.** The percentage of the voting power necessary to amend a specific provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under such provision.
- G. **Duration of Consent.** The consent of an Owner to an amendment, once made, continues to be valid during the period consents are gathered even if such Owner's Lot is subsequently sold or transferred or if the consenting Owner dies or becomes incompetent or otherwise loses the ability to consent.

- H. **Extinguishment of Rights.** Subject to Subsection "A" of this Section, any amendment adopted in accordance with this Declaration may alter or extinguish any easement, license, or right of use or enjoyment created by this Declaration, provided that such alteration or extinguishment does not discriminate between Owners similarly situated and does not deprive any Owner of access to or from such Owner's Lot, or to or from the Subdivision.

Section 19.02. Consents to Amendment. This Declaration shall not be amended or terminated without the written consent of E&J Properties, Ltd. as long as E&J Properties, Ltd. owns any of that real property described in Exhibit "E." Consent shall not be unreasonably withheld provided such changes do not change the nature of the Subdivision from a first-class commercial and residential development. E&J Properties, Ltd. shall deny the request with an explanation or give its consent in writing within fifteen (15) days after being given notice of the requested consent, and failure to respond within the fifteen (15) days shall constitute consent to the proposed amendment.

Section 19.03. Violation of Regulations. No amendment to any of the Governing Documents is valid without the consent of Declarant during the time that Declarant owns one (1) or more Lots in the Subdivision if as a result of the amendment or the amendment election the Governing Documents would not conform to any Regulation of the California Real Estate Commissioner or would invalidate or be a material change to a Public Report for the Subdivision or any part of the Subdivision without prior written consent of the California Real Estate Commissioner.

Section 19.04. Amendment of Declarant Benefit Provisions.

- A. **Applicable Law.** If applicable law allows amendment or deletion by the Association of any provisions of this Declaration that provides Declarant special privileges or protections, then such law shall control to the extent of any conflict with the substantive or procedural requirements of this Declaration governing such amendment. The provision subject to the amendment procedures of such law are described in Subsection "C" of this Subsection.
- B. **Construction and Marketing Activities.** Any action under this Section to amend this Declaration shall not occur until the earlier of: (i) the expiration of the Article entitled "Application of Declaration to Declarant" in accordance with the Subsection of that Article entitled "Duration of Article;" or (ii) any other earlier date allowed by law.
- C. **Provisions to be Deleted or Amended.** The provisions subject to this Section include the following provisions: (i) the Article entitled "Application of Declaration to Declarant;" (ii) any provisions empowering Declarant to annex property unilaterally into the Subdivision; (iii) the Section entitled "When Declarant Considered an Owner;" and (iv) any other provision that is subject to amendment or

deletion in accordance with applicable law.

Section 19.05. Duration. All the provisions of this Declaration, including any duly adopted amendments, shall continue in full force and effect unless the decision to terminate this Declaration has been approved pursuant to the Section of this Declaration entitled "Amendment or Repeal."

ARTICLE 20 MISCELLANEOUS PROVISIONS

Section 20.01. Observance of This Declaration. Each Owner shall comply with this Declaration and the Subdivision Rules applicable to such Owner, and shall be responsible for such compliance by such Owner's family, the Occupants of such Owner's Unit, agents, guests, contractors, employees, tenants or subtenants, any other person coming within the Subdivision at the request of or with the consent of such Owner or the Occupants of such Owner's Unit, and the pets of any such persons. If a Lot has more than one (1) Owner, all Owners are jointly and severally liable for all of the obligations of the Owner of the Lot.

Section 20.02. Enforcement. Except as otherwise provided by this Section, the Association or any Owner or Owners may enforce any and all of the provisions made or in the future imposed by the Declaration.

- A. **By the Association.** The Association and its Planning Committee shall have the primary duty of enforcing use restrictions, and restrictions relating to the Association's Common Area and building and architectural standards in any area of the Subdivision.
- B. **Priority of Enforcement.** Declarant, the Association, and any Owner or Owners may enforce any or all of the provisions of this Declaration against the Association, any Project Association, persons, or entities and property subject to this Declaration, subject to the other provisions of this Section. Only the Declarant and the Association shall have the right to enforce provisions of this Declaration against the Commercial Area or against Owners and occupants of the Commercial Area. If the Association undertakes enforcement, no Owner, entity or Project Association shall continue any such enforcement or action without the written consent of the Association.
- C. **No Obligation of Declarant.** Declarant has no obligation to enforce the provisions of this Declaration or of the other Governing Documents.
- D. **Nuisances.** Every act or omission whereby any provision of this Declaration is violated in whole or in part, is hereby declared to be a nuisance, and may be enjoined or abated by the Association or by an Owner or Owners, provided, however, that only the Association or its duly authorized agents may enforce by self-help any provision set forth

in this Declaration, including where applicable removal and storage of personal property without civil or criminal liability therefor.

E. **Cumulative Remedies.** The remedies provided for in this Declaration are cumulative and not exclusive.

Section 20.03. Nonwaiver. The failure to enforce any provision of this Declaration shall not constitute a waiver of any right to enforce that provision or any other provision of this Declaration.

Section 20.04. No Forfeiture. No breach of any provision of this Declaration shall cause any forfeiture of title or reversion or bestow any rights of re-entry.

Section 20.05. Attorneys' Fees. Reasonable attorneys' fees and costs shall be awarded to the prevailing party in any action brought to enforce this Declaration or to collect any money due to the Association pursuant to the provisions of this Declaration. This Section does not apply to actions brought by or against the directors, officers, committee members, and manager of the Association or the Declarant.

Section 20.06. Construction. All provisions of this Declaration shall be liberally construed, together, to promote and effectuate the beneficial operation of the Subdivision.

Section 20.07. Compliance With Law. No provision of this Declaration shall be construed to excuse any person from observing any applicable law or regulation of any governmental body.

Section 20.08. Severability. The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision, or portion thereof, shall not affect the validity or enforceability of any other provision.

Section 20.09. Number and Gender. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine shall include the feminine and neuter, as the context requires.

Section 20.10. Titles. The table of contents and all titles used in the Subdivision Declaration, including those of Articles, Sections, and Subsections, are intended solely for convenience of reference and shall not affect the content of such Articles, Sections, and Subsections, nor any of the terms or provisions of this Declaration. Any numbered or lettered subdivision of a Section is referred to as a "Subsection" or "Subsection _____."

Section 20.11. Statutory References. In the event any statute in this Declaration, whether stated by code and number, or named by body of law, is amended, repealed, renumbered, or renamed, all references to such statute or body of law shall refer to the amended, repealed, renumbered, or renamed statutory provisions.

Section 20.12. Lot Splitting, Consolidation.

- A. **Partition or Subdivision or Rezoning of Lots.** No Lot or real property interest shall be partitioned or subdivided or rezoned without the prior written approval of the Association and the First Mortgagee of such Lot.
- B. **Consolidation of Lots.** No two (2) or more Lots shall be consolidated into one Lot without the prior written consent of the Association of this Section and the First Mortgagees of each such Lots.
- C. **Not Applicable.** Nothing contained in this Section shall apply to: (i) the partition, subdivision, or consolidation of Lots by Declarant; (ii) the resubdivision into a Project of a Lot, or Lots, intended for multi-family residential Improvements or the resubdivision of a Project; or (iii) the partition, subdivision, or construction of Lots in the Commercial Area.
- D. **Change in Voting or Assessments.** The Association may require a change in the voting rights and assessment obligations after any Lot partition, subdivision, or consolidation, to keep the assessment and voting rights the same after the partition, subdivision, or consolidation as they were before such change, provided that after such partition, subdivision, or consolidation, each Lot shall have a minimum of one (1) vote. Applicant shall be responsible for all assessments on Lots accrued prior to any Lot split or consolidation.
- E. **Costs.** All Owners seeking permission to consolidate or subdivide a Lot shall be responsible for engineering, legal, and other costs of the consolidation or separation including the costs of changing the voting and assessment rights and obligations as provided in Subsection "D" of this Section and shall pay such costs upon demand. The Association may require pre-payment of the estimated costs of the Association as a condition of approval.

Section 20.13. Obligations of Owners: Avoidance; Termination.

- A. **No Avoidance of Duty.** No Owner, through nonuse of any Common Area or recreational Improvement, or by abandonment of such Owner's Lot, may avoid the duties imposed on such Owner by this Declaration by virtue of being an Owner.
- B. **Termination of Obligations.** Upon the conveyance, sale, assignment, or other transfer of a Lot to a new Owner, the transferring Owner shall not be liable for any assessments accruing with respect to such Lot following such transfer after the date upon which such transferring Owner gives the Association written Notice of the transfer. No person, who has given such Notice, after the termination of such status as an Owner and prior to again becoming an Owner, shall incur any of

the obligations or enjoy any of the benefits of an Owner under this Declaration following the date of such termination.

Section 20.14. No Partition or Severance of Interests. There shall be no partition or severance of any Lot or any part of the Common Area from the Subdivision, and the Declarant, Association and Owners shall not seek to partition or sever any part of the Common Area or a Lot from the Subdivision, nor shall they have any right to maintain an action for judicial partition in connection with the Subdivision, unless such right is expressly given by this Declaration, and unless any consent of First Mortgagees required by this Declaration is obtained. This provision shall not prohibit the partition of the ownership of any Lot or Lots into joint or common ownership so such Owner's as no physical partition takes place. No Owner shall sever his Lot from its interest in the Association, and any attempt to do so is void.

Section 20.15. Implied Grant or Reservation of Easement. Whenever any provision of this Declaration provides for an easement over any portion of the Subdivision ("Servient Tenement") in favor of another portion of the Subdivision ("Dominant Tenement") and both estates are owned by the same Owner, the separate conveyance of either the Dominant or Servient Tenement without the other shall constitute a grant or reservation, respectively, of the easement, notwithstanding anything to the contrary in the instrument of conveyance.

Section 20.16. Notices; Documents; Delivery.

- A. **Manner of Giving Notice.** Except as provided in Subsection "B," any notice or other document permitted or required by this Declaration to be delivered, may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of same has been deposited in the United States mail, first class postage prepaid, addressed as follows: If to an Owner other than Declarant, then to any Lot within the Subdivision owned by the Owner or at such other address given by the Owner to the Association in writing; if to Declarant, a Secured Party, or the Association, to the address given by Declarant, the Secured Party, or the Association in writing. Any person's or entity's address may be changed from time to time by such person or entity by notice in writing, delivered to the Association, or by the Association, by notice in writing, delivered to all Owners.
- B. **Notices to Mortgagees and Guarantors.** Notices to Mortgagees, shall be sent certified or registered mail, return receipt requested. The notice shall be deemed served when actually delivered; provided, however, that if the notice is not delivered due to an incorrect address furnished by the Mortgagee or a failure of the Mortgagee to inform the Association of a change of address, then the notice shall be deemed served seventy-two (72) hours after mailing.

- C. **Notice of Change of Ownership.** At least ten (10) days prior to the consummation of any sale or other transaction which will result in a change in the record ownership of the fee interest in a Lot, the transferring Owner or Owners shall provide the following information in writing to the Association: (i) the name of each transferor and transferee; (ii) the Unit number, if applicable, and street address of the Lot to be transferred; (iii) the mailing address of each transferee; (iv) the name and address of the escrow holder, if any, for such transaction and the escrow number; and (v) the proposed date for consummation of the transfer. Furthermore, within thirty (30) days of any change in the record Owner of a Lot, the transferor and the transferee shall give Notice to the Association of the transfer, including the names and current mailing addresses of all record Owners of the Lot. If the Notice required by this Section is not given by either the transferor or the transferee, the Association may charge a fee not to exceed Seventy-Five Dollars (\$75.00) to compensate it for the expense of determining the record Owners, which fee shall be the joint and several personal obligation of the transferor and the transferee. This provision does not apply to the sale or conveyance of a Lot by Declarant.
- D. **Notice to Last Known Owner.** Where any provision of the Governing Documents or of law requires notice to the Owner of a Lot, notice shall be deemed given if it is given in accordance with Subsection "A" of this Section to the Owner or Owners designated in the last notice of change of ownership received by the Association.

Section 20.17. Bond Enforcement. When Common Area Improvements that are included in the subdivision offering have not been completed prior to the issuance of the Public Report, and the Association is obligee under a bond or other arrangement ("Bond") to secure performance of the commitment of the Declarant or other person to complete the Improvements, the provisions of the following Subsections shall apply.

- A. **Determination by Board.** The Board shall determine whether the Association shall enforce the obligations under the Bond, with respect to any such Improvement for which a Notice of completion has not been filed by the later of the following dates: (i) within sixty (60) days after the completion date specified for that Improvement in the planned construction statement appended to the Bond; or (ii) within thirty (30) days after expiration of any written extension granted by the Board for completion of such Improvements.
- B. **Action by Owners.** If the Board fails to consider and vote on the question whether the Association shall enforce the obligation under the Bond as set out in Subsection "A" of this Section, or if the Board decides not to initiate action to enforce the obligations under the Bond, Owners representing not less than five percent (5%) of the total voting power of the Association may call a special meeting of the

Owners by presenting to the Board or to the president or secretary of the Association, a petition signed by such Owners demanding such a meeting.

1. **Special Meeting.** On receipt of such petition, the president or secretary shall call a special meeting of the Owners to be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt of the petition.
2. **Vote to Enforce Bond.** At the meeting called for in this Subsection, the Owners shall consider and vote on the questions that the Association is required to consider in Subsection "A" above.
3. **Association Action.** Notwithstanding any other provisions of this Declaration relating to voting, if a majority of the voting power of the Owners other than Declarant vote to take action to enforce the obligations under the Bond, that vote shall be the decision of the Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

Section 20.18. Claims for Physical Defects. In any dispute regarding construction defects, breach of warranty, or the failure to properly design or construct all or any portion of the Subdivision, prior to filing a lawsuit or submitting a claim to arbitration, the Association shall give Notice to Declarant of its claim and shall make a good faith effort to resolve the dispute with the Declarant. Declarant shall have the right to inspect any portion of the Subdivision where defects or damage are claimed to exist, and to have such portions of the Subdivision and any alleged defects examined by architects, engineers, or other experts chosen by Declarant. Declarant is also entitled to copies of any reports, tests, or other data or findings prepared by the Association or any other persons working on behalf of the Association. This Section can not be repealed or modified without the written consent of Declarant.

Section 20.19. Ownership of Funds. All funds derived from assessments of Owners, proceeds of bonds payable to the Association or payment received for damages to the Subdivision, and any right or interest in any such funds shall belong to the Owners in proportion to each Owner's share of the Regular Assessments, subject to the provisions of the Article entitled "Damage, Destruction, and Eminent Domain of Common Area other than Lake" and the Article entitled "Damages, Destruction, and Eminent Domain of Lake", relating to the distribution of proceeds of: (i) sale of the Subdivision or Phase or portion thereof; (ii) applicable insurance; or (iii) condemnation or eminent domain awards or settlements. No assessment or the proceeds of any assessment shall be considered income to the Association, unless required by law. No person may appropriate or make any use of such funds, except as provided by this Declaration, until and unless there has been a partition or distribution of such funds. Any sale, transfer, or conveyance of the beneficial interest in the fee of any Lot shall operate to transfer the Owner's rights in such funds

without the requirement of any express reference to those funds, except where the whole Subdivision is being sold or transferred due to damage, destruction or a taking under the power of eminent domain, or pursuant to a partition of the Subdivision.

Section 20.20. No Termination on Breach. No violation of this Declaration shall entitle any Owner to cancel, rescind, or otherwise terminate this Declaration, but this provision does not affect in any manner any other rights or remedies the Association or any Owner may have by reason of any such violation.

Section 20.21. No Public Dedication. Nothing contained in this Declaration shall be deemed to be a gift or dedication of any portion of the Subdivision to the general public or for the general public or for any public purpose whatsoever, it being the intention of Declarant that this Declaration be strictly limited to and for the purposes expressed in this Declaration.

Section 20.22. Assignment by Declarant. Declarant may assign its powers and responsibilities in whole or in part in connection with its sale or transfer of all or part of the Subdivision. Any assignment or acceptance of part or all of Declarant's powers and responsibilities for all or a portion of the Subdivision; shall be in writing and Recorded, filed with the Board, and placed with the records of the Association. Each Assignee under any such assignment shall agree, as part of Assignee's acceptance, to accept the duties and obligations of Declarant under this Declaration, and may exercise the rights of Declarant provided by this Declaration for the area assigned, but no general power, such as the power to annex or to appoint members of the Planning Committee, if any, shall be assigned other than as part of an assignment encompassing the entire portion of the Subdivision that remains owned by Declarant. Assignment of Declarant's powers and responsibilities shall be implied by any conveyance of all or substantially all of Declarant's remaining interest in the Subdivision if such interest includes at least five (5) Lots, unless the Declarant provides no such assignment is being made. Foreclosure of a First Mortgage of which Declarant is the Mortgagor is a conveyance for the purpose of this Section. No assignment of Declarant's powers, whether express or implied, shall be effective as to the assignee or the power unless the assignee accepts such assignment by a signed instrument Recorded and filed with the Association. No assignee of Declarant has any liability for the obligations or acts of any prior Declarant unless such assignee agrees in writing to be responsible for such acts or obligations.

Section 20.23. Cost of Living Adjustment. Subject to the provisions of the Article entitled "Funds, Assessments and Delinquency" limiting the amount of Special Assessments or increases in Regular Assessments without a vote of the Owners, any fixed or maximum dollar amount established by this Declaration for any charge which the Association may impose, other than fixed dollar amounts set by law, may be increased by the Association from time to time, as follows: The Consumer Price Index for all Urban Consumers (Base Year 1982-84 = 100) for the San Francisco-Oakland-San Jose Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is published for the date nearest the date of the proposed increase ("Increase Index"), shall be compared with the Index published immediately preceding the date of recording of this Declaration ("Beginning Index"). If the Increase Index has increased over the Beginning

Index, the maximum amount of such change shall be set by multiplying the maximum amount set forth in this Declaration by a fraction, the numerator of which is the Increase Index and the denominator of which is the Beginning Index. If the Index is changed so that the Base Year differs from that set forth above, the Index shall be converted in accordance with the conversion factor published by the Bureau of Labor Statistics. If the Index is discontinued or revised, such other government index or computation which replaces it shall be used so as to obtain substantially the same result as if the Index had not been discontinued or revised. If a fixed or maximum dollar amount set by law is in this Declaration and that amount is adjusted upward by law, then the amount as set out in this Declaration shall be similarly adjusted.

Section 20.24. Exhibits. Unless otherwise specified, all exhibits referred to in this Declaration and all exhibits attached to this Declaration or both are incorporated into this Declaration by this reference.

Section 20.25. Arbitration.

- A. Arbitrable Matters; Decision to Use Arbitration Procedures. A "controversy," for the purposes of this Section is any dispute regarding any provisions of the Governing Documents occurring between: (i) a current or former Owner or Occupant, or both, and the Association; (ii) a current former Owner of the Association, or both, and a current or former officer, Director, or manager of the Association, if the dispute involves the officer, Director, or manager actions or omissions in that capacity; or (iii) an Owner or Occupant and another Owner or Occupant. A controversy does not include disputes between current or former Owners involving the sale of a Lot or Unit; construction or other alleged defects to a Lot or Unit; or warranties given in connection with the sale of a Lot or Unit. A controversy also does not include the collection of assessments or any other monies claimed to be owed to the Association. The Association has the power to determine, in its sole discretion, whether to use or consent to arbitration in any dispute involving the enforcement of the use restrictions or architectural controls contained in this Declaration. The term "Association" used in this Section includes the officers, directors, and committee members of the Association if they are parties to the controversy. If the Association determines not to use the arbitration process, it shall notify opposing parties of its intention with respect to the use of arbitration in any given controversy in accordance with the provisions of Subsection "C" of this Section.
- B. Parties. In a controversy involving the Association, the Association shall always be considered one (1) party. Individual Owners or Occupants of different Lots may join their claims against other parties to the extent that their claims arise from the same transaction(s) or occurrence(s).

C. **Submission to Arbitration.** Any controversy, other than a controversy involving the enforcement of the use restrictions and architectural controls for which the Association had determined not to use arbitration pursuant to Subsection "A" of this Section, shall on Notice of one party served on the other, and upon written notification to the Arbitration Service as defined in Subsection "D1" of this Section, if applicable, be submitted to arbitration. The Association shall give Notice to any opposing party of its intention not to use arbitration within the period it must respond to the Notice of Arbitration. If the Association initiates a claim against any opposing party, it shall contemporaneously give Notice to the opposing party of its intentions with respect to the use of arbitration. For purposes of such notification, service of judicial process and a complaint shall constitute the required Notice. Other than the procedures for selection of arbitrators, which are described in Subsection "D" of this Section, and except as otherwise provided in this Section, arbitration proceedings shall be governed by and conducted in accordance with the provisions of the California Arbitration Act, commencing at Section 1280 of the California Code of Civil Procedure. The parties agree that in addition to the deposition procedure provided for in the California Arbitration Act, all forms of civil discovery shall apply; including, but not limited to, written interrogatories, request for admission of facts and genuineness of documents, discovery of and production of documents and things for inspection, copying, or photographing, depositions upon oral or written examination and all other forms of discovery permitted by Code of Civil Procedure Section 2016, et seq. Each party may apply to a court of competent jurisdiction for injunctive or other equitable relief and for attachment pending the rendering of a decision in the arbitration.

D. **Appointment of Arbitrator(s).**

1. **Choosing of Arbitrators.** The two (2) principal parties in the controversy may agree upon a single initial arbitrator to hear and decide the dispute, but if they fail to reach such agreement within ten (10) days after the original demand for arbitration is given, then the parties may agree to submit the controversy to the American Arbitration Association or such other recognized arbitration or private judge service ("Arbitration Service") designated by Subdivision Rule from time to time.
2. **Failure of Party to Participate.** In the event any party fails to participate in any phase of the appointment process as set forth herein, the arbitrator or arbitrators originally selected by the other party shall preside over the arbitration proceedings and shall decide the controversy, notwithstanding the non-participation of such party.

- E. Place of Arbitration.** Arbitration shall take place in the County of Sacramento, State of California, and the hearing before the arbitrator(s) of the matter to be arbitrated shall be at the time and place selected by the arbitrator(s). The arbitrator(s) shall select such time and place promptly after being appointed and shall give Notice of such hearing to each party at least thirty (30) days prior to the date so fixed. At the hearing, any relevant evidence may be presented by any party, and the formal rules of evidence applicable to judicial proceedings shall not govern. Evidence may be admitted or excluded in the reasonable discretion of the arbitrator(s). The arbitrator(s) shall hear and determine the matter and shall execute and acknowledge their judgment or award in writing and cause a copy of the judgment to be delivered to each of the parties.
- F. Decision.** If there is only one (1) arbitrator, the decision of that arbitrator shall be binding and conclusive on the parties; if there is more than one (1) arbitrator, then the decision or a majority of arbitrators shall be binding and conclusive. No arbitrator shall sit twice on the same controversy. Unless the Association elects not to arbitrate the controversy as provided in Subsection "A", the submission of dispute to arbitration and decisions shall be a condition precedent to any right of legal action regarding the dispute, except for the prejudgment actions specifically authorized by Subsection "C" of this Section. In rendering its decision, the provisions of this Declaration shall be presumed enforceable and the burden of proof shall be on a party to show a provision is not enforceable. The Arbitrator's decision shall be based on California law and, to the extent applicable, on the federal law of the United States. Any petition to confirm, correct, or vacate the award shall be submitted to the Superior Court of Sacramento County. That Court may confirm, correct, or vacate the award in accordance with the provisions of the Code of Civil Procedures Section 1280, et seq. as they exist at the time of any such petition is submitted.
- G. Costs.** The costs and expenses of the single initial arbitrator or any jointly appointed arbitrator, if any, shall be borne equally by the parties. Each party shall bear the costs and expenses of any arbitrator whom they alone appoint.
- H. Limitation of Liability.** NO ARBITRATION AWARD PURSUANT TO THIS SECTION SHALL CONTAIN AN AWARD FOR OTHER THAN COMPENSATORY DAMAGES FOR MONETARY LOSS, APPROPRIATE PRELIMINARY OR PERMANENT INJUNCTIVE RELIEF, DECLARATORY RELIEF, ATTORNEY'S FEES AND COSTS, AND NO DECISION SHALL CONTAIN ANY AWARD FOR EMOTIONAL DISTRESS OR OTHER EMOTIONAL OR PSYCHOLOGICAL PAIN AND SUFFERING DAMAGES.

Section 20.26. Riparian and Other Water Rights. All rights to use water, including all riparian rights appurtenant to the Subdivision even though severed from the source of the water, shall remain appurtenant to each parcel of land within the Subdivision to the same extent as though the ownership of the land had at all times continued in Declarant.

IN WITNESS WHEREOF, Declarant has executed this Declaration the day and year first above written.

GRUPE DEVELOPMENT ASSOCIATES-2,
A California Limited Partnership

By: GRUPE VENTURES, INC.,
A California Corporation,
its General Partner

By: *[Signature]*
VP

STATE OF CALIFORNIA)
COUNTY OF SAN JOAQUIN)

On February 23 1995 before me, Julie Dzubak, personally appeared D. A. Unruh, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature *[Signature]* (Seal)



DECLARATION AND
CONSENT TO DECLARATION

The undersigned does hereby consent to and join in the Lakeside Declaration of Restrictions ("Restrictions"), to which this document is attached, as a declaring party to the extent of the undersigned's interest in that real property described in Exhibit "A" of the Restrictions, and does hereby subordinate such interest to the Restrictions. The interest of the undersigned is established by the following deeds of trust: (i) that certain Deed of Trust recorded September 16, 1994, in Book 940916, at Page 0159, Official Records of Sacramento County; (ii) that certain Deed of Trust recorded November 18, 1994, in Book 94118, at Page 1164, Official Records of Sacramento County; and (iii) that certain Deed of Trust recorded December 29, 1994, in Book 941229, at Page 1601, Official Records of Sacramento County.

This consent and subordination is also effective to subordinate any security interest held by the undersigned in any of the real property described in Exhibit "B-1" of the Restrictions to any Declaration of Annexation executed by the declarant to the Restrictions and recorded pursuant to Section 4.02 of the Restrictions.

WELLS FARGO BANK N.A.,
A National Banking Association

By

[Signature]
Mr. Patrick O'Dowd -
Vice President

By

[Signature]
Senior Vice President

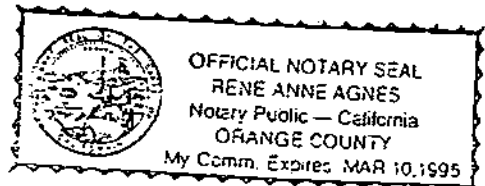
STATE OF CALIFORNIA)

COUNTY OF Orange)

On 1/27/95, before me, René Anne Agnes, personally appeared G. Patrick O'Dowd and Dale Van Balm, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature René Anne Agnes (Seal)



DECLARATION AND
CONSENT TO DECLARATION

The undersigned does hereby consent to and join in the Lakeside Declaration of Restrictions ("Restrictions"), to which this document is attached, for the purpose of consenting to Sections 1.06 and 1.07 of the Restrictions.

E & J PROPERTIES, LTD.,
A California Limited Partnership

By *Elaine McKeon*
ELAINE MCKEON,
Its General Partner

STATE OF CALIFORNIA)
COUNTY OF San Mateo)

On 1/17/95, before me, Alan V. Horn, personally appeared Elaine McKeon, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature *Alan V. Horn* (Seal)

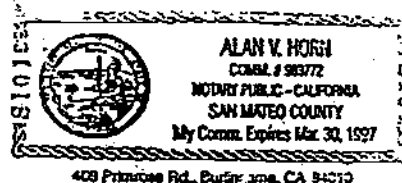


EXHIBIT "A"

Property Subject to this Declaration

All of that certain real property situated in the County of Sacramento, State of California, more particularly described as follows:

Lots 1 through 56, inclusive, and Lots 257 through 263, inclusive, as shown on that certain subdivision map entitled "Lakeside Unit No. 5-A," recorded August 3, 1994, in Book 233 of Maps, Map No. 10, Official Records of Sacramento County.

EXHIBIT B-1

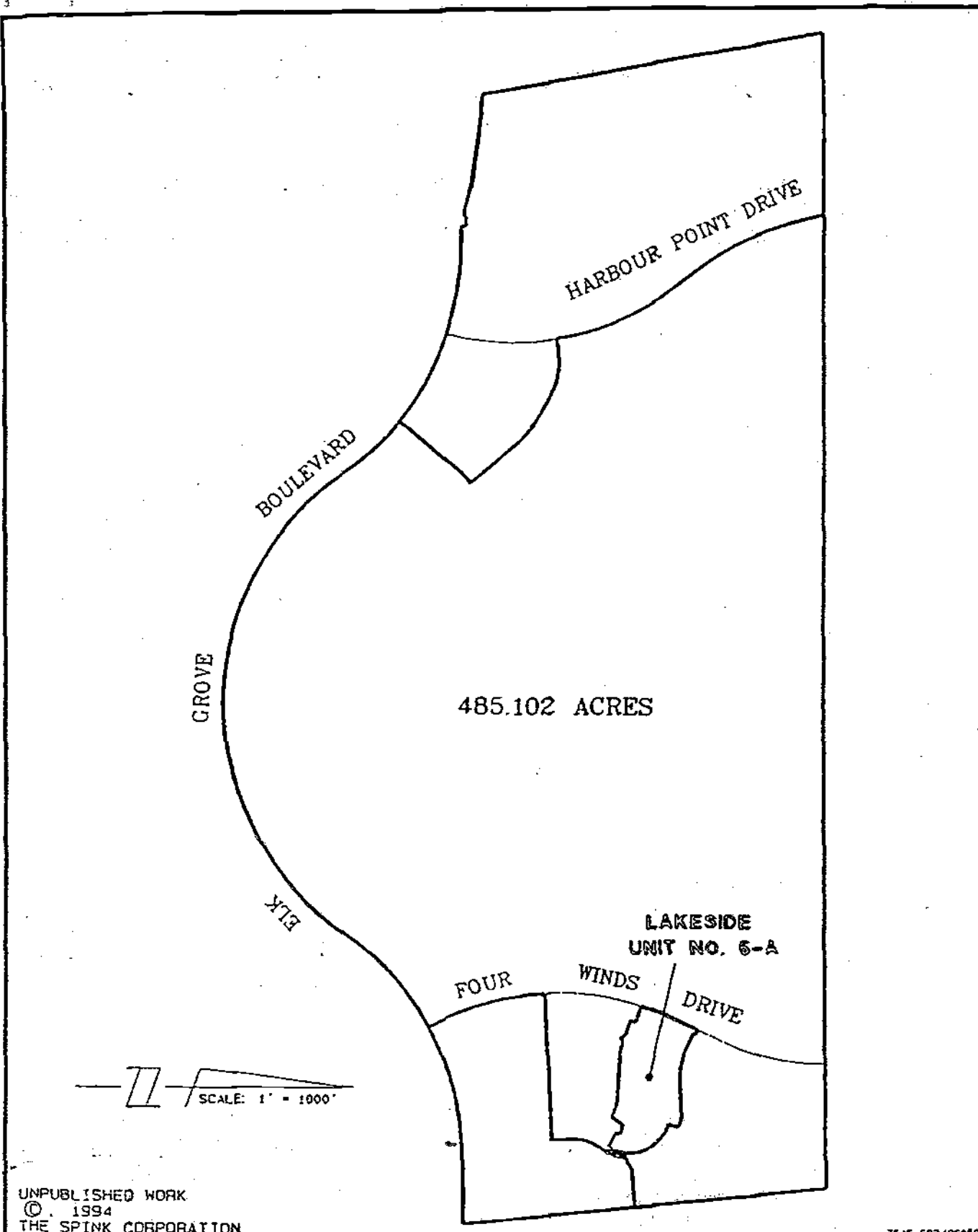
Property Subject to Annexation

All that portion of that certain 2393.881 acre tract of land as shown on the Record of Survey entitled "Portion of Projected Sections: 5, 6, 7, 8, 17 and 18 T.6 N., R.5 E., 31 and 32, T.7 N., R.5 E., 36, T.7 N., R.4 E., and 1, T.6 N., R.4 E., M.D.B.& M." filed in the office of the Record of Sacramento County in Book 35 of Surveys at Page 11, described as follows:

Beginning at the Northeast corner of said 2393.881 acre tract of land; thence from said point of beginning along the Easterly boundary thereof South 05°37'38" East 1402.50 feet; thence South 84°22'22" West 284.98 feet; thence South 54°26'05" West 55.76 feet; thence North 87°42'27" West 35.00 feet; thence curving to the right on an arc of 350.00 feet radius, from a radial bearing of South 87°42'27" East, said arc being subtended by a chord bearing South 18°22'14" West 193.86 feet; thence South 34°26'55" West 23.36 feet; thence curving to the left on an arc of 350.00 feet radius, said arc being subtended by a chord bearing South 15°37'12" West 225.92 feet; thence South 03°12'32" East 130.83 feet; thence South 86°47'28" West 1064.41 feet; thence curving to the left on an arc of 2000.00 feet radius, from a radial bearing of South 86°47'28" West, said arc being subtended by a chord bearing South 15°58'31" East 883.92 feet; thence curving to the left on an arc of 2000.00 feet radius, from a radial bearing of North 28°44'31" West, said arc being subtended by a chord bearing South 47°39'03" West 941.07 feet; thence curving to the right on an arc of reverse curvature with a radius of 2000.00 feet, said arc being subtended by a chord bearing South 89°52'48" West 3309.76 feet; thence curving to the left on an arc of reverse curvature with a radius of 2000.00 feet, said arc being subtended by a chord bearing North 42°32'14" West 574.22 feet; thence North 39°51'38" East 604.15 feet; thence North 48°54'43" East 87.26 feet; thence North 41°05'17" West 435.03 feet; thence curving to the left on an arc of 900.00 feet radius, said arc being subtended by a chord bearing North 51°09'50" West 314.92 feet; thence North 61°14'24" West 111.75 feet; thence curving to the left on an arc of 500.00 feet radius, said arc being subtended by a chord bearing North 80°11'55" West 324.89 feet; thence South 80°50'33" West 87.49 feet; thence curving to the left on an arc of 2000.00 feet radius, from a radial bearing of North 80°50'33" East, said arc being subtended by a chord bearing North 24°28'56" West 1057.17 feet; thence curving to the right on an arc of reverse curvature with a radius of 2000.00 feet, said arc being subtended by a chord bearing North 27°33'36" West 848.52 feet; thence North 15°18'46" West 237.62 feet to the Northerly boundary of said 2393.881 acre tract of land; thence along said Northerly boundary the following three (3) courses: (1) North 89°40'33" East 2030.58 feet, (2) North 89°34'45" East 2655.27 feet and (3) North 89°34'58" East 2357.63 feet to the point of beginning.

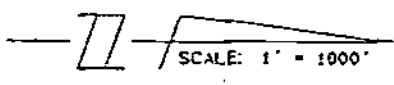
EXCEPTING THEREFROM all that portion of said 2393.881 acre tract of land lying within "Lakeside Unit No. 5-A", the official plat of which is filed in the office of said Recorder in Book 233 of Maps, Map No. 10.

The net area of the above described parcel is 485.102 acres, more or less.



485.102 ACRES

LAKESIDE
UNIT NO. 6-A



UNPUBLISHED WORK
© 1994
THE SPINK CORPORATION

7545-683/260506/15005

TITLE: PLAT TO ACCOMPANY EXHIBIT B-1	DATE: 12-14-94 JOB NO.: 3686-024	REVISION
	DRAWN BY: CCC CHECKED BY: J.K.	
CLIENT: GRUPE DEVELOPMENT	The Spink Corporation 2590 VENTURE OAKS WAY SACRAMENTO, CA 95833 PHONE: (916)925-5550 FAX: (916)921-9274	
SCALE: 1"=1000' CODE: M. N. 0-30, 31 DR. NO.: H-7575		

EXHIBIT B-2

Commercial Area Property Subject to Annexation

All that portion of that certain 2393.881 acre tract of land as shown on the Record of Survey entitled "Portion of Projected Sections: 5, 6, 7, 8, 17 and 18 T.6 N., R.5 E., 31 and 32, T.7 N., R.5 E., 36, T.7 N., R.4 E., and 1, T.6 N., R.4 E., M.D.B. & M." filed in the office of the Record of Sacramento County in Book 35 of Surveys at Page 11, described as follows:

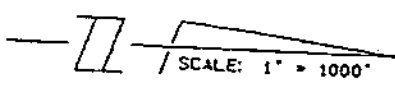
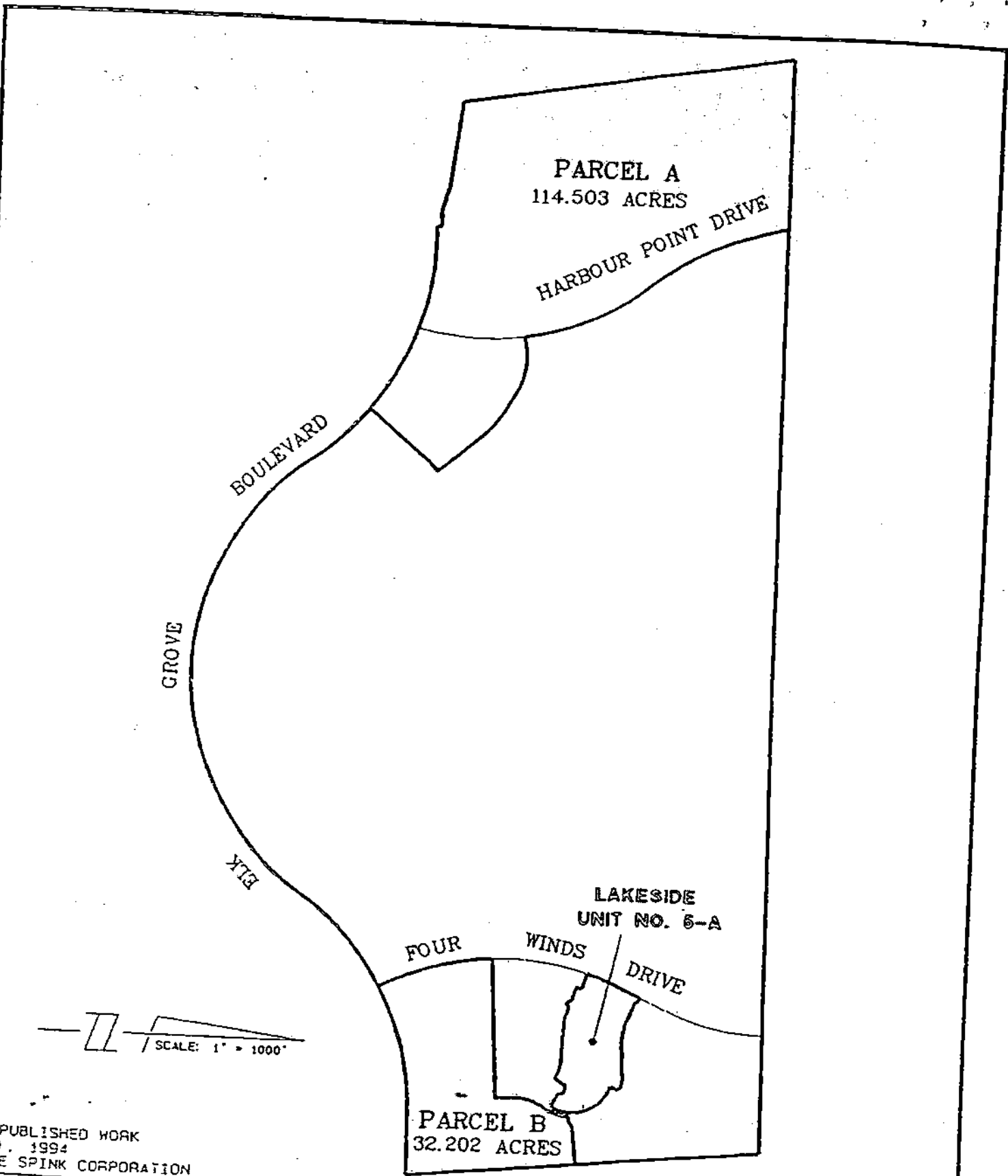
PARCEL A:

Beginning at the Northwest corner of said 2393.881 acre tract of land; thence from said point of beginning, along the Northerly boundary there of North 89°40'33" East 1280.34 feet; thence South 15°18'46" East 237.62 feet; thence curving to the left on an arc of 2000.00 feet radius, said arc being subtended by a chord bearing South 27°33'36" East 848.52 feet; thence curving to the right on an arc of reverse curvature with a radius of 2000.00 feet, said arc being subtended by a chord bearing South 24°28'57" East 1057.17 feet; thence North 80°50'33" East 87.49 feet; thence curving to the right on an arc of 500.00 feet radius, said arc being subtended by a chord bearing South 80°11'55" East 324.89 feet; thence South 61°14'24" East 111.75 feet; thence curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 51°09'50" East 314.92 feet; thence South 41°05'17" East 435.03 feet; thence South 48°54'43" West 87.26 feet; thence South 39°51'38" West 604.15 feet; thence curving to the left on an arc of 2000.00 feet radius, from a radial bearing of North 39°12'33" East, said arc being subtended by a chord bearing North 70°34'47" West 1354.22 feet; thence South 89°37'53" West 111.64 feet to the Westerly boundary of said 2393.881 acre tract of land; thence along said Westerly boundary the following five (5) courses: (1) North 09°37'18" West 32.42 feet, (2) South 89°37'53" West 129.24 feet, (3) North 74°29'33" West 175.46 feet, (4) North 82°47'34" West 650.58 feet and (5) North 09°37'18" West 2503.90 feet to the point of beginning; containing 114.503 acres, more or less.

PARCEL B:

Beginning at a point lying on the Easterly boundary of said 2393.881 acre tract of land, from which the Northeast corner thereof bears North 05°37'38" West 2678.51 feet; thence from said point of beginning South 89°34'58" West 489.19 feet; thence curving to the left on an arc of 2000.00 feet radius, said arc being subtended by a chord bearing South 75°25'14" West 978.68 feet; thence curving to the right on an arc of 2000.00 feet radius, from a radial bearing of South 61°15'29" West, said arc being subtended by a chord bearing North 15°58'31" West 883.92 feet; thence North 86°47'28" East 1064.41 feet; thence North 03°12'32" West 130.83 feet; thence curving to the right on an arc of 350.00 feet radius, said arc being subtended by a chord bearing North 15°37'12" East 225.92

feet; thence North $34^{\circ}26'55''$ East 23.36 feet; thence curving to the left on an arc of 350.00 feet radius, said arc being subtended by a chord bearing North $18^{\circ}22'14''$ East 193.86 feet; thence South $87^{\circ}42'27''$ East 35.00 feet; thence North $54^{\circ}26'05''$ East 55.76 feet; thence North $84^{\circ}22'22''$ East 284.98 feet to said Easterly boundary of said 2393.881 acre tract of land; thence along said Easterly boundary South $05^{\circ}37'38''$ East 1276.01 feet to the point of beginning; containing 32.202 acres, more or less.



UNPUBLISHED WORK
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THE SPINK CORPORATION

TITLE: PLAT TO ACCOMPANY EXHIBIT B-2

CLIENT: GRUPE DEVELOPMENT

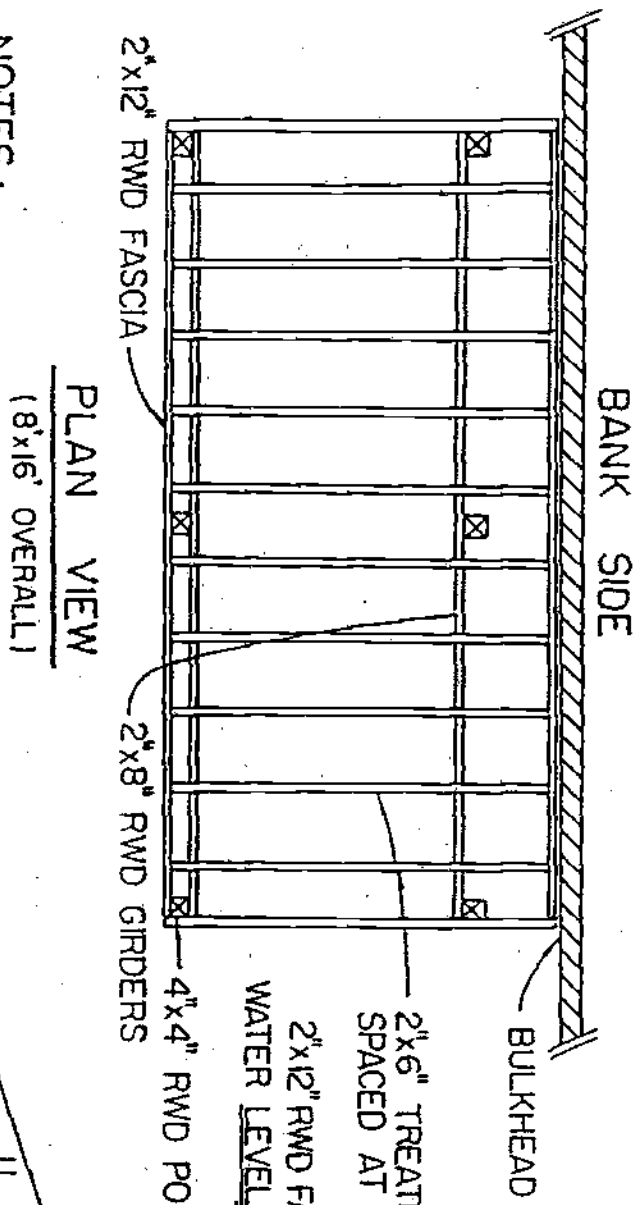
DATE: 12-14-94	JOB NO.: 3686-024	7545-683/260506/25008
DRAWN BY: CCC	CHECKED BY: J.K.	
The Spink Corporation 2590 VENTURE OAKS WAY SACRAMENTO, CA 95833 PHONE: (916)925-5550 FAX: (916)921-9274		REVISION
SCALE: 1"=1000' CODE: M, N, O-30, 31 DR. NO.: H-7577		

**THE LAKESIDE COMMUNITY
OWNERS' ASSOCIATION HAS MODIFIED THE
DOCK STANDARDS AS SHOWN ON THE
FOLLOWING PAGE, EXHIBIT "C". THE
REVISED DOCK DESIGN HAS BEEN PLACED IN
THE DESIGN REVIEW GUIDELINES SECTION
OF THIS BINDER PURSUANT TO THE
COVENANTS, CONDITIONS, & RESTRICTIONS.**

FREE-STANDING BOAT DOCK

EXHIBIT "C"

*DECKING SHALL RUN PARALLEL TO THE BULKHEAD TO ALLOW REPAIRS TO THE BULKHEAD



- NOTES:
- 2x6 JOISTS TO BE PRESSURE TREATED D.F. AND SHOULD NOT SPAN MORE THAN 7' AND NOT SPACED MORE THAN 24" O.C.
 - 2x8 GIRDERS AND 4x4 POSTS SHOULD BE PRESSURE TREATED D.F. 2x12' RWD FASCIA 15' INTO THE LAKE BOTTOM OR UNTIL BEARING.
 - 2x6 DECKING SHOULD BE FOUNDATION AND S4S. OR EQUAL.
 - SCHEME 1 NOTE: MIN. OF 1/2" SPACE (HORIZ.) BETWEEN DOCK AND BULKHEAD.
 - SCHEME 1 NOTE: SURFACE OF DOCK IS 14" ABOVE LAKE ELEVATION. THIS SCHEME IS BETTER FOR THE EASE OF ENTRY AND EXIT TO A BOAT.
 - SCHEME 2 NOTE: MIN. OF 1" SPACE (VERT.) BETWEEN DOCK AND BULKHEAD.
 - SCHEME 2 NOTE: SURFACE OF DOCK IS 22" ABOVE LAKE ELEVATION. MAKING IT HARDER FOR ENTRY AND EXIT TO A BOAT.
 - MIN. SPACE BETWEEN 2x6 DECKING TO BE 1/16".

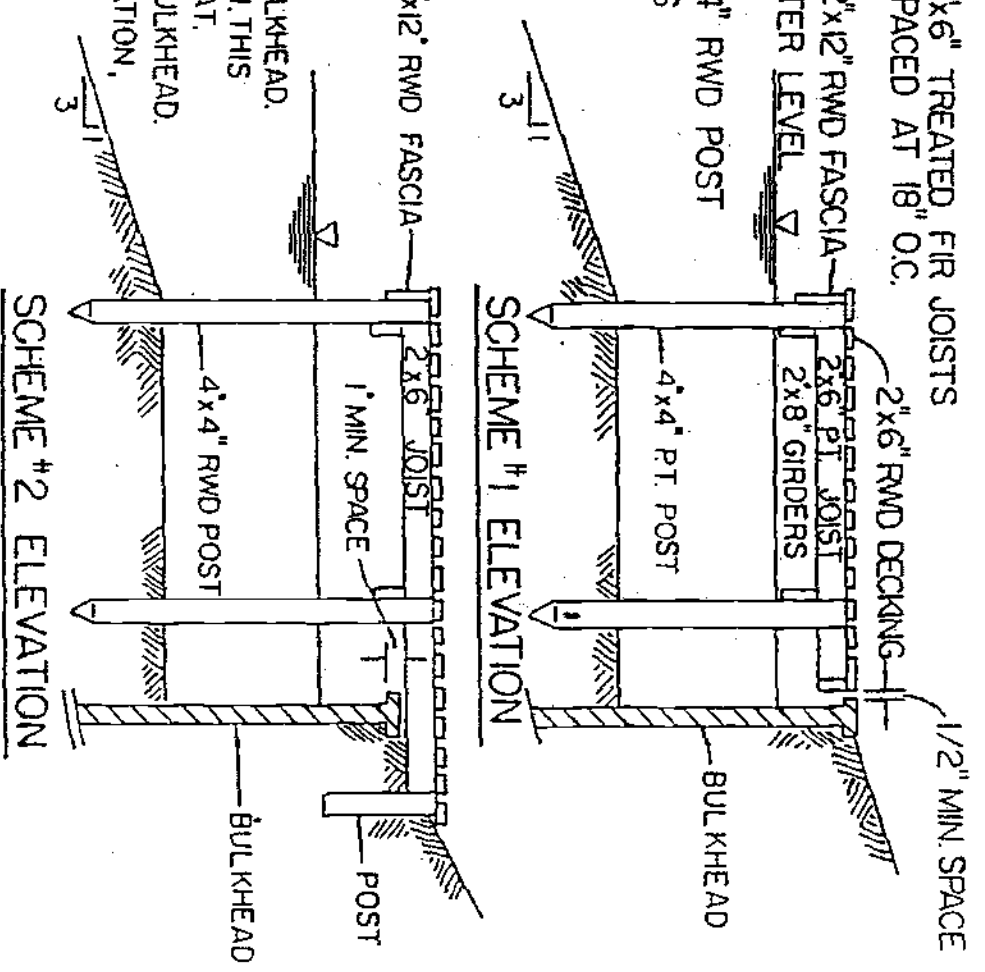


EXHIBIT D-1

Diagram of Fences and Units Subject to Association Maintenance

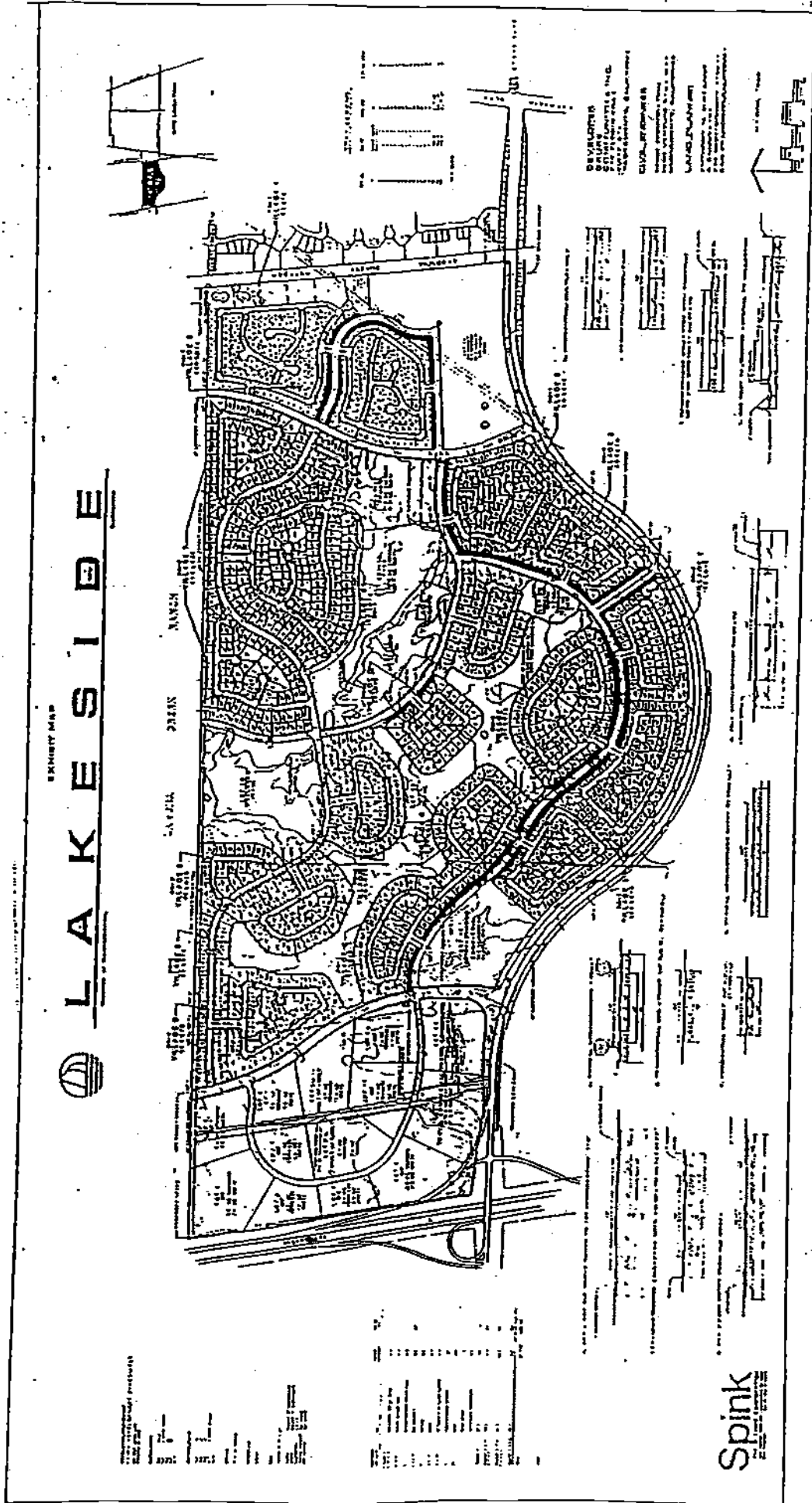


EXHIBIT "E"

Adjacent Property with Enforcement Power

All of that certain real property situated in the County of Sacramento, State of California, more particularly described as follows:

All that portion of Parcel No. 2, as described in that certain Boundary Line Adjustment recorded May 12, 1989, Official Records of Sacramento County, Series No. 105515, described as follows:

Beginning at a point located on the Northerly boundary of said Parcel No. 2, from which the Northeast corner thereof bears North $89^{\circ} 34' 58''$ East 1397.39 feet; thence from said point of beginning along the boundary of said Parcel No. 2, the following nine (9) courses: (1) South $89^{\circ} 34' 58''$ West 489.19 feet, (2) curving to the left on an arc of 2000.00 feet radius, said arc being subtended by a chord bearing South $61^{\circ} 48' 47''$ West 1863.68 feet, (3) curving to the right on an arc of reverse curvature with a radius of 2000.00 feet, said arc being subtended by a chord bearing South $89^{\circ} 52' 48''$ West 3309.76 feet; (4) curving to the left on an arc of reverse curvature with a radius of 2000.00 feet, said arc being subtended by a chord bearing North $62^{\circ} 19' 34''$ West 1880.51 feet, (5) South $89^{\circ} 37' 53''$ West 111.64 feet, (6) South $09^{\circ} 37' 18''$ East 79.03 feet, (7) South $89^{\circ} 37' 53''$ West 147.16 feet, (8) South $84^{\circ} 58' 35''$ West 766.35 feet, and (9) South $09^{\circ} 37' 18''$ East 3345.43 feet; thence East 7897.96 feet to the Westerly line of Western Pacific Railroad's 100.00 feet wide right-of-way; thence along said Westerly line North $05^{\circ} 37' 38''$ West 3479.25 feet to the point of beginning, containing 500.00 Acres, more or less.

EXHIBIT D-2

Property Subject to Maintenance by the Commercial Area

SECRET MAP
LAKESIDE

