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CONDOMINIUM DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR
WESTLAKE VILLAS

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FOR
WESTLAKE VILLAS

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**CONDOMINIUM DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS AND RESERVATION OF EASEMENTS**

**FOR
WESTLAKE VILLAS**

THIS CONDOMINIUM DECLARATION is made by Westlake Villas, LLC, a California limited liability company ("*Declarant*"). The capitalized terms used in the Preamble are defined in Article I.

P R E A M B L E:

A. Declarant is the owner of real property located in the City of Sacramento, Sacramento County, California, described as follows:

Units 1 to 9, inclusive, 67 to 104, inclusive, and 200 to 217, inclusive, Common Area and Association Property, as shown on the Condominium Plan Recorded on 9-18-04, 2004, as Instrument No. 040928-2283 of Official Records of Sacramento County, consisting of a portion of Lot 1, as shown on the Final Map of "Westlake Villas," Filed on May 9, 2003, in Book 315, at Page 6 of Maps, in the Office of the Sacramento County Recorder, together with a nonexclusive easement for access, ingress and egress over that portion of Lot 1 of the Final Map of "Westlake Villas" approximately shown on *Exhibit E* hereto.

B. Declarant intends to create a "condominium project," as defined in Section 1351(f) of the California Civil Code, to subdivide the Properties as authorized by Section 66427 of the California Government Code into "condominiums" as defined in Section 783 of the California Civil Code and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the Condominiums created pursuant to the Davis-Stirling Common Interest Development Act. As part of said subdivision, portions of the Properties will be designated as Units, Common Area and Association Property.

C. The Properties are to be held, conveyed, encumbered, leased, used and improved subject to the limits, restrictions, reservations, rights, easements, conditions and covenants in this Declaration, all of which are in furtherance of a plan for subdividing, maintaining, improving and selling the Properties. All provisions of this Declaration are imposed as equitable servitudes on the Properties. All limits, restrictions, reservations, rights, easements, conditions and covenants in this Declaration shall run with and burden the Properties and shall be binding on and for the benefit of all of the Properties and all Persons acquiring any interest in the Properties.

C. Declarant and its successors and assigns covenant that each undivided interest in the Common Area, the appurtenant Membership in the Association, all easements conveyed therewith and fee title to the respective Unit conveyed therewith shall not be separated or

separately conveyed, and each such undivided interest, Membership and easement shall be deemed to be conveyed or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the Unit. This restriction on severability of the component interests of the Condominiums shall not extend beyond the period for which the right to partition the Properties is suspended in accordance with Section 1359 of the California Civil Code. Any conveyance by an Owner of a Condominium, or any portion thereof, shall be presumed to convey the entire Condominium together with a Membership in the Association.

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 **DEFINITIONS.** Unless otherwise expressly provided, the following words and phrases when used in this Declaration have the following meanings.

1.1.1 **Annexable Territory.** Annexable Territory means the real property described in *Exhibit A* which may be made subject to this Declaration pursuant to Article XVI. Any references in this Declaration to Annexable Territory are references to the Annexable Territory as a whole and to portions thereof.

1.1.2 **Annual Assessment.** Annual Assessment means a charge levied against the Owners and their Condominiums representing their share of Common Expenses. The Annual Assessment is a regular assessment as described in California Civil Code Section 1366.

1.1.3 **Articles.** Articles means the Articles of Incorporation of the Association as amended or restated. A copy of the Articles is attached as *Exhibit B*.

1.1.4 **Assessment.** Assessment means any Annual Assessment, Capital Improvement Assessment, Reconstruction Assessment and Special Assessment.

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

1.1.6 **Association Maintenance Funds.** Association Maintenance Funds means the accounts created for Association receipts and disbursements pursuant to Article VII.

1.1.7 **Association Property.** Association Property means real or personal property designated by the Declarant as Association Property and therefore made subject to the restrictions on Association Property established in the Restrictions. Any references in this Declaration to Association Property are references to the Association Property as a whole and to portions thereof. Additional Association Property may be annexed to the Properties pursuant to Article XVI. The Association Property in Phase 1 includes the following:

(a) Association Property Owned in Fee Simple by the Association. Lot 1 of the Final Map of "Westlake Villas," excluding the Units and the Common Area, both as

delineated on the Condominium Plan for Phase 1 of the Properties, and all gas, water and waste pipes, sewers, storm drainage facilities, ducts, chutes, conduits, wires and other utility installations, all bearing walls, columns, unfinished floors, the roofs, foundation slabs, party walls, utility walls and foundations.

(b) Association Property Owned in Fee Simple by Owners but Maintained by the Association. Association Property includes the following portions of the Units: the portions of all gas, water and waste pipes, all sewers, all ducts, chutes, conduits, wires and other utility installations (except the electrical outlets in the Units) that extend into the Units.

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

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

1.1.10 **Bylaws.** Bylaws means the Bylaws of the Association as adopted by the Board initially in the form of *Exhibit B* attached hereto, as amended or restated

1.1.11 **Capital Improvement Assessment.** Capital Improvement Assessment means a charge levied against the Owners and their Condominiums representing their share of the Association's cost for installing or constructing capital Improvements on the Common Property. Capital Improvement Assessments shall be levied in the same proportions as Annual Assessments. Capital Improvement Assessments are special assessments as described in California Civil Code Section 1366.

1.1.12 **City.** City means the City of Sacramento, California, and its various departments, divisions, employees and representatives.

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

1.1.14 **Common Area.** Common Area means those certain volumes of airspace described in the Condominium Plan which shall be owned by Owners as tenants-in-common. Any references in this Declaration to Common Area are references to the Common Area as a whole and to portions thereof. Common Area, as defined herein, is a portion of the "common area" as defined in Section 1351(b) of the California Civil Code.

1.1.15 **Common Expenses.** Common Expenses means those expenses for which the Association is responsible under this Declaration including the actual and estimated costs of and reserves for maintaining, managing and operating the Common Property, the recreational facilities located on the Common Property, including but not limited to a swimming pool, restrooms, and showers, clustered mailboxes, and address identification signs. Common Expenses also include unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments. Common Expenses include the cost of all utilities metered to more than one Condominium, other commonly metered charges for the Properties, and the cost of reading and billing sub-metered utilities. Common Expenses also include the cost of managing

and administering the Association, compensating Managers, accountants, attorneys and employees, gardening and other services benefiting the Common Property, all insurance covering the Properties and the Directors, officers and agents of the Association, bonding the members of the Board, taxes paid by the Association, amounts paid by the Association for discharge of any lien or encumbrance levied against the Properties; maintenance required by this Declaration and all other expenses incurred by the Association for the Properties, for the common benefit of the Owners.

1.1.16 **Common Property.** Common Property means the Common Area and the Association Property. Any references in this Declaration to Common Property are references to the Common Property as a whole and to portions thereof.

1.1.17 **Condominium.** Condominium means an estate in real property as defined in California Civil Code Section 1351(f). A Condominium consists of an undivided fee simple ownership interest in the Common Area, together with a separate ownership interest in fee in a Unit and all easements appurtenant thereto. Subject to the provisions of Article X, the undivided fee simple interest in the Common Area appurtenant to each Unit shall be an undivided one sixty-fifth (1/65th) interest in the Common Area to be held by the Owners as tenants-in-common.

1.1.18 **Condominium Plan.** Condominium Plan means the Recorded plan, as currently in effect, consisting of (a) a description or survey map of the Properties, which shall refer to or show monumentation on the ground, (b) a three-dimensional description of the Properties, one or more dimensions of which may extend for an indefinite distance upwards or downwards in sufficient detail to identify the Association Property, Common Area and each Unit, and (c) a certificate consenting to the Recordation thereof signed and acknowledged by the record owner of fee title to the Properties, and by either the trustee or the Mortgagee of each Recorded Mortgage encumbering the Properties.

1.1.19 **County.** County means Sacramento County, California, and its various departments, divisions, employees and representatives.

1.1.20 **Declarant.** Declarant means Westlake Villas, LLC, a California limited liability company, its successors, and any Person to which it shall have assigned any of its rights under this Declaration by an express written assignment. As used in this Section, "successor" means a Person who acquires Declarant or substantially all of Declarant's assets by sale, merger, reverse merger, consolidation, sale of stock or assets, operation of law or otherwise. Unless otherwise expressly provided in the Declaration, all actions that may be taken by Declarant may be chosen by Declarant in its sole discretion. Declarant is a builder as described in California Civil Code Section 1375. Declarant is a "Merchant Builder" as defined in the Master Declaration.

1.1.21 **Declaration.** Declaration means this instrument as currently in effect.

1.1.22 **Design Guidelines.** Design Guidelines means the rules or guidelines setting forth procedures and standards for submission of plans for Design Review Committee approval.

1.1.23 **Design Review Committee.** Design Review Committee means the committee formed pursuant to Article V.

1.1.24 **DRE.** DRE means the California Department of Real Estate and any department or agency of the California state government which succeeds to the DRE's functions.

1.1.25 **Exclusive Use Area.** Exclusive Use Area means the Association Property over which exclusive easements are reserved for the benefit of specified Owners, including for patio, deck, and air conditioning compressor pad purposes, and internal and external telephone wiring designed to serve a single Unit but located outside the boundaries of that Unit, in accordance with California Civil Code Section 1351(i).

1.1.26 **Family.** Family means natural individuals, related or not, who live as a single household in a Condominium.

1.1.27 **FHA.** FHA means the Federal Housing Administration of the United States Department of Housing and Urban Development and its successors.

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

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

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

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

1.1.32 **Include.** Whether capitalized or not, include means "include without limitation."

1.1.33 **Improvement.** Improvement means any structure and any appurtenance thereto including a building, walkway, irrigation system, garage, recreational facilities, road, driveway, parking area, fence, any type of wall, awning, stairs, deck, any type of landscaping and planting, antenna, windbreak, the exterior surface of any visible structure and the paint on such surface, pole, sign, exterior air conditioning and water softener fixture or equipment. The Design Review Committee may identify additional items that are Improvements.

1.1.34 **Maintain.** Whether capitalized or not, maintain means maintain, repair and replace.

1.1.35 **Maintenance Manual.** Maintenance Manual means any maintenance manual containing Maintenance Requirements for the Association Property or the Units in the Properties, as amended or restated.

1.1.36 **Maintenance Requirements.** Maintenance Requirements means the written maintenance procedures, standards and requirements (a) for the maintenance and operation of Association Property Improvements that may be provided to the Association by Declarant, or any governmental agency or (b) for the maintenance of a Residence and other Improvements Declarant has constructed on or in a Unit. Maintenance Requirements include any Maintenance Manual containing recommended frequency of inspections, maintenance activities and other maintenance procedures, standards and requirements for (a) components of the Association Property or (b) any Residence or Unit.

1.1.37 **Manager.** Manager means the Person retained by the Association to perform management functions of the Association as limited by the Restrictions and the terms of the agreement between the Association and the Person.

1.1.38 **Master Association.** Master Association means the Westlake Master Association, a California nonprofit mutual benefit corporation, its successors and assigns.

1.1.39 **Master Declaration.** Master Declaration means that certain Amended and Restated Master Declaration of Establishment of Conditions, Covenants and Restrictions for Westlake, Recorded March 14, 2001, as Instrument No. 20010314-1532 of Official Records, as further amended or restated.

1.1.40 **Membership.** Membership means the voting and other rights, privileges and duties established in the Restrictions for members of the Association.

1.1.41 **Mortgage.** Mortgage means any Recorded document, including a deed of trust, by which a Condominium or other portion of the Properties is hypothecated to secure the performance of an obligation.

1.1.42 **Mortgagee.** Mortgagee means a Person to whom a Mortgage is made or the assignee of the Mortgagee's rights under the Mortgage by a recorded instrument. For purposes of this Declaration, the term Mortgagee shall include a beneficiary under a deed of trust.

1.1.43 **Mortgagor.** Mortgagor means a Person who Mortgages his property to another. For purposes of this Declaration, the term Mortgagor shall include a trustor under a deed of trust.

1.1.44 **Non-Member Area Payments.** Non-Member Area Payments means those payments made by Non-Member Areas (as defined in the Master Declaration) to the Master Association for the cost of maintenance of the water quantity and quality of the Lake (as defined in the Master Declaration), as established in Section 5.9.8 of the Master Declaration.

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

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

1.1.47 **Owner.** Owner means the Person or Persons, including Declarant, holding fee simple interest to a Condominium. Each Owner has a Membership in the Association. The term "Owner" includes sellers under an executory contracts of sale but excludes Mortgagees. The term "Owner" may be expanded in a Supplemental Declaration to include other Persons.

1.1.48 **Person.** Person means a natural individual or any entity recognized under California law. When the word "person" is not capitalized, the word only refers to natural persons.

1.1.49 **Properties.** Properties means all of the real property described in Paragraph A of the Preamble to this Declaration. The Properties are a "condominium project" as defined in Section 1351(f) of the California Civil Code. The Properties are a "common interest development" as defined in Section 1351(c) of the California Civil Code. Any references in this Declaration to the Properties are references to the Properties as a whole and to portions thereof. The Properties are a "Non-Member Area" as defined in the Master Declaration.

1.1.50 **Reconstruction Assessment.** Reconstruction Assessment means a charge levied against the Owners and their Condominium, representing their share of the Association's cost to reconstruct any Improvements on the Common Property. Such charge shall be levied among all Owners and their Condominiums in the same proportions as Annual Assessments. Reconstruction Assessments are special assessments as described in California Civil Code Section 1366.

1.1.51 **Record or File.** Record or File means, with respect to any document, entry of such document in official records of the County Recorder.

1.1.52 **Restrictions.** Restrictions means this Declaration, the Articles, Bylaws, Rules and Regulations, and Supplemental Declarations.

1.1.53 **Rules and Regulations.** Rules and Regulations means the current rules and regulations for the Properties.

1.1.54 **Special Assessment.** Special Assessment means a charge against an Owner and his Condominium representing a reasonable fine or penalty, including reimbursement costs, as provided for in this Declaration.

1.1.55 **Supplemental Declaration.** Supplemental Declaration means an instrument executed, acknowledged and Recorded by Declarant which imposes conditions, covenants, or restrictions or reserves easements for the Properties in addition to the conditions, covenants, restrictions and easements established by this Declaration. Declarant may Record a Supplemental Declaration if Declarant owns all of the property to be encumbered by that Supplemental Declaration. A Supplemental Declaration may modify this Declaration as it applies to the property encumbered by the Supplemental Declaration.

1.1.56 **Telecommunication Facilities.** Telecommunication Facilities means equipment, cables, conduits, inner ducts, vaults, connecting hardware, wires, poles, transmitters, towers, antennae and other facilities, structures and Improvements necessary for, or used in, the provision of Telecommunication Services.

1.1.57 **Telecommunications Services.** Telecommunications Services means services for cable television, communications, telecommunications, high-speed data, telephony and all related vertical services, intranet, internet, information transfer, transmission, video and other similar services. Declarant may expand this definition in any Supplemental Declaration.

1.1.58 **Unit.** Unit means a separate interest in space as defined in Section 1351(f) of the California Civil Code. Each Unit is a separate freehold estate, as separately shown, numbered and designated in the Condominium Plan, and consists of a residential element and a garage element. In interpreting deeds, declarations and plans, those existing physical boundaries of the portion of the Unit that are encompassed by an Improvement constructed or reconstructed in substantial accordance with the Condominium Plan and the original plans thereof, if such plans are available, shall be conclusively presumed to be the boundaries of such portion, rather than the description expressed in the deed, Declaration or Condominium Plan, regardless of settling or lateral movement of the Improvement encompassing the Unit and regardless of minor variances between the boundaries of the Unit (as shown on the Condominium Plan or defined in the deed or Declaration) and the boundaries of any Improvements, as constructed or reconstructed. The windows and sliding glass doors are portions of the Unit. The lateral and vertical limits of each Unit shall be as described in the Condominium Plan.

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

1.2 INTERPRETATION.

1.2.1 **General Rules.** This Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for creating and operating a residential condominium development and maintaining the Common Property. As used in this Declaration, the singular includes the plural and the plural the singular. The masculine, feminine and neuter each includes the other, unless the context dictates otherwise.

1.2.2 **Articles, Sections and Exhibits.** The Article and Section headings have been inserted for convenience only and may not be considered in resolving questions of interpretation or construction. Unless otherwise indicated, any references in this Declaration to articles, sections or exhibits are to Articles, Sections and Exhibits of this Declaration. *Exhibit C* attached to this Declaration is incorporated herein by this reference.

1.2.3 **Priorities and Inconsistencies.** If there are conflicts or inconsistencies between this Declaration and the Articles, Bylaws, Rules and Regulations, a

Supplemental Declaration, or Condominium Plan, then the provisions of this Declaration shall prevail.

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

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

ARTICLE II

CONDOMINIUM AND USE RESTRICTIONS

The Properties shall be held, used and enjoyed subject to the following restrictions and exemptions and rights of Declarant in the Restrictions.

2.1 **SINGLE FAMILY CONDOMINIUMS.** Each Condominium, excluding Exclusive Use Areas, shall be used as a dwelling for a single Family and for no other purpose. Subject to any Owner occupancy requirements that may be separately imposed by Declarant, an Owner may rent his Condominium to a single Family provided that the Condominium is rented pursuant to a lease or rental agreement which is (a) in writing and (b) subject to all of the provisions of this Declaration. Any failure by a tenant who is leasing or renting a Condominium from an Owner to comply with the Restrictions constitutes a default under the lease or rental agreement. The Common Property, including parking spaces and other amenities contemplated as a part of the Properties, will not be leased by Declarant to the Owners or the Association. Owners may also rent Condominiums to Declarant for use as sales offices, models and parking areas.

2.2 **BUSINESS OR COMMERCIAL ACTIVITY.** No part of the Properties may ever be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including any activity for which the provider is compensated or receives any consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license. This Section does not preclude any of the above-described activities provided that: (a) the activity complies with law; (b) the patrons or clientele of the activity do not visit the Condominium or park automobiles or other vehicles in the Properties; (c) the existence or operation of the activity is not apparent or detectable by sight, sound or smell from outside the boundaries of the Condominium; (d) the activity does not increase the Association's liability or casualty insurance obligation or premium; and (e) the activity is consistent with the residential character of the Properties and this Declaration.

2.3 **NUISANCES.** Noxious and offensive activities on the Properties or on any public street abutting or visible from the Properties are prohibited. All horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a

Condominium or vehicle and its contents, are also prohibited. Noisy, unsightly, unusually painted or smoky vehicles, large power equipment and large power tools (excluding lawn mowers and other equipment used in connection with ordinary landscape maintenance), off-road motor vehicles and objects which create or emit loud noises or noxious odors may not be located, used or placed in the Properties or on any public street abutting or visible from the Properties, or exposed to the view of other Owners without the Board's written approval. Any item which would unreasonably interfere with television or radio reception to a Condominium may be located or used in the Properties or on a public street abutting the properties only with the prior written consent of the Board. The Association is entitled to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner may (a) permit or cause anything to be done or kept on the Properties or on any public street abutting or visible from the Properties which may (i) increase the rate of insurance in the Properties, (ii) result in the cancellation of such insurance, or (iii) obstruct or interfere with the rights of other Owners, or (b) commit or permit any nuisance thereon or violate any law. Each Owner shall comply with all requirements of the local or state health authorities and with all other laws regarding occupancy and use of a Condominium. Each Owner is accountable to the Association and other Owners for the conduct of persons residing in or visiting the Owner's Condominium. Any damage to the Common Property, personal property of the Association, or property of another Owner caused by such persons shall be repaired at the sole expense of the Owner of the Condominium where such persons are residing or visiting. No plants or seeds infected with noxious insects or plant diseases may be brought upon, grown or maintained on the Properties.

2.4 **SIGNS.** Subject to Civil Code Sections 712 and 713, no sign, advertising device or other display of any kind shall be displayed in the Properties or on any public street in or abutting the Properties except for the following signs, so long as they comply with law:

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

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

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

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

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

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

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

(iv) the sign is of a color and style and is in a location authorized by the Design Review Committee.

2.5 PARKING AND VEHICULAR RESTRICTIONS.

2.5.1 **Authorized Vehicles.** The following vehicles are "**Authorized Vehicles**": standard passenger vehicles including automobiles, passenger vans designed to accommodate ten (10) or fewer people, motorcycles, and pickup trucks having a manufacturer's rating or payload capacity of one (1) ton or less. Authorized Vehicles may be parked in any portion of the Properties intended for parking of motorized vehicles; however, no Owner may park a vehicle in a manner which the Association determines either restricts the passage of pedestrians or vehicles over garage areas, driveways, streets or sidewalks in the Properties. The Association has the power to identify additional vehicles as Authorized Vehicles in the Rules and Regulations to adapt this restriction to other types of vehicles.

2.5.2 **Prohibited Vehicles.** The following vehicles are "**Prohibited Vehicles**": (a) recreational vehicles (e.g., motor homes, travel trailers, camper vans and boats), (b) commercial-type vehicles (e.g., stake bed trucks, tank trucks, dump trucks, step vans, concrete trucks, and limousines), (c) buses or vans designed to accommodate more than ten (10) people, (d) vehicles having more than two (2) axles, (e) trailers, (f) inoperable vehicles or parts of vehicles, (g) aircraft, (h) any vehicle or vehicular equipment deemed a nuisance by the Association, and (i) any other vehicle not classified as an Authorized Vehicle. Prohibited Vehicles may not be parked, stored or kept on any public or private street in, adjacent to or visible from the Properties or any other Common Property parking area except for brief periods for loading, unloading, making deliveries or emergency repairs. If a vehicle qualifies as both an Authorized Vehicle and a Prohibited Vehicle, then the vehicle is presumed to be a Prohibited Vehicle, unless the vehicle is expressly authorized in writing by the Association. The Association has the power to identify additional vehicles as Prohibited Vehicles in the Rules and Regulations to adapt this restriction to other types of vehicles. Prohibited Vehicles may only be parked in an Owner's fully enclosed garage with the door closed so long as their presence on the Properties does not otherwise violate the provisions of this Declaration.

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

2.5.4 **Parking Regulations.** The Board may establish additional regulations regarding parking areas not assigned to Condominiums, including designating "parking," "guest parking," and "no parking" areas; may establish reasonable regulations for parking areas assigned to Condominiums; and may enforce all parking and vehicle use regulations applicable to the Properties. Enforcement actions the Association may take include removing violating

vehicles from the Properties pursuant to California Vehicle Code Section 22658.2 or other applicable laws. If the Association fails to enforce any of the parking or vehicle use regulations, the City may enforce such regulations.

2.6 ANIMAL REGULATIONS. The only animals that may be raised, bred or kept in any Condominium are dogs, cats, fish, birds, reptiles and other usual household pets, provided that they are not kept, bred or raised for commercial purposes, in unreasonable quantities or sizes or in violation of the Restrictions. As used in the Declaration, "unreasonable quantities" ordinarily means more than two (2) pets per Condominium; however, the Association may determine that a reasonable number in any instance may be more or less. The Association may limit the size of pets and may prohibit maintenance of any animal which, in the Association's opinion, constitutes a nuisance to any other Owner. Animals must be either kept in an enclosed area or on a leash held by a person capable of controlling the animal. Each Person is liable for any unreasonable noise and for damage to person or property caused by any animals brought or kept on the Properties by such Person. Each Person shall clean up after such Person's animals. Any Person who keeps any animal, insect or reptile in the Properties shall indemnify, defend and hold harmless the Association, its officers, directors, contractors, agents and employees from any claim brought by any Person against the Association, its officers, directors, agents and employees for personal injuries or property damage caused by such animals.

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

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

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

Committee may also prohibit an Owner from installing an Authorized Antenna on any real property which such Owner does not own or is not entitled to exclusively use or control under the Restrictions. The Design Review Committee also has the power to prohibit or restrict the installation of any antenna or other over-the-air receiving device that does not meet the definition of an Authorized Antenna above.

2.7.3 Review after Installation. The Design Review Committee may review the location and installation of an Authorized Antenna after it is installed. After its review, the Design Review Committee may require that the Authorized Antenna be moved to a preferred location (if one has been designated) for safety reasons or to comply with reasonable restrictions subject to this Section 2.7 and applicable law.

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

2.8 TRASH. No trash or recyclables may be kept or permitted upon the Properties or on any public street abutting or visible from the Properties except in containers located in appropriate areas screened from view. Such containers may be exposed to the view of neighboring Condominiums only when set out at a location approved by the Design Review Committee for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash and recycling collection hours).

2.9 INSTALLATIONS.

2.9.1 Generally. Except for subsection 2.9.4, this Section 2.9 does not apply to Improvements installed (a) as a part of the original construction of the Properties by Declarant, (b) by the Association, or (c) with the approval of the Design Review Committee. No Owner may cause or permit any mechanic's lien to be filed against the Properties for labor or materials alleged to have been furnished or delivered to the Properties or any Condominium for such Owner and any Owner who does so shall immediately cause the lien to be discharged within five (5) days after notice to the Owner from the Board. If any Owner fails to remove such mechanic's lien, the Board may discharge the lien and charge the Owner a Special Assessment for such cost of discharge.

2.9.2 Outside Installations. The following outside installations are prohibited: (a) sound systems, clotheslines, balcony, patio or deck covers, wiring, air conditioning equipment, water softeners, other machines and other similar Improvements, (b) Improvements protruding through the walls or roofs of buildings, and (c) other exterior additions or alterations to any Condominium. Outdoor deck, patio or lounge furniture, plants and barbecue equipment may be kept pursuant to the Rules and Regulations. No exterior fires are permitted, except in barbecue grills and fire pits designed and used in such a manner that they do not create a fire hazard. No clothing, fabrics or unsightly articles may be hung, dried or aired on or over any Condominium. Articles which are unsightly may be defined in the Rules and

Regulations. Owners are prohibited from installing fountains, hot tubs or spas in the Exclusive Use Areas.

2.9.3 **Inside Installations.** The type and color of all exposed window coverings is subject to the Design Review Committee's approval. The Design Review Committee's Design Guidelines may identify types and colors of exposed window coverings that are permitted or prohibited in the Properties. Nothing may be done in any Condominium or in, on or to the Common Property which may impair the structural integrity of any building in the Properties, alters the fire sprinklers or their source of water provided by the Association, or which structurally alters any such building except as otherwise expressly provided in this Declaration. No alteration, repair or replacement of wall coverings or floor coverings in Condominiums which may diminish the effectiveness of the sound control engineering in the buildings in the Properties may be made. Owners are prohibited from accessing the attic areas and roofs through openings in the closets or ceilings, and Owners are advised that any attempt to access such areas can be a danger to children.

2.9.4 **Indemnification.** Neither the Declarant nor the Association shall be liable or responsible for any damage that results from Improvements constructed or modified by an Owner. Improvements should not be installed, constructed or modified without the assistance of qualified consultants.

2.10 **FURTHER SUBDIVISION.** Except as otherwise provided in this Declaration, no Owner may physically or legally subdivide a Condominium in any manner, including dividing such Owner's Condominium into time-share estates or time-share uses. This provision does not limit the right of an Owner to (a) rent or lease all such Owner's Condominium by a written lease or rental agreement subject to this Declaration; (b) sell such Owner's Condominium; or (c) transfer or sell any Condominium to more than one Person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property. Any failure by the tenant of the Condominium to comply with the Restrictions constitutes a default under the lease or rental agreement. Except as provided in this Declaration, there shall be no judicial partition of the Common Area, or any part thereof, for the term of this Declaration; nor may Declarant, any Owner or any other Person acquiring any interest in any Condominium in the Properties seek any such judicial partition. No Condominium in the Properties may be partitioned or subdivided without the written approval of the Mortgagee of any first Mortgage on that Condominium.

2.11 **DRAINAGE.** No one may interfere with or alter the established drainage pattern over the Properties unless an adequate alternative provision is made for proper drainage with the Board's written approval. For the purpose of this Section, "established" drainage means the drainage which (a) exists at the time of the first Close of Escrow in the Properties, or (b) is shown on any plans approved by the Board.

Declarant may have installed "sub-drains" beneath the surface of land, excluding the portion thereof covered by the patios, in the Condominiums. The sub-drains and all appurtenant improvements constructed or installed by Declarant ("**Drainage Improvements**") provide for subterranean drainage of water from and to the Properties. Drainage Improvements, if any, shall

not be altered, removed, blocked or replaced without first making alternative drainage arrangements approved by the Board.

2.12 WATER SUPPLY SYSTEM. No individual water supply, sewage disposal or water softener system is permitted in any Condominium unless such system is designed, located, constructed and equipped in accordance with the requirements, standards, and recommendations of any water district having jurisdiction, the City, the Design Review Committee and all other governmental authorities with jurisdiction.

2.13 VIEW OBSTRUCTIONS. Each Owner acknowledges that (a) there are no protected views in the Properties, and no Condominium is assured the existence or unobstructed continuation of any particular view, and (b) any construction, landscaping or other installation of Improvements by Declarant, other Owners or owners of other property in the vicinity of the Properties may impair the view from any Condominium, and the Owners consent to such view impairment. There are no views in the Properties which are protected to any extent pursuant to this Declaration, and no Owner who becomes subject to the terms hereof shall thereby obtain any view rights whatsoever. Each Owner and the Association, by accepting a deed to a Condominium or any Common Property, hereby acknowledges that any construction or installation by Declarant or an Owner following required approvals may impair the view of such Owner or of the Members of the Association, and each Owner and the Association on behalf of the Members hereby consent to such impairment.

2.14 RIGHTS OF DISABLED. Subject to any applicable Design Guidelines, each Owner may modify his Condominium and the route over the Common Property leading to the front door of his Condominium, at his sole expense, to facilitate access to his Condominium by persons who are blind, visually impaired, deaf or physically disabled, or to alter conditions which could be hazardous to such persons in accordance with California Civil Code Section 1360 or any other applicable law.

2.15 POST TENSION CONCRETE SLABS. Concrete slabs for Condominiums constructed in the Properties may be reinforced with a grid of steel cable installed in the concrete slab and then tightened to create extremely high tension. This type of slab is commonly known as a "*Post Tension Slab*." Cutting into a Post Tension Slab for any reason (e.g., to install a floor safe, to remodel plumbing, etc.) is very hazardous and may result in serious damage to the Condominium, personal injury, or both. Each Owner shall determine if his Condominium has been constructed with a Post Tension Slab and, if so agrees: (a) Owner shall not cut into or otherwise tamper with the Post Tension Slab; (b) Owner will not permit or allow any other Person to cut into or tamper with the Post Tension Slab so long as Owner owns any interest in the Condominium; (c) Owner shall disclose the existence of the Post Tension Slab to any Person who rents, leases or purchases the Condominium from Owner; and (d) Owner shall indemnify and hold Declarant and Declarant's agents, free and harmless from and against any and all claims, damages, losses or other liability (including attorneys' fees and costs of court) arising from any breach of this covenant by Owner.

ARTICLE III

DISCLOSURES

Because much of the information included in this Article (a) has been obtained from other sources (e.g., governmental and other public agencies and public records) and (b) is subject to change for reasons beyond the control of Declarant and the Association, the Declarant and the Association do not guarantee the accuracy or completeness of any of the information in this Article. Further, neither Declarant nor the Association undertakes to advise Persons of any changes affecting the disclosures in this Article. All persons should make specific inquiries or investigations to determine the current status of the information contained in this Article.

3.1 NO REPRESENTATIONS OR WARRANTIES. No representations or warranties, express or implied, have been given or made by the Declarant, the Association, the Declarant, or their agents in connection with the Properties, its physical condition, zoning, compliance with laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a condominium project, except as expressly provided in this Declaration, or as submitted by Declarant to the DRE, or as provided by Declarant to the first Owner of each Condominium or provided in the standard warranty required by VA or FHA.

3.2 SUB-METERED UTILITIES. Certain utilities in the Properties, including water, may be sub-metered. The cost of reading these sub-meters and billing Owners for their portion of any sub-metered utility will be paid for through the Common Expenses.

3.3 EFFECT OF EXPANSIVE SOIL. The soil within the Properties may be composed of formations that have "expansive" characteristics. Soils testing should be performed, special construction techniques should be used, and precautions must be taken when constructing new Improvements or modifying existing Improvements because the soil expands when it is wet and can cause Improvements to lift and crack. The following information and recommendations should be considered before making or modifying any Improvements:

3.3.1 Concrete and Masonry Improvements. Special attention is required in designing concrete and masonry Improvements such as masonry walls and planters, concrete slabs, and decking. For example, steel reinforcing bars may be required in lieu of steel mesh in concrete patio slabs. Block walls may require extra horizontal and vertical steel reinforcing bars.

3.3.2 Drainage and Irrigation. Adequate drainage and irrigation control must be used. The construction or modification of Improvements should not result in ponding of water. The landscape irrigation system should be designed and operated to prevent excessive saturation of soils. Water must drain away from footings and other Improvements and obstructions such as walls should not be constructed across swales unless adequate replacement drainage Improvements have been installed or created. Planters should be lined with an impervious surface and should contain outlets to drain excess water.

3.4 OFFERS OF DEDICATION. Certain areas of the Association Property are subject to irrevocable offers of dedication as shown on the Recorded tract maps for the

Properties. The City may accept the offer of dedication and assume responsibility for maintaining these portions of the Association Property at any time.

3.5 PROPERTY LINES. The boundaries of each Condominium within the Properties and the Common Property are delineated on subdivision (tract) maps, lot line adjustments, parcel maps or Condominium Plans that are public records and are available at the office of the County Recorder.

3.6 SPECIAL TAX ASSESSMENT OR MELLO-ROOS COMMUNITY FACILITIES DISTRICTS. The Properties lie within the boundaries of special tax assessment districts and Mello-Roos Community Facilities Districts which require the levy of a special tax for repayment of bonds issued for the purpose of paying the cost of services or capital improvements. The amount of the special tax and any other information pertaining to any such district can be obtained from the County Assessor's office.

3.7 POST-TENSION CONCRETE SLABS. Concrete slabs for Improvements constructed in the Properties may be reinforced with a grid of steel cable installed in the concrete slab and then tightened to create extremely high tension. This type of slab is commonly known as a "*Post-Tension Slab*." Cutting into a Post-Tension Slab for any reason (e.g., to install a floor safe, to remodel plumbing, etc.) is very hazardous and may result in serious damage to the Unit, personal injury, or both. All Owners shall determine if the Improvement which houses their Unit has been constructed with a Post-Tension Slab and, if so, agree that: (a) they shall not cut into or otherwise tamper with the Post-Tension Slab; (b) will not permit or allow any other Person to cut into or tamper with the Post-Tension Slab so long as Owner owns any interest in the Condominium; (c) they shall disclose the existence of the Post-Tension Slab to any Person who rents, leases or purchases the Condominium from Owner; and (d) they shall indemnify and hold Declarant and Declarant's agents, free and harmless from and against any and all claims, damages, losses or other liability (including attorneys' fees and costs of court) arising from any breach of this covenant by such Owner.

3.8 NO ENHANCED PROTECTION AGREEMENT. No provisions of this Declaration or any Supplemental Declaration are intended, or shall be interpreted, to be an "enhanced protection agreement" as defined in Section 901 of the California Civil Code.

3.9 POLLUTANT CONTROL. The Association and the Owners shall comply with any NPDES requirements and the BMP guidelines (as defined below), as they apply to the Properties.

3.9.1 NPDES Requirements. The Properties are subject to all Federal, State and local requirements of the National Pollutant Discharge Elimination System ("*NPDES*") adopted pursuant to the Federal Clean Water Act. Pursuant to a NPDES General Permit adopted by the State Water Resources Control Board and the County NPDES Storm Water Permit Program, the County has adopted a Water Quality Management Plan for the Properties ("*Water Management Plan*") which identifies certain Best Management Practices ("*BMP*") to reduce the discharge of pollutants to storm water facilities before, during and after construction on the Properties is completed. The Association and the Owners shall comply with

all BMPs and the Water Management Plan, as such items may be amended. The costs of the Association's portion of such maintenance, if any, shall be treated as Common Expenses.

3.9.2 BMP Guidelines. The Association and the Owners shall ensure that all landscape irrigation on the Properties is implemented in accordance with the BMPs, including (a) the provision for water sensors and programmable irrigation times allowing for short cycles, (b) the use of planting material similar to that installed by Declarant and with similar water requirements in order to reduce excess irrigation runoff and to promote surface filtration, and (c) maintenance of all permanent slopes with required landscaping with native or other drought tolerant planting materials. In addition, Owners must ensure that no substance that might harm the biofilter located in the storm drain is permitted to enter the storm drain.

3.10 WESTLAKE. Westlake is a private lake located on approximately twenty-two (22) acres of land northwest of the Properties. Owners of Condominiums in the Properties have no right to use the lake by virtue of their ownership in the Properties. Declarant has no control over the use or maintenance of the lake.

3.11 COMMERCIAL AREA. Property located south and east of the Properties is zoned for commercial purposes. Commercial uses may result in increased noise and traffic in and around the Properties. Also, businesses within the commercial area may operate at early morning and/or late night hours. Declarant has no control over the operation of any businesses in the commercial area.

3.12 ARCO ARENA. ARCO Arena ("*Arena*") is located approximately two (2) miles southeast of the Properties. The Arena is an indoor arena; however, Owners may hear noise from events held at the Arena. In addition, there will be increased traffic in and around the Properties when events are held at the Arena.

3.13 SACRAMENTO INTERNATIONAL AIRPORT. The Sacramento International Airport ("*Airport*") is located approximately three (3) miles northwest of the Properties. Owners of Condominiums in the Properties may experience noise and vibrations from general aviation and cargo flights at all times of the day and night. The Airport operates seven (7) days a week, three hundred sixty-five (365) days a year. The Airport presently serves over eight (8) million passengers per year.

3.14 ADDITIONAL PROVISIONS. There may be provisions of various laws, including the Davis-Stirling Common Interest Development Act codified at Sections 1350 et seq. of the California Civil Code and the Federal Fair Housing Act codified at Title 42 United States Code, Section 3601, et seq., which may supplement or override the Restrictions. Declarant makes no representations or warranties regarding the future enforceability of any portion of the Restrictions.

3.15 LEASING. Declarant expects to sell Condominiums to Owners in Phases over a period of months. Declarant intends to continue to lease some or all of the unsold Condominiums in the Properties and Annexable Territory. This leasing activity is expected to continue even after all Phases have been annexed into the Properties. Tenants of these

Condominiums shall have full use of the amenities in the Properties, including the recreational facilities.

ARTICLE IV

THE ASSOCIATION

4.1 GENERAL DUTIES AND POWERS. The Association has the duties and powers listed in the Restrictions and also has the general and implied powers of a nonprofit unincorporated association, generally to do all things that an unincorporated association organized under the laws of the State of California may lawfully do which are necessary or proper in operating for the peace, health, comfort, safety and general welfare of the Owners, subject only to the limits on the exercise of such powers listed in Restrictions. Unless otherwise indicated in the Articles, Bylaws or this Declaration, the powers of the Association may be exercised by the Board.

4.2 SPECIFIC DUTIES AND POWERS. In addition to its general powers and duties, the Association has the following specific powers and duties.

4.2.1 Common Property. The power and duty to accept, maintain and manage the Common Property in accordance with the Restrictions. The Association may install or remove capital Improvements on the Common Property. The Association may reconstruct, replace or refinish any Improvement on the Common Property.

4.2.2 Utilities. The power and duty to obtain, for the benefit of the Properties, all commonly metered gas and electric services, all sub-metered water services, sewer and storm drainage services for the Condominiums in the Properties, and the power but not the duty to provide for trash collection and cable or master television service.

4.2.3 Granting Rights. The power to grant exclusive or nonexclusive easements, licenses, rights of way or fee interests in the Common Property, to the extent any such grant is reasonably required (a) for utilities and facilities to serve the Common Property and the Condominiums, (b) for purposes of conformity with the as-built location of Improvements installed or authorized by Declarant or the Association, (c) in connection with any lawful lot line adjustment, or (d) for other purposes consistent with the intended use of the Properties. This power includes the right to create and convey Exclusive Use Areas. The Association may deannex any Property from the encumbrance of the Declaration in connection with any lawful lot line adjustment.

4.2.4 Employ Personnel. The power to employ Persons necessary for the effective operation and maintenance of the Common Property, including legal, management and accounting services.

4.2.5 Insurance. The power and duty to maintain insurance for the Common Property in accordance with this Declaration.

4.2.6 **Water, Sewers and Storm Drains.** The power and duty to maintain any private water systems, private sewer systems, private storm drains, or private drainage facilities within the Common Property in accordance with the Restrictions.

4.2.7 **Rules and Regulations.** The power but not the duty to establish, amend, restate, delete, and create exceptions to, the Rules and Regulations.

(a) ***Standards for Enforceability.*** To be valid and enforceable, a Rule must satisfy all the following requirements:

- (i) The Rule must be in writing;
- (ii) The Rule is within the authority of the Board conferred by law or by this Declaration, the Articles or the Bylaws;
- (iii) The Rule is not inconsistent with governing law, this Declaration, the Articles, or the Bylaws;
- (iv) The Rule is adopted, amended or repealed in good faith and in substantial compliance with the requirements of Article 4 of Title 6 of Part 4 of Division 2 of the California Civil Code;
- (v) The Rule is reasonable; and
- (vi) The Rule complies with the requirements of California Civil Code Section 1357.110 (as amended from time to time).

(b) ***Areas of Regulation.*** The Rules and Regulations may concern use of the Properties, signs, parking restriction, minimum standards of property maintenance, and any other matter under the Association's jurisdiction; however, the Rules and Regulations are enforceable only to the extent they are consistent with the Articles, Bylaws, Declaration, and any Supplemental Declarations.

(c) ***Limits on Regulation.*** The Rules and Regulations must apply uniformly to all Owners. The rights of Owners to display religious, holiday and political signs, symbols and decorations inside their Condominiums of the kinds normally displayed in single family residential neighborhoods shall not be abridged, except the Association may adopt time, place and manner restrictions for such displays if they are visible outside of the Condominium. No modification to the Rules and Regulations may require an Owner to dispose of personal property that was on a Unit adoption of such modification if such personal property was in compliance with all rules previously in force; however, this exemption shall apply only during the period of such Owner's ownership of the Unit and shall not apply to (i) subsequent Owners who take title to the Unit after the modification is adopted, or (ii) clarifications to the Rules and Regulations.

(d) ***Procedure for Adoption, Amendment and Repeal.*** Rules or procedures concerning (i) the use of Common Property, (ii) the use of a Condominium/Lot, including any aesthetic standards or Design Guidelines that affect Condominiums/Lots, (iii)

member discipline, including any schedule of monetary penalties for violation of the Restrictions, (iv) any procedure for the imposition of penalties, (v) any standards for delinquent assessment payment plans, and (vi) any procedures adopted by the Association for resolution of assessment disputes (each, a "**Covered Rule**") may only be adopted, amended or repealed in accordance with the following procedure:

(i) The Board must provide written notice ("**Notice**") of a proposed change in a Covered Rule to the members at least thirty (30) days before making the change, except for an Emergency Rule Change (defined below). The Notice must include the text of the proposed change and a description of the purpose and effect of the proposed change (Notice is not required if the Board determines that an immediate change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Association);

(ii) The decision on a proposed change shall be made at a Board meeting after consideration of comments made by the members of the Association;

(iii) The Board shall deliver Notice of the adopted change to every member of the Association within fifteen (15) days of adoption. If the change was an Emergency Rule Change, the notice shall include the text of the Emergency Rule Change, and the date on which the Emergency Rule Change expires;

(iv) If the Board determines that an immediate Rule change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Association, it may make the change on an emergency basis ("**Emergency Rule Change**") and no Notice will be required. An Emergency Rule Change is effective for one hundred-twenty (120) days, unless the adopted change provides for a shorter effective period. Any change that is adopted as an Emergency Rule Change may not be re-adopted under authority of this subpart.

(v) A Notice required by this Section 4.2.8(d) is subject to California Civil Code Section 1350.7.

(vi) A Rule change made pursuant to this Section 4.2.8(d) may be reversed as provided in California Civil Code Section 1357.140.

The foregoing procedure does not apply to Rules that do not meet the definition of Covered Rules above, nor to decisions of the Board regarding maintenance of Common Property, a decision on a specific matter that is not intended to apply generally, a decision setting the amount of an Annual Assessment or a Special Assessment, a Rule change that is required by law if the Board has no discretion as to the substantive effect of the changes, or issuance of a document that merely repeats existing law or the governing documents.

(e) **Use of Facilities.** The Rules and Regulations may (i) specify a maximum number of guests which an Owner, tenant or other Person may admit to the Common Property recreational facilities at one time, (ii) establish rules for allowing Owners, tenants or other Persons to use Common Property facilities for private functions, and/or (iii) establish

admission fees, deposit requirements and other fees for the use of any facilities located on the Common Property.

4.2.8 **Maintenance Requirements.** The power and duty to (a) operate, maintain and inspect the Association Property and its various components in conformance with any Maintenance Requirements, and (b) review any Maintenance Manual applicable to the Association Property for necessary or appropriate revisions no less than annually after the Board has prepared the Budget; provided, however, that the Association shall not revise the Maintenance Manual to reduce the level of maintenance required of any Improvement without the prior written consent of Declarant until ten (10) years after the last Close of Escrow for the sale of a Unit in the Properties.

4.2.9 **Borrowings.** The power, but not the duty, to borrow money for purposes authorized by the Articles, Bylaws, Declaration, or any Supplemental Declarations, and to use the Association Property as security for the borrowing.

4.2.10 **Contracts.** The power but not the duty to enter into contracts. This includes contracts with Owners or other Persons to provide services or to maintain Improvements in the Properties and elsewhere which the Association is not otherwise required to provide or maintain pursuant to this Declaration. Notwithstanding the foregoing, if required by an applicable local governmental agency, the Association shall have the power and the duty to enter into a contract for water, sewer and drainage services for the Condominiums in the Properties.

4.2.11 **Telecommunications Contract.** Notwithstanding anything in the Restrictions to the contrary, the Board shall have the power to enter into, accept an assignment of, or otherwise cause the Association to comply with the terms and provisions of an exclusive Telecommunications Services contract ("**Telecommunications Contract**") with a Telecommunications Service provider ("**Service Provider**"), pursuant to which the Service Provider shall serve as the exclusive provider of Telecommunications Services to each Condominium in the Properties. The Board shall only enter into, accept an assignment of, or otherwise cause the Association to comply with the terms and provisions of the Telecommunications Contract if the Board determines, in its sole discretion, that such action is in the best interests of the Association. Although not exhaustive, the Board shall consider the following factors in making such a determination:

(a) **Initial Term and Extensions.** The initial term of the Telecommunications Contract should not exceed five (5) years, and, if the Telecommunications Contract provides for automatic extensions, the length of each such extension should also not exceed five (5) years.

(b) **Termination.** The Telecommunications Contract should provide that: (i) at least six (6) months prior to the expiration of either the initial or any extended term of the Telecommunications Contract, the entire Membership of the Association may, without cause, by a sixty percent (60%) vote, prevent any automatic extension that the Telecommunications Contract may provide for, and thereby allow the Telecommunications Contract to expire, and (ii) at any time, the Board may terminate the Telecommunications Contract if, in the sole

discretion of the Board, the Service Provider fails to provide quality, state-of-the-art Telecommunications Services.

(c) **Fees.** Whether the monthly fee charged to the Association by the Service Provider for the provision of the Telecommunications Services to all of the Condominiums represents a discount from the comparable retail fees charged by the Service Provider in the general geographic area in which the Properties are located, and, if so, the amount of such discount.

(d) **Installation of Telecommunications Facilities.** Whether the Service Provider is solely responsible for the installation, and the cost thereof, of all of the Telecommunications Facilities necessary to provide Telecommunications Services to each Condominium.

(e) **Removal of Telecommunications Facilities.** Whether the Service Provider has the right to remove the Telecommunications Facilities upon expiration or termination of the Telecommunications Contract.

4.2.12 Indemnification.

(a) **For Association Representatives.** To the fullest extent authorized by law, the Association has the power and duty to indemnify Board members, Association officers, Design Review Committee members, and all other Association committee members for all damages, pay all expenses incurred, and satisfy any judgment or fine levied as a result of any action or threatened action brought because of performance of an act or omission within what such person reasonably believed to be the scope of the Person's Association duties ("**Official Act**"). Board members, Association officers, Design Review Committee members, and all other Association committee members are deemed to be agents of the Association when they are performing Official Acts for purposes of obtaining indemnification from the Association pursuant to this Section. The entitlement to indemnification under this Declaration inures to the benefit of the estate, executor, administrator and heirs of any person entitled to such indemnification.

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

(c) **Provided by Contract.** The Association also has the power, but not the duty, to contract with any Person to provide indemnification in addition to any indemnification authorized by law on such terms and subject to such conditions as the Association may impose.

4.2.13 **Annexing Additional Property.** The power but not the duty to annex, pursuant to Section 16.2, additional property to the property encumbered by this Declaration.

4.2.14 **Vehicle Restrictions.** The power granted in Section 2.5 to identify Authorized Vehicles or Prohibited Vehicles and to modify the restrictions on vehicles.

4.2.15 **Trash/Recycling.** The Association has the power and the duty to implement a trash and/or recycling program for the Properties, or to require Owner compliance with any trash and/or recycling program established by Declarant.

4.2.16 **License and Use Agreements.** The Association may enter into agreements with Declarant or any homeowners association having jurisdiction over the Annexable Territory to share recreational or other facilities located on the Common Property ("**Facility**") with the owners of residences on the Annexable Territory that is not annexed to the Properties. Any such agreement shall be in a form and content acceptable to the Board of Directors (without the approval of Owners) and Declarant or the board of directors of any adjacent homeowners association and shall include provisions regarding equal use and sharing of maintenance costs for the Facility.

4.2.17 **Prohibited Functions.**

(a) **Off-site Nuisances.** The Association shall not use any Association funds or resources to abate any annoyance or nuisance emanating from outside the physical boundaries of the Properties.

(b) **Political Activities.** The Association shall not (i) participate in federal, state or local political activities or activities intended to influence a governmental action affecting areas outside the boundaries of the Properties (e.g., endorsement or support of (A) legislative or administrative actions by a local governmental authority, (B) candidates for elected or appointed office, or (C) ballot proposals, or (ii) conduct, sponsor, participate in or expend funds or resources or any activity, campaign or event, including any social or political campaign, event or activity which is not directly and exclusively pertaining to the authorized activities of the Association. There shall be no amendment of this Section so long as Declarant owns the Properties or Annexable Territory.

4.2.18 **Standing to Resolve Disputes.** The Association shall have standing to institute, defend, settle or intervene in litigation, alternative dispute resolution or administrative proceedings (each, an "**Action**") in its own name as the real party in interest and without joining the Owners, in matters pertaining to (i) damage to the Association Property, (ii) damage to portions of the Condominiums which the Association is obligated to maintain or repair, and (iii) damage to portions of the Condominiums which arises out of, or is integrally related to, damage to the Association Property or portions of the Condominiums that the Association is obligated to maintain or repair (each, a "**Claim**").

Upon commencement of an Action by the Association pertaining to any Claim described in subparts (i), (ii) or (iii) above, the Association's standing shall be exclusive, and during the pendency of such Action, the Owners shall be barred from commencing a new Action or maintaining a pending Action on the same Claim. The Association's exercise of exclusive standing as to an Action on a particular Claim shall not be deemed to give rise to any affirmative

obligation on the part of the Association to maintain, settle or dismiss the Action, except in the Association's sole discretion, and subject to Section 12.4.

4.3 STANDARD OF CARE, NONLIABILITY.

4.3.1 Scope of Powers and Standard of Care.

(a) **General Scope of Powers.** Rights and powers conferred on the Board, the Design Review Committee or other committees or representatives of the Association by the Restrictions are not duties, obligations or disabilities charged upon those Persons unless the rights and powers are explicitly identified as including duties or obligations in the Restrictions or law. Unless a duty to act is imposed on the Board, Design Review Committee or other committees or representatives of the Association by the Restrictions or law, the Board and the committees have the right to decide to act or not act. Any decision to not act is not a waiver of the right to act in the future.

(b) **Business Affairs.** This Section 4.4.1(b) applies to Board member actions in connection with management, personnel, maintenance and operations, insurance, contracts and finances, and Design Review Committee member actions. Each Board member shall perform the duties of a Board member in good faith, in a manner such Board member believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. When performing his duties, a Board member is entitled to rely on information, opinions, reports or statements, including financial data prepared or presented by:

(i) One or more officers or employees of the Association whom the Board member believes to be reliable and competent in the matters presented;

(ii) Counsel, independent accountants or other Persons as to matters which the Board member believes to be within such Person's professional or expert competence; or

(iii) A committee of the Board upon which the Board member does not serve, as to matters within its designated authority, which committee the Board member believes to merit confidence, so long as, in any such case, the Board member acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

(iv) This Section 4.4.1(b) is intended to be a restatement of the business judgment rule established in applicable law as it applies to the Association. All modifications and interpretations of the business judgment rule applicable to the Association shall be interpreted to modify and interpret this Section 4.4.1(b).

(c) **Association Governance.** This Section 4.4.1(c) applies to Board actions and Design Review Committee decisions in connection with interpretation and enforcement of the Restrictions, architectural and landscaping control, regulation of uses within the Properties, rule making and oversight of committees. Actions taken or decisions made in connection with these matters shall be reasonable, fair and nondiscriminatory.

4.3.2 Nonliability.

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

(b) **Nonliability of Volunteer Board Members and Officers.** A volunteer Board member or volunteer Association officer shall not be personally liable to any Person who suffers injury, including bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of the volunteer officer or Board member if all applicable conditions specified in Section 1365.7 of the California Civil Code are met.

(c) **Nonliability of Owners.** Pursuant to California Civil Code Section 1365.9, no Owner shall be liable for any cause of action in tort which can be brought against the Owner solely because of the Owner's undivided interest in the Common Area so long as the Association keeps one or more policies of insurance which include coverage for general liability of the Association in the amount required by California Civil Code Section 1365.9 and that insurance is in effect for the cause of action being brought.

4.4 MEMBERSHIP.

4.4.1 **Limits Generally.** All voting rights are subject to the Restrictions. Except as provided in Sections 4.5.2 and 12.4 of this Declaration and Section 4.8 of the Bylaws, as long as there exists a Class B Membership, any provision of the Restrictions which expressly requires the vote or written consent of a specified percentage (instead of a majority of a quorum) of the Association's voting power before action may be undertaken shall require the approval of such specified percentage of the voting power of both the Class A and Class B Membership. Except as provided in Section 12.4 of this Declaration and Section 4.8 of the Bylaws, on termination of the Class B Membership, any provision of the Restrictions which expressly requires the vote or written consent of Owners representing a specified percentage (instead of a majority of a quorum) of the Association's voting power before action may be undertaken shall then require the vote or written consent of Owners representing such specified percentage of both (1) the Association's total voting Class A power and (2) the Association's Class A voting power represented by Owners other than Declarant.

4.4.2 **Transfer.** The Membership of any Owner may not be transferred, pledged or alienated in any way, except on the transfer or encumbrance of such Owner's Condominium, and then only to the transferee or Mortgagee of such Condominium. A prohibited transfer is void and will not be reflected in the records of the Association. Any Owner who has sold a Condominium to a contract purchaser under an agreement to purchase may

delegate the Owner's Membership rights to the contract purchaser. The delegation must be in writing and must be delivered to the Association before the contract purchaser may vote. The contract seller shall remain liable for all charges and Assessments attributable to the contract seller's Condominium which accrue before title to the Condominium is transferred. If an Owner fails or refuses to transfer his Membership to the purchaser of such Owner's Condominium on transfer of title thereto, the Association may record the transfer in the Association's records. Until satisfactory evidence of such transfer is presented to the Association, the purchaser will not be entitled to vote at Association meetings. The Association may levy a reasonable transfer fee against a new Owner and such Owner's Condominium (which fee shall be paid through escrow or added to the Annual Assessment chargeable to such new Owner) to reimburse the Association for the administrative cost of transferring the Membership to the new Owner on the Association's records. Such fee may not exceed the Association's actual cost involved in changing its records.

4.4.3 Classes of Membership. The Association classes of voting Membership are as follows:

(a) **Class A.** Class A members are all Owners except Declarant for so long as a Class B Membership exists. Class A members are entitled to one (1) vote for each Condominium owned by such Class A members which is subject to Assessment. Declarant shall become a Class A member on conversion of Declarant's Class B Membership as provided below. The vote for each Condominium shall be exercised in accordance with Section 4.5.1, but no more than one (1) Class A vote may be cast for any Condominium.

(b) **Class B.** The Class B member is Declarant. The Class B member is entitled to three (3) votes for each Condominium owned by Declarant and subject to Assessment. The Class B Membership shall convert to Class A Membership upon the first to occur of the following events:

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

(ii) The fourth anniversary of the first Close of Escrow in Phase 1. However, if all of the Annexable Territory is annexed to the Properties within one year from the first Close of Escrow in Phase 1, the Class B Membership shall convert to Class A Membership on the fourth anniversary of the first Close of Escrow in Phase 1.

(c) **Class C.** The Class C member shall be Declarant (whether or not Declarant is an Owner). The Class C Membership shall not be considered a part of the voting power of the Association. The Class C member is entitled to select a majority of the members of the Board of Directors until the Class C Termination Date. The "**Class C Termination Date**" shall be the earlier to occur of the following events.

(i) The Close of Escrow for the sale of two hundred fourteen (214) Units in the Properties and Annexable Territory;

(ii) The fourth (4th) anniversary of the first Close of Escrow in the Phase for which a Final Subdivision Public Report was most recently issued by the DRE; or

(iii) The tenth (10th) anniversary of the first Close of Escrow of the sale of a Unit in the Properties.

4.5 VOTING RIGHTS.

4.5.1 **Limits Generally.** All voting rights are subject to the Restrictions. Except as provided in Sections 4.5.2 and 12.3 of this Declaration and Section 4.8 of the Bylaws, as long as there exists a Class B Membership, any provision of the Restrictions which expressly requires the vote or written consent of a specified percentage (instead of a majority of a quorum) of the Association's voting power before action may be undertaken shall require the approval of such specified percentage of the voting power of both the Class A and Class B Membership. Except as provided in Section 12.3 of this Declaration and Section 4.8 of the Bylaws, on termination of the Class B Membership, any provision of the Restrictions which expressly requires the vote or written consent of Owners representing a specified percentage (instead of a majority of a quorum) of the Association's voting power before action may be undertaken shall then require the vote or written consent of Owners representing such specified percentage of both (1) the Association's total voting Class A power and (2) the Association's Class A voting power represented by Owners other than Declarant.

4.5.2 **Vote to Initiate Construction Defect Claims.** Beginning on the date of the first annual meeting of Owners, Declarant relinquishes control over the Association's ability to decide whether to initiate a construction defect claim under the Right to Repair Law (a "Defect Claim"). This means that Declarant, current employees and agents of Declarant, Board members who are appointed by Declarant, Board members elected by a majority of votes cast by Declarant, and all other Persons whose vote or written consent is inconsistent with the intent of the preceding sentence, are prohibited from participating and voting in any decision of the Association or Owners to initiate a Defect Claim.

4.5.3 **Joint Ownership.** When more than one (1) Person holds an interest in any Condominium ("*co-owners*"), each co-owner may attend any Association meeting, but only one (1) such co-owner shall be entitled to exercise the single vote to which the Condominium is entitled. Co-owners owning the majority interests in a Condominium may designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Condominium shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if the designation is revoked, the vote for the Condominium shall be exercised as the co-owners owning the majority interests in the Condominium agree. Unless the Association receives a written objection in advance from a co-owner, it shall be conclusively presumed that the voting co-owner is acting with his co-owners' consent. No vote may be cast for any Condominium if the co-owners present in person or by proxy owning the majority interests in such Condominium fail to agree to the vote or other action. The nonvoting co-owner or co-owners are jointly and severally responsible for all obligations imposed on the jointly-owned Condominium and are entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in the Restrictions are binding on all Owners and their successors in interest.

4.6 REPAIR AND MAINTENANCE.

4.6.1 **Maintenance Standards.** The Association shall maintain everything it is obligated to maintain in a clean, sanitary and attractive condition reasonably consistent with the level of maintenance reflected in the most current Budget, and in conformance with all applicable Maintenance Requirements. Unless specifically provided in any Maintenance Requirements, the Board shall determine, in its sole discretion, the level and frequency of maintenance of the Association Property and Improvements thereon. Each Owner shall maintain everything the Owner is obligated to maintain in a clean, sanitary and attractive condition and in conformance with any Maintenance Requirements; provided, however, that only Declarant (and not the Association or any Owner) shall have the right to determine and enforce conformance with the Maintenance Requirements.

4.6.2 By Owners.

(a) **Generally.** Owners' repair, maintenance and replacement responsibilities are set forth in this Section 4.6.2 and on *Exhibit C*, attached hereto. Each Owner shall perform all required maintenance, repair and replacement in accordance with the Restrictions. Unless otherwise specified in the Restrictions, (i) the Owner's maintenance obligation includes the obligation to keep the items Owner is obligated to maintain in a clean and sanitary condition, free of debris and reasonably protected from damage in the Restrictions, and (ii) each Owner shall bear all costs and expenses of the maintenance, repair and replacement that the Owner is required to perform pursuant to the Declaration.

(b) **Other Responsibilities.** Each Owner shall pay when due all charges for any utility service which is separately metered to the Owner's Unit. If the Association does not adopt an inspection and prevention program with regard to wood-destroying pests and other organisms pursuant to Section 4.6.3, then such a program shall be the responsibility of each Owner.

4.6.3 By Association.

(a) **Commencement of Obligations.** The Association's obligation to maintain Common Property in the Properties commences on the date Annual Assessments commence on Condominiums in the Properties. Until commencement of Annual Assessments, Declarant shall maintain the Common Property.

(b) **Maintenance Standards.** Subject to Articles X and XI, the Association shall maintain the Common Property and Improvements thereon or shall contract to assure the Common Property and Improvements thereon are maintained in a clean, sanitary and attractive condition reasonably consistent with the level of maintenance reflected in the most current Budget. However, the Association is not responsible for performing any maintenance, repair or replacement which is made the Owner's responsibility pursuant to Section 4.6.2 or *Exhibit C*, attached hereto. The Board shall determine, in its sole discretion, the level and frequency of maintenance of the Common Property and Improvements thereon.

(c) **Maintenance Items.** The Association shall be responsible for all maintenance, repair and replacement not provided by the Owners, pursuant to Section 4.6.2 and

Exhibit C attached hereto. The Association shall repair and pay for (i) all Common Expenses and charges for centrally metered utilities, reading and billing of sub-metered utilities, and mechanical and electrical equipment serving the Common Property; (ii) the lights and utilities which serve individual Condominiums, but which are subject to a common meter or controlled by a common building panel; and (iii) pay all charges for utilities serving recreational amenities. The Association shall also paint, stain, waterproof (as necessary), and replace the main entry doors to, and the garage doors of, each Unit. The Association shall maintain the perimeter wall surrounding the Properties, and the portion of the shared wall along the southern and southeastern perimeters of the Properties required pursuant to that certain Cost Sharing Agreement by and between Declarant and Winncrest Natomas, LLC, a Nevada limited liability company, recorded November 27, 2001, as Instrument No. 20011127 of Official Records of Sacramento County, California. The Association shall maintain decks, patios and porches that exclusively serve the Units, and clustered mailboxes. The Association shall maintain and repair the pads which support air conditioning compressors which service Units.

(d) *Termite Eradication.* If determined by the Board to be economically feasible, the Association shall adopt an inspection and prevention program for the prevention and eradication of infestation by wood-destroying pests and organisms in the Properties. The Association may, but is not required to, perform all corrective janitorial, landscaping and repair work in any Condominium if the Owner thereof fails to do so after Notice and Hearing. If the Association adopts an inspection and preventive program for the prevention and eradication of infestation by wood destroying pests and organisms, the Association, on no less than fifteen (15) nor more than thirty (30) days' notice, may require each Owner and any occupants of the Owner's Condominium to vacate such Condominium to accommodate Association efforts to eradicate such infestation. The notice must state the reason for the temporary relocation, the date and time of the beginning of treatment, the anticipated date and time of termination of treatment, and that the occupants will be responsible for their own accommodations during the temporary relocation. Any damage caused to a Condominium by such entry by the Association or by any person authorized by the Association shall be repaired by the Association as a Common Expense. All costs involved in operating the inspection and preventive program as well as repairing and replacing the Common Property and Improvements thereon when the need for such maintenance, repair or replacement is the result of wood destroying pests or organisms are a Common Expense.

(e) *Additional Items.* The Association shall also be responsible for maintaining any Improvements a majority of the voting power of the Association designates for maintenance by the Association. Such property shall be deemed to be Association Property and subject to the Restrictions applicable to the Association Property.

(f) *Charges to Owners.* All costs of maintenance, repairs and replacements for the Properties shall be paid for as Common Expenses out of the Association Maintenance Funds as provided in this Declaration.

4.6.4 *Inspections of the Properties.* The Board shall require strict compliance with all provisions of this Declaration and shall periodically cause an inspection of the Properties to be conducted to report any violations of the Declaration. The Board shall also cause inspections of the Association Property and all Improvements thereon to determine the

condition of those Improvements ("*Condition Inspections*"), which shall be conducted in conformance with the applicable Maintenance Requirements. In the absence of inspection frequency recommendations in any applicable Maintenance Requirements, the Board shall conduct Condition Inspections at least once every three (3) years, in conjunction with the inspection required for the reserve study to be conducted pursuant to Section 2.10 of the Bylaws. Condition Inspections shall, at a minimum, (a) determine whether the Association Property is being maintained adequately in accordance with the standards of maintenance established in Section 4.6.1, (b) identify the condition of the Association Property and any Improvements thereon, including the existence of any hazards or defects, and the need for performing additional maintenance, refurbishment, replacement, or repair, and (c) recommend preventive actions which may be taken to reduce potential maintenance costs to be incurred in the future. In addition, the Board shall have the garages of all Units in the Properties inspected quarterly to ensure that personal property is not being stored such that the garages are not able to accommodate the number of Authorized Vehicles for which the garages were originally constructed. The Board shall, during its meetings, regularly determine whether the required inspections and maintenance activities set forth in any applicable Maintenance Requirements have been followed and, if not followed, what corrective steps need to be taken to assure proper inspections and maintenance of the Association Property. The Board shall keep a record of such determinations in the Board's minutes. The Board shall keep Declarant fully informed of the Board's activities under this Section 4.6.1. The Board shall employ, consistent with reasonable cost management, such experts, contractors and consultants as are necessary to perform the inspections and make the reports required by this Section.

The Board shall prepare a report of the results of the Condition Inspections required by this Section. Reports shall be furnished to Owners within the time set for furnishing the Budget to the Owners. The report of a Condition Inspection must include at least the following:

- (a) a description of the condition of the Association Property, including a list of items inspected, and the status of maintenance, repair and need for replacement of all such items;
- (b) a description of all maintenance, repair and replacement planned for the ensuing Fiscal Year and included in the Budget;
- (c) if any maintenance, repair or replacement is to be deferred, the reason for such deferral;
- (d) a summary of all reports of Condition Inspections performed by any expert, contractor or consultant employed by the Association to perform inspections since the Board's last Condition Inspection report;
- (e) a report of the status of compliance with the maintenance, replacement and repair needs identified in the Condition Inspection report for preceding years and identified in any applicable Maintenance Requirements; and
- (f) such other matters as the Board considers appropriate.

For a period of ten (10) years after the date of the last Close of Escrow in the Properties, the Board shall also furnish to Declarant (A) the report of each Condition Inspection performed for the Board, whenever such Condition Inspection is performed and for whatever portion of the Association Property that is inspected, within thirty (30) days after the completion of such Condition Inspection, and (B) the most recent Condition Inspection report prepared for any portion of the Association Property, within ten (10) days after the Association's receipt of a written request therefor from Declarant.

4.6.5 Damage by Owners. Each Owner is liable to the Association for any damage to the Common Property if the damage is sustained due to the act of an Owner, his guests, tenants or invitees, or any other persons deriving their right to use the Common Property from the Owner, or such Owner's respective family, tenants and guests. The Association may, after Notice and Hearing, (a) determine whether any claim shall be made on the Association's insurance, and (b) levy a Special Assessment equal to the cost of repairing the damage or any deductible paid and the increase, if any, in insurance premiums directly attributable to the damage caused by such Owner or the person for whom such Owner may be liable as described in this Declaration. If a Condominium is jointly owned, the liability of its Owners is joint and several, except to the extent that the Association has previously contracted in writing with the joint owners to the contrary. After Notice and Hearing, the cost of correcting the damage shall be a Special Assessment against such Owner.

4.7 UNSEGREGATED REAL PROPERTY TAXES. To the extent not assessed to or paid by the Owners, the Association shall pay all real and personal property taxes and assessments levied on the Properties. If all Condominiums in the Properties are taxed under a tax bill covering all of the Properties, then each Owner shall pay his share of any installment due under the tax bill to the Association at least ten (10) days before the delinquency date. The Association shall transmit the taxes to the appropriate tax collection agency on or before the delinquency date. The Association shall allocate taxes equally among the Owners and their Condominiums in the Properties, based on the total number of Condominiums in the Properties. The Association shall, at least forty-five (45) days before the delinquency date of any tax installment, deliver to each Owner in the Properties a copy of the tax bill, along with a written notice setting forth the Owner's obligation to pay his share of the tax installment and the potential additional charges to the Owner for failure to comply. The Association shall pay the taxes on behalf of any Owner who does not pay his share. The Association shall add to the Annual Assessment of a delinquent Owner the amount of any sum advanced, plus interest at the rate of ten percent (10%) per annum and any amount necessary to reimburse the Association for any penalty or late charge actually assessed in connection with the tax bill for the Properties, which late charge results from the failure of the delinquent Owner to make timely payment of his share of the taxes. Until Close of Escrow for the sale of ninety percent (90%) of the Condominiums in the Properties has occurred, this Section may not be amended without the written consent of Declarant.

ARTICLE V

DESIGN REVIEW COMMITTEE

5.1 **MEMBERS OF COMMITTEE.** The Design Review Committee shall be composed of three (3) members. The initial members of the Committee shall be representatives of Declarant until one (1) year after the original issuance of the Final Subdivision Public Report ("*Public Report*") for the Properties ("*First Anniversary*"). After the First Anniversary the Board may appoint and remove one (1) member of the Committee, and Declarant may appoint and remove a majority of the members of the Committee and fill any vacancy of such majority, until the earlier to occur of (a) Close of Escrow for the sale of ninety percent (90%) of all the Condominiums in the Properties and the Annexable Territory, or (b) the fifth anniversary of the original issuance of the Public Report for the Properties, after which the Board may appoint and remove all members of the Committee. Committee members appointed by the Board must be Owners, but Committee members appointed by Declarant need not be Owners. Board members may serve as Committee members.

5.2 POWERS AND DUTIES.

5.2.1 **General Powers and Duties.** The Committee shall consider and act upon all plans and specifications submitted for its approval, including inspection of work in progress to assure conformance with plans approved by the Committee, and shall perform such other duties as the Board assigns to it.

5.2.2 **Issuance of Standards.** The Committee shall issue and regularly update its design guidelines. The design guidelines shall include rules or guidelines setting forth procedures for the submission of plans for approval, may require a fee to accompany each application for approval, or may identify additional factors which the Committee will consider in reviewing submissions. The Committee may provide that fees it imposes be uniform, or that fees be determined in any other reasonable manner. The Committee may require such detail in plans and specifications submitted for its review as it deems proper, including landscape plans, floor plans, site plans, drainage plans, elevation drawings and descriptions or samples of exterior material and colors.

5.2.3 **Retaining Consultants.** The Committee has the power but not the duty to retain Persons to advise the Committee in connection with decisions; however, the Committee does not have the power to delegate its decision-making power.

5.3 REVIEW OF PLANS AND SPECIFICATIONS.

5.3.1 **Improvements Requiring Approval.** No construction, installation or alteration of an Improvement, including landscaping, in the Properties may be commenced until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location thereof have been submitted to and approved in writing by the Committee; however, any Improvement may be repainted without Committee approval so long as the Improvement is repainted the identical color which it was last painted. Without limiting the generality of the foregoing, the provisions of this Article apply to the construction, installation

and alteration of solar energy systems, as defined in Section 801.5 of the California Civil Code, subject to the provisions of California Civil Code Section 714, the City Building Code, zoning regulations, and other laws.

5.3.2 **Application Procedure.** Until changed by the Board, the address for the submission of such plans and specifications is the Association's principal office. The form of application used by the Committee may include spaces allowing "**Adjacent Owners**" to sign or initial the application confirming that they have been notified of the application. The Committee shall establish a definition of "Adjacent Owners" in its design guidelines. Applications will be complete and may be approved or disapproved by the Committee even if all of the Adjacent Owners do not initial the applications so long as the Owner submitting the plans and specifications ("**Applicant**") certifies that the Applicant has asked the Adjacent Owners to sign the applications.

If the Committee receives plans and specifications it determines are not complete, the Committee may reject the application for approval. The Committee shall transmit its decision and the reasons therefor to the Applicant at the address listed in the application for approval within forty-five (45) days after the Committee receives all required materials. Any application submitted pursuant to this Section shall be deemed approved unless the Committee transmits written disapproval or a request for additional information or materials to the Applicant within forty-five (45) days after the date the Committee receives all required materials.

5.3.3 **Standard for Approval.** The Committee shall approve plans and specifications submitted for its approval only if it determines that (a) installation, construction or alterations of the Improvements in the locations indicated will not be detrimental to the appearance of the surrounding area of the Properties as a whole, (b) the appearance of any structure affected by the proposed Improvements will be in harmony with the surrounding structures, (c) installation, construction or alteration of the proposed Improvements will not detract from the beauty, wholesomeness and attractiveness of the Properties or the enjoyment thereof by the Owners, (d) maintenance of the proposed Improvements will not become a burden on the Association, and (e) the proposed Improvements are consistent with this Declaration.

The Committee may condition its approval of proposals or plans and specifications for any Improvement on any of the following: (i) the Applicant's furnishing the Association with security acceptable to the Association against any mechanic's lien or other encumbrance which may be Recorded against the Properties as a result of such work, (ii) such changes therein as it considers appropriate, (iii) the Applicant's agreement to grant appropriate easements to the Association for the maintenance of the Improvements, (iv) the Applicant's agreement to install (at its sole cost) water, gas, electrical or other utility meters to measure any increased consumption, (v) the Applicant's agreement to reimburse the Association for the cost of such maintenance, or (vi) the Applicant's agreement to complete the proposed work within a stated period of time, and may require submission of additional plans and specifications or other information before approving or disapproving material submitted. The Applicant shall meet any review or permit requirements of the City before making any construction, installation or alterations permitted under this Declaration.

The Committee's approval or disapproval shall be based solely on the considerations listed in this Article. The Committee is not responsible for reviewing, nor may its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

5.4 MEETINGS AND ACTIONS OF THE COMMITTEE. The Committee shall meet as necessary to perform its duties. So long as a majority of the members of the Committee are Declarant representatives, the Committee may, by resolution unanimously adopted in writing, designate a Committee Representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the Committee except the granting of variances. In the absence of such designation, the vote or written consent of a majority of the Committee constitutes an act of the Committee. All approvals issued by the Committee must be in writing. Verbal approvals issued by the Committee or any individual Committee member are not valid, are not binding on the Association and may not be relied upon by any Person.

5.5 NO WAIVER OF FUTURE APPROVALS. The Committee's approval of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the Committee's approval does not waive any right to withhold approval of any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval.

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

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

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

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

5.8 **VARIANCES.** The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration including restrictions on height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration require. Such variances must be evidenced in writing, must be signed by a majority of the Committee, and become effective on Recordation. After Declarant's right to appoint a majority of the Committee's members expires, the Board must approve any variance recommended by the Committee before any such variance becomes effective. If variances are granted, no violation of the covenants, conditions and restrictions in this Declaration shall be deemed to have occurred with respect to the matter for which the variances were granted. The granting of a variance does not waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision of this Declaration covered by the variance, nor does it affect the Owner's obligation to comply with all laws affecting the use of his Unit.

5.9 **PRE-APPROVALS.** The Committee may authorize pre-approval of certain specified types of construction activities if, in the exercise of the Committee's judgment, preapproval of such types of Improvements is appropriate in carrying out the purposes of the Restrictions.

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

ARTICLE VI

PROPERTY EASEMENTS AND RIGHTS

6.1 EASEMENTS.

6.1.1 **Maintenance and Repair.** Declarant reserves for the benefit of the Association and all Association agents, officers and employees, nonexclusive easements over the Common Area and the Exclusive Use Areas as necessary to fulfill the obligations and perform the duties of the Association.

6.1.2 **Utility Easements.** Declarant reserves easements for maintaining utilities over the Common Property for the benefit of the Owners. Declarant reserves the right to grant additional easements and rights-of-way over the Properties to utility companies and public agencies, as necessary, for the proper development and disposal of the Properties. Such right of Declarant shall expire on Close of Escrow for the sale of the last Condominium in the Properties and the Annexable Territory.

6.1.3 **Encroachments.** Declarant reserves, for its benefit and the benefit of the Owners, a reciprocal easement appurtenant to each Condominium over the other Units and the Common Property to accommodate (a) any existing encroachment of any wall or any other

authorized Improvement, (b) authorized construction or repair, and (c) shifting, movement or natural settling of Improvements. Declarant reserves for the benefit of the Properties, the Owners and the Association, reciprocal nonexclusive easements for drainage of water over, across and on the Properties. Use of the foregoing easements may not unreasonably interfere with each Owner's use and enjoyment of the burdened Condominiums.

6.1.4 **Completion of Improvements.** Declarant reserves the right and easement to enter the Properties to complete any Improvement which Declarant considers desirable to implement Declarant's development plan.

6.1.5 **Owners' Easements in Common Property.** Declarant reserves, for the benefit of every Owner, his Family, tenants and guests, a nonexclusive easement for use of and vehicular and pedestrian access over the Common Property in connection with use and enjoyment of each Condominium in the Properties. This easement is appurtenant to and passes with title to every Condominium in the Properties. This easement is subject to the restrictions, rights and other easements in the Restrictions.

6.1.6 **Exclusive Use Area.** Declarant reserves, for the benefit of specified Owners, exclusive easements over the Properties for use of the Exclusive Use Area, including for patio, deck, air conditioning compressor pad, and driveway purposes as may be shown and assigned on the Condominium Plan for the Properties. Each Owner may exchange or transfer Exclusive Use Area parking spaces if (a) a deed of conveyance identifying the exchanged or transferred Exclusive Use Area parking spaces, the exchanging Owners or transferor and transferee and their respective Condominiums, is executed by the Owners and their first Mortgagees and Recorded; and (b) such exchange or transfer does not reduce the number of parking spaces below that required by the City. The Owners shall deliver a copy of the Recorded deed of conveyance to the Association as soon as possible after Recordation. Declarant reserves a special power of attorney coupled with an interest to execute such documents as are reasonably necessary on behalf of Owners and Mortgagees to correct misassignments of Exclusive Use Area parking spaces.

6.1.7 **Eave Easements.** Declarant reserves, for its benefit and for the benefit of the Owners of the Condominiums, nonexclusive easements over the Condominiums and Association Property for the purpose of accommodating any natural monument or settling of any Condominium, any encroachment of any Condominium due to minor engineering or construction variances, and any encroachment of eaves, roof overhangs and architectural features comprising parts of the original construction of any Condominium.

6.1.8 **Telecommunications Easement.** Declarant reserves blanket easements (collectively, "*Telecommunications Easements*") over the Properties for access and for purposes of constructing, installing, locating, altering, operating, maintaining, inspecting, upgrading, removing and enhancing Telecommunications Facilities (collectively, "*Telecommunications Purposes*") for the benefit of Declarant. Such easements are freely transferable by Declarant to any other Person and their successors and assigns. No one, except for Declarant and Declarant's transferees may use the Properties for Telecommunications Purposes. All Telecommunications Facilities shall be owned, leased or licensed by Declarant, as determined by Declarant, in its sole discretion and business judgment. Transfer of the Properties

does not imply transfer of any Telecommunications Easements or Telecommunications Facilities. The holders of the Telecommunications Easements may not exercise the rights reserved hereunder in any manner which will unreasonably interfere with the reasonable use and enjoyment of the Properties by any Owner. If the exercise of any Telecommunications Easement results in damage to the Properties, then the easement holder who caused the damage shall, within a reasonable period of time, repair such damage. If Declarant has not conveyed the Telecommunications Easements to another Person before the last Close of Escrow in the Properties, then Declarant grants the Telecommunications Easements to the Association effective as of the last Close of Escrow in the Properties.

6.1.9 **Access Easements.** Declarant reserves, for the benefit of the Association and its members, nonexclusive easements for vehicular and pedestrian access, ingress and egress over those portions of Lot 1 of the Final Map for "Westlake Villas" approximately shown on *Exhibit E* hereto. These access easements shall not be deemed to be Association Property unless and until designated as such in a Notice of Addition.

6.2 **RIGHT TO GRANT EASEMENTS.** Declarant reserves the right to grant easements over the Common Property for the exclusive use by an Owner or Owners of contiguous property as a yard, recreation, gardening or landscaping area. Any such easement may be conveyed by the Declarant before the last Close of Escrow for sale of a Condominium in the Properties and the Annexable Territory. Such conveyance must be approved by the Board, which approval must not be unreasonably withheld. The purpose of the easement, the portion of the Common Property affected, the Condominium to which the easement is appurtenant, and any restrictions on use of the easement area shall be identified in a Recorded grant of easement.

6.3 **DELEGATION OF USE.** Any Owner may delegate his right to use the Common Property in writing to his tenants, contract purchasers or subtenants who reside in such Owner's Condominium, subject to regulation by the Board. An Owner who has deleted his rights may not use the recreational facilities on the Common Property so long as such delegation remains in effect.

6.4 **RIGHT OF ENTRY.**

6.4.1 **Association.** The Association has the right to enter the Exclusive Use Area and the Units to inspect the Properties, and may take whatever corrective action it determines to be necessary or proper. Entry onto any Exclusive Use Area and Unit under this Subsection may be made after at least three (3) days' advance written notice to the Owner of the Unit except for emergency situations, which shall not require notice. Any damage to the Exclusive Use Area or the Unit caused by entry under this Subsection shall be repaired by the Association.

6.4.2 **Declarant.** The Declarant has the right to enter the Exclusive Use Areas and the Units (i) to complete and repair any Improvements as determined necessary or proper by the Declarant, in its sole discretion, (ii) to comply with requirements for the recordation of the Map or the grading or construction of the Properties, and (iii) to comply with requirements of applicable governmental agencies. Declarant shall provide reasonable notice to Owner prior to entry into the Owner's Exclusive Use Area and Unit under this Subsection except

for emergency situations, which shall not require notice. Any damage to the Exclusive Use Area or the Unit caused by entry under this Subsection shall be repaired by the Declarant. Unless otherwise specified in the initial grant deed of the Unit from the Declarant, this right of entry shall automatically expire ten (10) years from the Recordation of this Declaration.

6.4.3 **Owners.** Each Owner shall permit other Owners, and their representatives, to enter his Exclusive Use Area and Unit to perform installations, alterations or repairs to the mechanical or electrical services to a Unit if (a) requests for entry are made in advance; (b) entry is made at a time reasonably convenient to the Owner whose Exclusive Use Area or Unit is to be entered; and (c) the entered Exclusive Use Area or Unit is left in substantially the same condition as existed immediately preceding such entry. Any damage to the Exclusive Use Area or the Unit caused by entry under this Subsection shall be repaired by the entering Owner.

ARTICLE VII

ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

7.1 **PERSONAL OBLIGATION TO PAY ASSESSMENTS.** Each Owner covenants to pay to the Association Assessments established and collected pursuant to this Declaration and Owner's portion of the Non-Member Area Assessment established in the Master Declaration. The Association shall not levy or collect any Assessment that exceeds the amount necessary for the purpose for which it is levied. All Assessments, together with late payment penalties, interest, costs, and reasonable attorneys' fees for the collection thereof, are a charge and a continuing lien on the Condominium against which such Assessment is made. Each Assessment, together with late payment penalties, interest, costs and reasonable attorneys' fees, is also the personal obligation of the Person who was the Owner of the Condominium when the Assessment accrued. The personal obligation for delinquent Assessments may not pass to any new Owner ("**Purchaser**") unless expressly assumed by the Purchaser, or unless the Purchaser has actual or constructive knowledge of such delinquent Assessments, whether by virtue of the Recordation of a Notice of Delinquent Assessment or receipt from the Association of a certificate pursuant to Section 1368(a)(4) of the California Civil Code.

7.2 **ASSOCIATION FUNDS.** The Association shall establish no fewer than two (2) separate Association Maintenance Fund accounts into which shall be deposited all money paid to the Association and from which disbursements shall be made, as provided in this Declaration. The Association Maintenance Funds may be established as trust accounts at a banking or savings institution and shall include: (a) an Operating Fund for current Common Expenses, (b) an adequate Reserve Fund for the portion of Common Expenses allocated to (i) reserves for Improvements which the Board does not expect to perform on an annual or more frequent basis, and (ii) payment of deductible amounts for insurance policies which the Association obtains, and (iii) any other funds which the Association may establish.

7.3 **PURPOSE OF ASSESSMENTS.** The Assessments shall be used exclusively to (a) promote the Owners' recreation and welfare, (b) operate, improve and maintain the Common Property, and (c) discharge any other Association obligations under the Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all

Owners for purposes authorized by this Declaration. Disbursements from the Operating Fund shall be made by the Association for such purposes as are necessary for the discharge of its responsibilities in this Declaration for the common benefit of all Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Disbursements from the Reserve Fund shall be made by the Association only for the purposes specified in this Article and in Section 1365.5(c) of the California Civil Code.

7.4 WAIVER OF USE. No Owner may exempt himself from personal liability for Assessments duly levied by the Association, nor release such Owner's Condominium from the liens and charges thereof, by waiving use and enjoyment of the Common Property or by abandoning such Owner's Condominium.

7.5 LIMITS ON ANNUAL ASSESSMENT INCREASES.

7.5.1 Maximum Authorized Annual Assessment For Initial Year of Operations. During the Fiscal Year in which Annual Assessments commence, the Board may levy an Annual Assessment per Condominium in an amount which exceeds one hundred twenty percent (120%) of the amount of Annual Assessments disclosed for the Properties in the most current Budget filed with and approved by DRE only if the Board first obtains the approval of Owners casting a majority of votes at a meeting or election of the Association in which more than fifty percent (50%) of the Condominiums are represented ("*Increase Election*"). This Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 7.5.5.

7.5.2 Maximum Authorized Annual Assessment For Subsequent Fiscal Years. During the Fiscal Years following the Fiscal Year in which Annual Assessments commence, the Board may levy Annual Assessments which exceed the Annual Assessments for the immediately preceding Fiscal Year only as follows:

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

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

This Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 7.5.5.

7.5.3 Supplemental Annual Assessments. If the Board determines that the Association's essential functions may be properly funded by an Annual Assessment in an amount less than the maximum authorized Annual Assessment described above, it may levy such lesser Annual Assessment. If the Board determines that the estimate of total charges for the current year is or will become inadequate to meet all Common Expenses, it shall immediately determine the approximate amount of the inadequacy. Subject to the limits described in Sections

7.5.1, 7.5.2 and 7.5.5, the Board may levy a supplemental Annual Assessment reflecting a revision of the total charges to be assessed against each Condominium.

7.5.4 Automatic Assessment Increases. Despite any other provisions of this Section 7.5.4, on Declarant's annexation of the Annexable Territory pursuant to Article XVI, the Annual Assessment shall be automatically increased by the additional amount, if any, necessary to maintain the Common Property in or abutting such Annexable Territory so long as (a) the annexation of such Annexable Territory is permitted by DRE, and (b) the amount of such increase does not result in the levy of an Annual Assessment which is greater than the maximum potential Annual Assessment disclosed in all Final Subdivision Public Reports for the Properties.

7.5.5 Emergency Situations. For purposes of Sections 7.5.1, 7.5.2 and 7.7, an "Emergency Situation" is any one of the following:

- (a) An extraordinary expense required by an order of a court;
- (b) An extraordinary expense necessary to maintain the portion of the Properties for which the Association is responsible where a threat to personal safety on the Properties is discovered; and
- (c) An extraordinary expense necessary to maintain the portion of the Properties for which the Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Before imposing or collecting an Assessment pursuant to this Subparagraph (c), the Board shall adopt a resolution containing written findings regarding the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Owners with the notice of the assessment.

7.6 COMMENCEMENT AND COLLECTION OF ANNUAL ASSESSMENTS. Annual Assessments shall commence on all Condominiums in the Properties on the first day of the first calendar month following the first Close of Escrow in the Properties. Annual Assessments on any Condominium being used by Declarant as a model home shall not commence until the first day of the first month following Declarant's termination of use of the Condominium as a model home. All Annual Assessments shall be assessed uniformly and equally against the Owners and their Condominiums based on the number of Condominiums owned by each Owner. Annual Assessments for fractions of a month shall be prorated. Declarant shall pay its full pro rata share of the Annual Assessments on all unsold Condominiums for which Annual Assessments have commenced. The Board shall fix the amount of the Annual Assessment against each Condominium at least thirty (30) days in advance of each Annual Assessment period. However, unless otherwise established by the Board, the initial Annual Assessments shall be assessed in accordance with the most recent Budget on file with and approved by DRE. Written notice of any change in the amount of any Annual Assessment, Capital Improvement Assessment or Reconstruction Assessment shall be sent via first-class mail to every Owner subject thereto not less than thirty (30) nor more than sixty (60) days before the increased Assessment becomes due.

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

The Board may, at its sole discretion, in accordance with the Budget and Section 1366.1 of the California Civil Code, exempt Declarant, and any other Owner of a Unit which has not been constructed, from payment of that portion of the Annual Assessment which is allocated to defraying expenses and reserves directly attributable to the existence and use of the Unit. If granted, such exemption shall remain in effect only until the earlier to occur of (a) the Recordation of a notice of completion of the building containing the Unit, (b) the occupation or use of the Unit, or (c) completion of all elements of the condominium structures that the Association is obligated to maintain.

The Board may, at its sole discretion, exempt each Owner (including Declarant) from paying that portion of any Annual Assessment allocated to defraying expenses and reserves directly attributable to the existence and use of any Improvement on Association Property the construction of which has not yet been completed. If granted, such exemption shall continue until the earlier to occur of (a) the Recordation of a notice of completion of such Improvement, or (ii) the placement of such Improvement into use.

Each Owner shall pay Annual Assessments in installments at such frequency and in such amounts and by such methods as are established by the Board. If the Association incurs additional expenses because of a payment method selected by an Owner, the Association may charge that expense to the Owner. The Association does not have to apportion the expense among all Owners as a part of Annual Assessments. Each installment of Annual Assessments may be paid to the Association in one check or in separate checks as payments attributable to specified Association Maintenance Funds. If any payment of an Annual Assessment installment (1) is less than the amount assessed and (2) does not specify the Association Maintenance Fund or Funds into which it should be deposited, then the amount received shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

7.7 CAPITAL IMPROVEMENT ASSESSMENTS. The Board may levy, in any Fiscal Year, a Capital Improvement Assessment or Reconstruction Assessment applicable to that Fiscal Year only to defray, in whole or in part, the cost of any construction, repair or replacement of a capital Improvement or other such addition to the Common Property. No Capital Improvement Assessments in any Fiscal Year which, if added to the Capital Improvement Assessments already levied during such Fiscal Year, exceed five percent (5%) of the Association's Budgeted gross expenses for such Fiscal Year, may be levied without the vote or written consent of Owners casting a majority of votes at an Increase Election. The Board may levy in any Fiscal Year, a Capital Improvement Assessment applicable to that Fiscal Year which exceeds five percent (5%) of the Association's Budgeted gross expenses for such Fiscal Year if such increase is necessary for addressing an Emergency Situation as defined in Section 6.5.5.

ARTICLE VIII

INSURANCE

8.1 **DUTY TO OBTAIN INSURANCE; TYPES.** The Association shall obtain and keep in effect at all times the following insurance coverages:

8.1.1 **Public Liability.** Adequate public liability insurance (including coverage for medical payments), with limits acceptable to FNMA and as required by Section 1365.9 of the California Civil Code, insuring against liability for bodily injury, death and property damage arising from the activities of the Association and the Owners, with respect to the Common Property.

8.1.2 **Fire and Casualty Insurance.** Fire and casualty insurance with extended coverage, without deduction for depreciation, in an amount as near as possible to the full replacement value of the Common Property. The casualty insurance shall not include earthquake coverage unless the Board is directed to obtain earthquake coverage by a majority of the Association's voting power.

8.1.3 **Fidelity Insurance.** Fidelity insurance coverage for any Person handling funds of the Association, whether or not such persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in the custody of the Person during the term of the insurance. The aggregate amount of the fidelity insurance coverage may not be less than the sum equal to one-fourth (1/4) of the Annual Assessments on all Condominiums in the Properties, plus reserve funds.

8.1.4 **Insurance Required by FNMA, GNMA and FHLMC.** Casualty, flood, liability and fidelity insurance meeting the insurance requirements for condominium projects established by FNMA, GNMA and FHLMC, so long as any of these entities is a Mortgagee or Owner of a Condominium in the Properties, except to the extent such coverage is not reasonably available or has been waived in writing by the entity requiring the insurance coverage.

8.1.5 **Other Insurance.** Such other insurance insuring other risks customarily insured by associations managing condominium projects similar in construction, location and use. Such additional insurance shall include general liability insurance and director's and officer's errors and omissions insurance in the minimum amounts established in Section 1365.9 of the California Civil Code.

8.1.6 **Beneficiaries.** The Association's insurance shall be kept for the benefit of the Association, the Owners, and the Mortgagees, as their interests may appear as named insured, subject, however, to loss payment requirements established in this Declaration.

8.2 **WAIVER OF CLAIM AGAINST ASSOCIATION.** As to all policies of insurance kept by or for the benefit of the Association and the Owners, the Association and the Owners waive and release all claims against one another, the Board and Declarant, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of the Persons.

8.3 RIGHT AND DUTY OF OWNERS TO INSURE. Each Owner is responsible for insuring his personal property and all other property and Improvements in his Condominium for which the Association has not purchased insurance in accordance with Section 8.1. Nothing in this Declaration precludes any Owner from carrying any public liability insurance as he considers desirable; however, Owners' policies may not adversely affect or diminish any coverage under any of the Association's insurance policies. Duplicate copies of Owners' insurance policies shall be deposited with the Association on request. If any loss intended to be covered by the Association's insurance occurs and the proceeds payable are reduced due to insurance carried by any Owner, such Owner shall assign the proceeds of the Owner's insurance to the Association, to the extent of such reduction, for application to the same purposes as the reduced proceeds are to be applied.

8.4 NOTICE OF EXPIRATION REQUIREMENTS. If available, each of the Association's insurance policies must contain a provision that the policy may not be canceled, terminated, materially modified or allowed to expire by its terms, without at least ten (10) days' prior written notice to the Board and Declarant, and to each Owner and Mortgagee, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice and every other Person in interest who requests such notice of the insurer. In addition, fidelity insurance shall provide that it may not be canceled or substantially modified without at least ten (10) days' prior written notice to any insurance trustee named pursuant to Section 8.6 and to each FNMA servicer who has filed a written request with the carrier for such notice.

8.5 INSURANCE PREMIUMS. Premiums for insurance policies obtained by the Association are Common Expenses.

8.6 TRUSTEE FOR POLICIES. The Association is trustee of the interests of all named insureds under the Association's insurance policies. Unless an insurance policy provides for a different procedure for the filing of claims, all claims made under such policy must be sent to the insurance carrier or agent by certified mail and be clearly identified as a claim. The Association shall keep a record of all claims made. All insurance proceeds under any such policies provided for in Section 8.1 must be paid to the Board as trustees. The Board has the authority to negotiate loss settlements with insurance carriers, with participation, to the extent they desire, of first Mortgagees who have filed written requests within ten (10) days of receipt of notice of any damage or destruction as provided in Section 9.4. Any two (2) officers of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures are binding on all the named insureds. A representative chosen by the Board may be named as an insured, including a trustee with whom the Association may enter into an insurance trust agreement and any successor to such trustee, who shall have exclusive authority to negotiate losses under any insurance policy and to perform such other functions necessary to accomplish this purpose.

8.7 ACTIONS AS TRUSTEE. Except as otherwise specifically provided in this Declaration, the Board has the exclusive right to bind the Association and the Owners in respect to all matters affecting insurance carried by the Association, the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance. Duplicate originals or certificates of all policies of fire and casualty insurance kept by the Association and of all

renewals thereof, together with proof of payment of premiums, shall be delivered by the Association to all Owners and Mortgagees who requested them in writing.

8.8 ANNUAL INSURANCE REVIEW. The Board shall review the Association's insurance policies at least annually to determine the amount of the casualty and fire insurance referred to in subsection 8.1.2. If economically feasible, the Board shall obtain a current appraisal of the full replacement value of the Improvements on the Properties except for foundations and footings, without deduction for depreciation, from a qualified independent insurance appraiser, before each such annual review.

8.9 REQUIRED WAIVER. All of the Association's insurance policies insuring against physical damage must provide, if reasonably possible, for waiver of:

8.9.1 Subrogation of claims against the Owners and tenants of the Owners;

8.9.2 Any defense based on coinsurance;

8.9.3 Any right of setoff, counterclaim, apportionment, proration or contribution due to other insurance not carried by the Association;

8.9.4 Any invalidity, other adverse effect or defense due to any breach of warranty or condition caused by the Association, any Owner or any tenant of any Owner, or arising from any act or omission of any named insured or the respective agents, contractors and employees of any insured;

8.9.5 Any right of the insurer to repair, rebuild or replace, and, if the Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured;

8.9.6 Notice of the assignment of any Owner of his interest in the insurance by virtue of a conveyance of any Condominium;

8.9.7 Any right to require any assignment of any Mortgage to the insurer;

8.9.8 Any denial of an Owner's claim because of negligent acts by the Association or other Owners; and

8.9.9 Prejudice of the insurance by any acts or omissions of Owners that are not under the Association's control.

ARTICLE IX

DESTRUCTION OF IMPROVEMENTS

9.1 RESTORATION OF THE PROPERTIES. Except as otherwise authorized by the Owners, if any portion of the Properties which the Association is responsible for maintaining is destroyed, the Association shall restore the same to its former condition as promptly as practical. The Association shall use the proceeds of its insurance for reconstruction or repair of

the Properties unless otherwise authorized in this Declaration. The Board shall prepare or obtain the documents necessary for commencing such reconstruction as promptly as practical. The Properties shall be reconstructed or rebuilt substantially in accordance with the Condominium Plan and the original construction plans if they are available, unless changes recommended by the Design Review Committee have been approved by at least sixty-seven percent (67%) of the Owners. If the insurance proceeds amount to at least ninety-five percent (95%) of the estimated cost of restoration and repair, the Board shall levy a Reconstruction Assessment to provide the additional funds necessary for such reconstruction. If the insurance proceeds amount to less than ninety-five percent (95%) of the estimated cost of restoration and repair, the Board may levy a Reconstruction Assessment and proceed with the restoration and repair only if both of the following conditions ("*Conditions to Reconstruction*") have been satisfied: (a) the levy of a Reconstruction Assessment to pay the costs of restoration and repair of the Properties is approved by the Owners; and (b) within one (1) year after the date on which the destruction occurred, the Board Records a certificate of the resolution authorizing the restoration and repair ("*Reconstruction Certificate*"). If either of the Conditions to Reconstruction does not occur following a destruction for which insurance proceeds available for restoration and repair are less than ninety-five percent (95%) of the estimated cost of restoration and repair, then the Board shall proceed as provided in Section 9.2.

9.2 SALE OF PROPERTIES AND RIGHT TO PARTITION. No Owner shall have the right to partition of his interest in the Condominium and there shall be no judicial partition of the Properties, or any part thereof, except as provided in Section 1359(b) of the California Civil Code. For purposes of Subsection 4 of Section 1359(b), partition may occur only if all of the following conditions are satisfied: (a) either or both of the Conditions to Reconstruction described in Section 9.1 have failed to occur; (b) within six (6) months after the date on which destruction occurred, restoration or repair has not actually commenced; and (c) the Owners of at least sixty-seven percent (67%) of the Condominiums in the Properties approve the partition. In such event, the Association shall prepare, execute and Record, as promptly as practical, the certificate stating that a majority of the Board may properly exercise an irrevocable power of attorney to sell the Properties for the benefit of the Owners and execute such other documents and instruments as may be necessary for the Association to consummate the sale of the Properties at the highest and best price obtainable, either in its damaged condition, or after damaged structures have been razed. Such certificate shall be conclusive evidence of such authority for any Person relying thereon in good faith. The net proceeds of such sale and the proceeds of any insurance carried by the Association shall be divided proportionately among the Owners, such proportions to be determined in accordance with the relative appraised fair market valuation of the Condominiums as of a date immediately before such destruction (or condemnation), expressed as percentages, and computed by dividing such appraised valuation of each Condominium by the total of such appraised valuations of all Condominiums in the Properties. The Board is authorized to hire one (1) or more appraisers for such purpose and the cost of such appraisals shall be a Common Expense of the Association. However, the balance then due on any valid Mortgage of Record shall be first paid in order of priority before the distribution of any proceeds to an Owner whose Condominium is so encumbered. Nothing in this Declaration prevents partition of a co-tenancy in any Condominium. Except as provided above, each Owner and the successors of each Owner, whether by deed, gift, devise, or by operation of law, for their own benefit and for the Condominiums and for the benefit of all other Owners, specifically waive and abandon all rights, interests and causes of action for a judicial

partition of the tenancy in common ownership of the Properties and do further covenant that no action for such judicial partition shall be instituted, prosecuted or reduced to judgment.

9.3 **INTERIOR DAMAGE.** With the exception of any casualty or damage covered by insurance kept by the Association, restoration and repair of any damage to the interior of any individual Condominium, including all fixtures, cabinets and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, must be made by and at the individual expense of the Owner of the Condominium so damaged. If a determination to rebuild the Properties after partial or total destruction is made, as provided in this Article, such interior repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Design Review Committee as provided in this Declaration.

9.4 **NOTICE TO OWNERS AND LISTED MORTGAGEES.** The Board, immediately on having knowledge of any damage or destruction affecting a Unit or a material portion of the Common Property, shall promptly notify all Owners and Mortgagees, insurers and guarantors of first Mortgages on Condominiums in the Properties who have filed a written request for such notice with the Board.

ARTICLE X

EMINENT DOMAIN

The term "taking" as used in this Article means condemnation by exercise of the power of eminent domain or by sale under threat of the exercise of the power of eminent domain. The Board shall represent the Owners in any proceedings, negotiations, settlements, or agreements regarding takings. All takings proceeds shall be payable to the Association for the benefit of the Owners and their Mortgagees, and shall be distributed to such Owners and Mortgagees as provided in this Article.

10.1 **PROPERTY CONDEMNATION.** If (a) there is a taking of an interest in all or part of the Properties such that the ownership, operation and use of the Properties in accordance with this Declaration is substantially and adversely affected, and (b) within one hundred twenty (120) days after the effective date of the taking the Owners of Units (i) not taken, or (ii) only partially taken but capable of being restored to at least ninety-five percent (95%) of their floor area and to substantially their condition before the taking (collectively, the "*Remaining Units*") do not by affirmative vote of at least one-third (1/3) of their voting power approve the continuation of the Properties and the repair, restoration and replacement to the extent feasible of the Association Property and the Remaining Units, then the Board shall proceed with the sale of that portion of the Properties which was not taken and distribute the net proceeds of such sale after deducting any incidental fees and expenses, in the same proportion and manner as provided in Section 9.2.

10.2 **CONDEMNATION OF COMMON PROPERTY.** If there is a taking of (a) the Common Area or any interest therein (other than the taking of an undivided interest therein taken as a result of the taking of a Condominium), or (b) the Association Property (other than

Exclusive Use Area) or any interest therein, then the award in condemnation shall be paid to the Association and shall be deposited in the Operating Fund.

10.3 CONDEMNATION OF EXCLUSIVE USE AREA. If there is a taking of all or any portion of an Exclusive Use Area, the award in condemnation shall be paid to the Owner of the Condominium to which the taken Exclusive Use Area was appurtenant; however, such award shall first be applied to the balance then due on any Mortgages encumbering such Owner's Condominium, in order of priority.

10.4 CONDEMNATION OF CONDOMINIUMS. If there is a taking of a Condominium, the award in condemnation shall be paid to the Owner of the Condominium; however, such award shall first be applied to the balance then due on any Mortgages encumbering such Owner's Condominium, in order of priority.

10.5 CONDEMNATION OF PORTIONS OF UNITS.

10.5.1 Minor Takings Within Limits. If (a) there is a taking of a portion of one or more Units such that the intended use of the Units as residential dwellings is not substantially and adversely affected, and (b) restoration of such Units can be accomplished at a cost less than or equal to the sum of (i) the amount of the condemnation awards for such takings plus (ii) any amounts the Owners of the taken Units wish to contribute to restoration plus (iii) an amount less than or equal to five percent (5%) of the Budgeted gross expenses of the Association for that Fiscal Year (collectively, the "*Allowable Cost*"), then the Board shall contract for such restoration and levy a Reconstruction Assessment in an amount equal to the Allowable Cost minus the amount of the condemnation awards and Owners' contributions, and the condemnation awards, Owners' contributions and Reconstruction Assessment shall be applied to such restoration. If the restoration is accomplished at a cost less than the amount of the condemnation awards, then that portion of the condemnation awards which exceeds the restoration costs shall be paid to the Owners of the partially taken Units in proportion to the decreases in the fair market values of their Condominiums; however, such awards shall first be applied to the balance then due on any Mortgages encumbering such Owners' Condominiums, in order of priority.

10.5.2 Minor Takings Exceeding Limits. If (a) there is a taking of a portion of one or more Units such that the intended use of the Units as residential dwellings is not substantially and adversely affected, and (b) restoration cannot be accomplished at a cost less than or equal to the Allowable Cost, then the Board shall call a Special Meeting of the Owners. If more than fifty percent (50%) of the voting power of the Association is represented at such Special Meeting, either in person or by proxy, and a majority of the votes cast at such Special Meeting are in favor of levying a Reconstruction Assessment in an amount equal to the restoration costs minus the sum of the amount of the condemnation awards and the amounts the Owners of the taken Units wish to contribute to such restoration, then the Board shall contract for such restoration and levy a Reconstruction Assessment, and the condemnation awards, Owners' contributions and Reconstruction Assessment shall be applied to such restoration.

10.5.3 Major Takings. If the requisite approval is not obtained at the Special Meeting referred to in Section 10.5.2, or if there is a taking of a portion of one or more Units such that the Units are not capable of being restored such that the intended use of the Units

as residential dwellings is not substantially and adversely affected, then the award in condemnation shall be paid to the Owners of the taken Units; however, such award shall first be applied to the balance then due on any Mortgages encumbering such Owner's Condominium, in order of priority. The Board shall have the remaining portions of the taken Units razed. The remaining portions of the taken Units and appurtenant Exclusive Use Areas shall become part of the Association Property, and the Owners of such taken Units, by acceptance of the award allotted to them in taking proceedings, relinquish (a) to the other Owners, on the basis of their relative ownership of the Common Area therein, such Owners' undivided interest in the Common Area, and (b) to the Association, the remaining portions of the Units and the appurtenant Exclusive Use Areas. Each Owner relinquishing his interest in the Common Area pursuant to this Section shall, at the Board's request and at the Association's expense, execute and acknowledge such deeds and other instruments which the Board considers necessary or convenient to evidence such relinquishment. Each Owner of a taken Unit or Condominium is not liable for Assessments under this Declaration which accrue on or after the date such Owner accepts his condemnation award.

10.6 PORTIONS OF AWARDS IN CONDEMNATION NOT COMPENSATORY FOR VALUE OF REAL PROPERTY. Those portions of awards in condemnation which do not directly compensate Owners for takings of real property (e.g., awards for takings of personal property, relocation expenses, moving expenses, or other allowances of a similar nature intended to facilitate relocation) shall be paid to the Owners whose personal property is taken, or whose relocation is intended to be facilitated.

10.7 NOTICE TO OWNERS AND MORTGAGEES. The Board, on learning of any taking affecting a Unit or a material portion of the Properties, or any threat thereof, shall promptly notify all Owners and those Mortgagees, insurers and guarantors of Mortgages on Condominiums in the Properties who have filed a written request for such notice with the Association.

ARTICLE XI

RIGHTS OF MORTGAGEES

11.1 GENERAL PROTECTIONS. No amendment or violation of this Declaration defeats or renders invalid the rights of the Mortgagee under any Mortgage encumbering one (1) or more Condominiums made in good faith and for value, provided that after the foreclosure of any such Mortgage such Condominium(s) will remain subject to this Declaration. For purposes of this Declaration, "first Mortgage" means a Mortgage with first priority over other Mortgages or Deeds of Trust on a Condominium, and "first Mortgagee" means the Mortgagee of a first Mortgage. For purposes of any provisions of the Restrictions which require the vote or approval of a specified percentage of first Mortgagees, such vote or approval is determined based on one (1) vote for each Condominium encumbered by each such first Mortgage.

11.2 ADDITIONAL RIGHTS. To induce VA, FHA, FHLMC, GNMA and FNMA to participate in the financing of the sale of Condominiums, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of this Declaration or any other of the Restrictions, these added provisions control):

11.2.1 **Notices.** Each Mortgagee, insurer and guarantor of a Mortgage encumbering one (1) or more Condominiums, on filing a written request for notification with the Board, is entitled to written notice from the Association of: (a) any condemnation or casualty loss which affects either a material portion of the Properties or the Condominium(s) securing the Mortgage; (b) any delinquency of sixty (60) days or more in the performance of any obligation under the Restrictions, including the payment of Assessments or charges owed by the Owner(s) of the Condominium(s) securing the Mortgage, which notice each Owner consents to and authorizes; (c) a lapse, cancellation, or material modification of any insurance policy kept by the Association; and (d) any proposed action of the Association which requires consent by a specified percentage of first Mortgagees who have submitted a written request to the Association for notice of such proposed action.

11.2.2 **Right of First Refusal.** Each Owner, including each first Mortgagee of a Mortgage encumbering any Condominium who obtains title to such Condominium pursuant to (a) the remedies provided in such Mortgage, (b) foreclosure of the Mortgage, or (c) deed or assignment in lieu of foreclosure, is exempt from any "right of first refusal" created or purported to be created by the Restrictions.

11.2.3 **Unpaid Assessments.** Each first Mortgagee of a Mortgage encumbering any Condominium who obtains title to such Condominium pursuant to the remedies provided in such Mortgage or by foreclosure of such Mortgage shall take title to such Condominium free of any claims for unpaid Assessments or charges against such Condominium which accrued before the time such Mortgagee acquires title to such Condominium.

11.2.4 **Approvals.** Unless at least sixty-seven percent (67%) of the first Mortgagees or sixty-seven percent (67%) of the Owners have given their prior written approval, the Association may not:

- (a) by act or omission seek to abandon or terminate the Properties; or
- (b) change the method of determining the obligations, Assessments, dues or other charges which may be levied against any Owner; or
- (c) partition or subdivide any Condominium; or
- (d) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Property. (The granting of easements for public utilities or for other purposes consistent with the intended use of the Common Property under this Declaration, the granting of exclusive easements to Owners over the Common Property to conform the boundaries of the Common Property to the as-built location of authorized Improvements and any grant made in connection with any lawful lot line adjustment are not transfers within the meaning of this clause); or
- (e) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design, the exterior appearance or the maintenance of the Units or the Common Property; or

(f) fail to keep Fire and Extended Coverage insurance on insurable Common Property as provided in Article VIII; or

(g) use hazard insurance proceeds for losses to any Condominium property (i.e., Improvements to the Units or Common Property) for other than the repair, replacement or reconstruction of such Condominium property, subject to the provisions of Article IX; or

(h) change the pro rata interest or obligations of any Condominium to levy Assessments or charges, allocate distributions of hazard insurance proceeds or condemnation awards or determine the pro rata share of ownership of each Condominium in the Common Area.

11.2.5 Association Records. All Mortgagees, insurers and guarantors of first Mortgages, on written request to the Association may:

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

(b) require the Association to submit an annual audited financial statement for the preceding Fiscal Year if one is available, or have one prepared at the expense of the requesting entity if such statement is not otherwise prepared by the Association;

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

(d) designate in writing a representative authorized to attend all meetings of Owners.

11.2.6 Material Changes. All Mortgagees, insurers and guarantors of first Mortgages, on written request, shall be given thirty (30) days' written notice before the effective date of (a) any proposed material amendment to the Restrictions or Condominium Plans; (b) any termination of an agreement for professional management of the Properties following any decision of the Owners to assume self-management of the Properties; and (c) any proposed termination of the Properties as a condominium project.

11.2.7 Reserves. The Reserve Fund described in Article VII must be funded by regular scheduled monthly, quarterly, semiannual or annual payments rather than by special Assessments.

11.2.8 Fidelity Insurance. The Board shall secure fidelity insurance for any person handling Association funds, including, but not limited to, employees of the professional Manager.

11.2.9 Contracts. The Board may enter into such contracts or agreements on behalf of the Association as are required to satisfy the guidelines of VA, FHA, FHLMC, FNMA or GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of first Mortgages encumbering Condominiums. Each Owner agrees that it will benefit the Association and the Owners, as a class of potential Mortgage

borrowers and potential sellers of their residential Condominiums, if such agencies approve the Properties as a qualifying subdivision under their respective policies, rules and regulations. Each Owner authorizes his Mortgagees to furnish information to the Board concerning the status of any Mortgage encumbering a Condominium.

11.2.10 Professional Management. When professional management has been required by a Mortgagee, insurer, or guarantor of a first Mortgage, any decision to establish self-management by the Association shall require the approval of at least sixty-seven percent (67%) of the voting power of the Association and the Mortgagees of at least fifty-one percent (51%) of the first Mortgages of Condominiums in the Properties.

11.2.11 Payment of Taxes. First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Property and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for Common Property, and the Association shall immediately reimburse first Mortgagees making such payments.

ARTICLE XII

ENFORCEMENT

12.1 ENFORCEMENT OF RESTRICTIONS. Except as otherwise provided in Sections 12.2 through 12.5, inclusive, all disputes arising under the Restrictions, shall be resolved as follows.

12.1.1 Violations Identified by the Association. If the Board determines that there is a violation of the Restrictions, or the Design Review Committee determines that an Improvement which is the maintenance responsibility of an Owner needs installation, maintenance, repair, restoration or painting, then the Board shall give written notice to the responsible Owner identifying (a) the condition or violation complained of, and (b) the length of time the Owner has to remedy the violation including, if appropriate, the length of time the Owner has to submit plans to the Design Review Committee and the length of time the Owner has to complete the work proposed in the plans submitted to the Design Review Committee. If an Owner does not perform such corrective action as is required by the Board and the Design Review Committee within the allotted time, the Board, after Notice and Hearing, may remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner as a Special Assessment. If the violation involves nonpayment of any Assessment, then the Board may collect such delinquent Assessment pursuant to the procedures established in Section 12.2.

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

12.1.3 Legal Proceedings. Failure to comply with any of the terms of the Restrictions by any Person is grounds for relief which may include an action to recover damages,

injunctive relief, foreclosure of any lien, or any combination thereof; however, the procedures established in Section 1354 of the California Civil Code and in Sections 12.1.1, 12.1.2 and 12.4.3 must first be followed, if they apply.

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

12.1.5 No Waiver. Failure to enforce any provision of this Declaration does not waive the right to enforce that provision, or any other provision of this Declaration.

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

12.1.7 Limit on Expenditures. The Association may not incur litigation expenses, including attorneys' fees, or borrow money to fund litigation or binding arbitration, where the Association initiates legal proceedings or is joined as a plaintiff in legal proceedings, unless the Association first obtains the consent of the Owners (excluding the voting power of any Owner who would be a defendant in such proceedings) and, if applicable, complies with the requirements of Section 1354 of the California Civil Code. Such approval is not necessary if the legal proceedings are initiated (a) to enforce the use restrictions contained in Article II, (b) to enforce the architectural and landscaping control provisions contained in Article V, (c) to collect any unpaid Assessments levied pursuant to the Restrictions, (d) for a claim, other than a Defect Claim, the total value of which is less than five hundred thousand dollars (\$500,000), or (e) as a cross-complaint in litigation to which the Association is already a party. If the Association decides to use or transfer reserve funds or borrow funds to pay for any litigation or arbitration, the Association must notify the Owners of the decision by mail. Such notice shall provide an explanation of why the litigation or arbitration is being initiated or defended, why operating funds cannot be used, how and when the reserve funds will be replaced or the loan will be repaid, and a proposed budget for the litigation or arbitration. The notice must state that the Owners have a right to review an accounting for the litigation or arbitration which will be available at the Association's office. The accounting shall be updated monthly. If the Association action to incur litigation or arbitration expenses or borrow money to fund litigation or arbitration concerns a Defect Claim defined in Section 4.5.2, then the voting requirements of both Sections 4.5.2 and 12.1.7 must be met.

12.2 NONPAYMENT OF ASSESSMENTS.

12.2.1 **Delinquency.** Assessments are delinquent if not paid within fifteen (15) days after the due date established by the Association. Assessments not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges bear interest at the maximum rate permitted by law commencing thirty (30) days after the due date until paid. The Association may also require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 1366(d)(2). The Association need not accept any tender of a partial payment of an Assessment and all costs and attorneys' fees attributable thereto. Acceptance of any such tender does not waive the Association's right to demand and receive full payment.

12.2.2 Creation and Release of Lien.

(a) **Priority of Lien.** All liens levied in accordance with this Declaration shall be prior and superior to (i) any declaration of homestead Recorded after the Recordation of this Declaration, and (ii) all other liens, except (1) all taxes, bonds, Assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any first Mortgage of Record (meaning any Recorded Mortgage with first priority or seniority over other Mortgages) made in good faith and for value and Recorded before the date on which the "Notice of Delinquent Assessment" (described in this Section) against the respective Condominium was Recorded.

(b) **Prerequisite to Creating Lien.** Before the Association may place a lien on an Owner's Condominium to collect a past due Assessment, the Association shall send written notice ("*Notice of Intent to Lien*"), at least thirty (30) days prior to recording of such lien, to the Owner by certified mail which contains the following information: (i) the fee and penalty procedure of the Association, (ii) an itemized statement of the charges owed by the Owner, including the principal owed, any late charges, any interest, and the method of calculation, any attorneys' fees, (iii) the collection practices used by the Association, (iv) a statement that the Association may recover the reasonable costs of collecting past due Assessments, (v) a statement that the Owner has the right to inspect the Association's records, pursuant to California Corporations Code Section 8333, (vi) the following statement in 14-point boldface type or all capital letters: "IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION," (vii) a statement that the Owner shall not be liable to pay the charges, interest and costs of collection if it is determined the Assessment was paid on time to the Association, and (viii) a statement that the Owner has the right to request a meeting with the Board, as provided by California Civil Code Section 1367.1(c) and Section 12.2.2(d) below.

(c) **Dispute by Owner.** An Owner may dispute the Notice of Intent to Lien by submitting to the Board a written explanation of the reasons for the Owner's dispute. The Board shall respond in writing to the Owner within fifteen (15) days of the date of the postmark of the explanation, if the explanation is mailed within fifteen (15) days of the postmark of the Notice of Intent to Lien.

(d) ***Owner's Right to Request Meeting.*** An Owner may submit a written request to meet with the Board to discuss a payment plan for the debt noticed in Section 12.2.2(b) above. The Association shall provide the Owner with the standards for payment plans, if any exist. The Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the request, if the request is mailed within fifteen (15) days of the date of the postmark of the Notice of Intent to Lien, unless there is no regularly scheduled Board meeting within that period, in which case the Board may designate a committee of one or more members to meet with the Owner.

(e) ***Notice of Delinquent Assessment.*** The lien becomes effective on Recordation of a Notice of Delinquent Assessment ("***Notice of Delinquent Assessment***") securing the payment of any Assessment or installment thereof levied by the Association against any Condominium Owner, as provided in Section 1367 or 1367.1 of the California Civil Code. The Notice of Delinquent Assessment must identify (i) the amount of the Assessment and other authorized charges and interest, including the cost of preparing and Recording the Notice of Delinquent Assessment, (ii) the amount of collection costs incurred, including reasonable attorneys' fees, (iii) a sufficient description of the Condominium that has been assessed, (iv) the Association's name and address, (v) the name of the Owner of the Condominium that has been assessed, and (vi) if the lien is to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Association to enforce the lien by sale. The Notice of Delinquent Assessment must be signed by an authorized Association officer or agent and must be mailed in the manner required by Section 2924b of the California Civil Code to the Owner of record of the Condominium no later than ten (10) calendar days after Recordation. The lien relates only to the individual Condominium against which the Assessment was levied and not to the Properties as a whole.

(f) ***Exceptions.*** Assessments described in Section 1367.1(e) of the California Civil Code and Section 2792.26(c) of the California Code of Regulations may not become a lien against an Owner's condominium enforceable by sale of the condominium under Sections 2924, 2924(b) and 2924(c) of the California Civil Code.

(g) ***Release of Lien.*** Within twenty-one (21) days of payment of the full amount claimed in the Notice of Delinquent Assessment, or other satisfaction thereof, the Board shall cause to be Recorded a Notice of Satisfaction and Release of Lien ("***Notice of Release***") stating the satisfaction and release of the amount claimed. The Association shall provide the Owner with a copy of the Notice of Release or any other notice that the full amount claimed in the Notice of Delinquent Assessment has been satisfied. The Board may require the Owner to pay a reasonable charge for preparing and Recording the Notice of Release. Any purchaser or encumbrancer who has acted in good faith and extended value may rely on the Notice of Release as conclusive evidence of the full satisfaction of the sums identified as owed in the Notice of Delinquent Assessment.

12.2.3 Enforcement of Liens. The Board shall enforce the collection of amounts due under this Declaration by one (1) or more of the alternative means of relief afforded by this Declaration. The lien on a Condominium may be enforced by foreclosure and sale of the Condominium after failure of the Owner to pay any Annual, Capital Improvement or Reconstruction Assessment, or installment thereof, as provided in this Declaration. The sale

shall be conducted in accordance with the provisions of the California Civil Code applicable to the exercise of powers of sale in Mortgages, or in any manner permitted by law. The Association (or any Owner if the Association refuses to act) may sue to foreclose the lien if (a) at least thirty (30) days have elapsed since the date on which the Notice of Delinquent Assessment was Recorded and (b) at least ten (10) days have elapsed since a copy of the Notice of Delinquent Assessment was mailed to the Owner affected thereby. The Association may bid on the Condominium at foreclosure sale, and acquire and hold, lease, mortgage and convey the same. On completion of the foreclosure sale, the Association or the purchaser at the sale may file suit to secure occupancy of the defaulting Owner's Condominium, and the defaulting Owner shall be required to pay the reasonable rental value for the Condominium during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner. A suit to recover a money judgment for unpaid Assessments may be brought without foreclosing or waiving any lien securing the same, but this provision or any suit to recover a money judgment does not affirm the adequacy of money damages. Any recovery resulting from a suit at law or in equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

12.2.4 Priority of Assessment Lien. Mortgages Recorded before a Notice of Delinquent Assessment have lien priority over the Notice of Delinquent Assessment. Sale or transfer of any Condominium does not affect the Assessment lien, except that the sale or transfer of any Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage extinguishes the lien of such Assessments as to payments which became due before such sale or transfer. No sale or transfer relieves such Condominium from liens for any Assessments thereafter becoming due. No Person who obtains title to a Condominium pursuant to a judicial or nonjudicial foreclosure of the first Mortgage is liable for the share of the Common Expenses or Assessments chargeable to such Condominium which became due before the acquisition of title to the Condominium by such Person. Such unpaid share of Common Expenses or Assessments is a Common Expense collectible from all Owners including such Person. The Association may take such action as is necessary to make any Assessment lien subordinate to the interests of the Department Veterans Affairs of the State of California under its Cal-Vet loan contracts as if the Cal-Vet loan contracts were first Mortgages of record.

12.2.5 Alternative Dispute Resolution. An Owner may dispute the Assessments imposed by the Association if such Owner pays in full (a) the amount of the Assessment in dispute, (b) any late charges, (c) any interest, and (d) all reasonable fees and costs associated with preparing and filing a Notice of Delinquent Assessment (including mailing costs and reasonable attorneys' fees not to exceed the maximum amount allowed by law) and states by written notice that such amount is paid under protest, and the written notice is mailed by certified mail not more than thirty (30) days after Recording the Notice of Delinquent Assessment. On receipt of the written notice, the Association shall inform the Owner in writing that the dispute may be resolved through alternative dispute resolution as established in Civil Code Section 1354. The right of any Owner to use alternative dispute resolution under this Section may not be exercised more than two (2) times in any single calendar year, and not more than three (3) times within any five (5) calendar years unless the Owner and the Association mutually agree to use alternative dispute resolution when this limit is exceeded. An Owner may request and be awarded through alternative dispute resolution reasonable interest to be paid by the Association

in the total amount paid under items (a) through (d) above, if it is determined that the Assessment levied by the Association was not correctly levied.

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

12.3 ENFORCEMENT OF CERTAIN BONDED OBLIGATIONS.

12.3.1 **Consideration by the Board.** If (a) the Common Property Improvements in the Properties are not completed before the issuance of a Final Subdivision Public Report for the Properties by DRE, and (b) the Association is obligee under a bond or other arrangement ("**Bond**") required by DRE to secure performance of Declarant's commitment to complete such Improvements, then the Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any such Improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that Improvement in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Common Property Improvement, then the Board shall be directed to consider and vote on the question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension.

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

12.4 DISPUTE WITH DECLARANT PARTIES. Any disputes (each, a "*Dispute*") between (a) the Association or any Owners, and (b) Declarant, or any director, officer, partner, shareholder, member, employee, representatives, contractor, subcontractor, design professional or agent of the Declarant (collectively "*Declarant Parties*") arising under this Declaration or relating to the Properties, including disputes regarding latent or patent construction defects, but excluding actions taken by the Association against Declarant to collect delinquent Assessments, and any action involving any Common Area completion bonds, where the amount in controversy is greater than Five Thousand Dollars (\$5,000), shall be subject to the following provisions:

12.4.1 Notice. Any Person with a Dispute shall give written notice of the Dispute by personal or mail service as authorized by Code of Civil Procedure Sections 415.10, 415.20, 415.21, 415.30 or 415.40 to the party to whom the Dispute is directed ("*Respondent*") describing the nature of the Dispute and any proposed remedy (the "*Dispute Notice*").

12.4.2 Right to Inspect and Correct. Commencing on the date the Dispute Notice is delivered to the Respondent and continuing until the Dispute is resolved, the Respondent and its representatives have the right to (i) meet with the party alleging the Dispute at a reasonable time and place to discuss the Dispute, (ii) enter the Properties to inspect any areas that are subject to the Dispute, and (iii) conduct inspections and testing (including destructive or invasive testing) in a manner deemed appropriate by the Respondent. If Respondent elects to take any corrective action, Respondent and its representatives shall be provided full access to the Properties to take and complete the corrective action. Respondent is not obligated to take any corrective action. Respondent, with the consent of Declarant, has the right to select the corrective action Respondent believes is appropriate. The right to inspect and correct granted in this Section is in addition to the rights granted in California Civil Code Section 1375 ("*Calderon Act*"). The procedures established in the Calderon Act may be implemented, before, during or after the procedure in this Section is implemented.

12.4.3 Mediation.

(a) **Selection of Mediator.** The mediator shall be selected within sixty (60) days from delivery of the Mediation Notice. The mediator shall be selected by mutual agreement of the Parties. If the parties cannot agree on a mediator, the mediator shall be selected by the entity providing the mediation service. No Person shall serve as a mediator in any Dispute in which the Person has any financial or personal interest in the result of the mediation, except by the written consent of all Parties. Before accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process.

(b) **Position Letter; Pre-Mediation Conference.** No later than sixty (60) days after selection of the mediator, each party to the Dispute shall submit a letter ("*Position Statement*") containing (i) a description of the party's position concerning the issues that need to be resolved, (ii) a detailed description of the defects allegedly at issue, and (iii) a suggested plan of repair, remediation or correction. The mediator may schedule a pre-mediation conference. All Parties shall attend unless otherwise mutually agreed. The mediation shall be commenced within twenty (20) days after submittal of all Position Statements and shall be concluded within fifteen (15) days after the mediation began unless either (a) the mediator

extends the mediation period, or (b) the Parties mutually agree to extend the mediation period. The mediation shall be held in the County or another place mutually acceptable to the parties.

(c) **Conduct of Mediation.** The mediator has discretion to conduct the mediation in the manner in which the mediator believes is most appropriate to achieve the goal of settling the Dispute. The mediator is authorized to conduct joint and separate meetings with the Parties and to make oral and written recommendations for settlement. The mediator may also obtain expert advice concerning technical aspects of the Dispute, provided the Parties agree to and do assume the expenses of obtaining such advice. The mediator shall not have the authority to impose a settlement on the Parties.

(d) **Application of Evidence Code.** The provisions of California Evidence Code Sections 1115 through 1128 shall be applicable to the mediation process. Use and disclosure of statements, evidence and communications offered or made in the course of the mediation shall be governed by these sections, including the sections which preclude use of material in future proceedings and the sections which provide for confidentiality of material.

(e) **Parties Permitted at Mediation.** Persons other than the Parties, their liability insurers, Declarant, attorneys for the Parties, the liability insurers and Declarant and the mediator may attend mediation sessions only with the permission of the Parties and the consent of the mediator. Declarant has the right to attend the mediation session even if Declarant is not one of the Parties.

(f) **Record.** There shall be no stenographic, video or audio record of the mediation process.

(g) **Expenses.** Each Party shall bear its own attorneys' fees and costs incurred in connection with the mediation. All other expenses of the mediation including the fees charged by the mediator and the cost of any proof or expert advice requested by the mediator, shall be borne equally by each of Declarant and the Declarant Parties to whom the Dispute is directed, unless the Parties agree otherwise. This provision does not modify any provision of a contract between Declarant and any Declarant Party requiring indemnification or establishing a different allocation of costs between the Declarant and the Declarant Party.

12.4.4 Judicial Reference. If a Dispute remains unresolved after the mediation required by Section 12.4.3 is completed, any of the Parties may file a lawsuit, provided that the Association must obtain the vote or written consent of Owners other than Declarant who represent not less than sixty-seven percent (67%) of the Association's voting power (excluding the voting power of Declarant) prior to filing a lawsuit in a Dispute with Declarant or a Declarant Party. All lawsuits regarding Disputes must be resolved by general judicial reference pursuant to California Code of Civil Procedure Sections 638 and 641 through 645.1, as modified by this Section 12.4.4. The Parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceeding. No party shall be required to participate in the judicial reference proceeding if all parties against whom such party would have necessary or permissive cross-claims or counterclaims will not or cannot be joined in the judicial reference proceeding. The general referee shall have the authority to try all issues of fact and law and to report a statement of decision to the court. The referee shall be

the only trier of fact and law in the reference proceeding, and shall have no authority to further refer any issues of fact or law to any other Person unless (a) all parties to the judicial reference proceeding consent, or (b) the referee determines that a conflict of interest or similar situation has arisen which would make it inappropriate for the referee to act as the trier of fact or law concerning an issue or matter. In the second alternative, an alternative judicial referee shall be selected in accordance with Section 12.4.4(b) solely for resolving or rendering a decision concerning the issue or matter involved in the conflict.

(a) *Place.* The proceedings shall be heard in the County.

(b) *Referee.* The referee shall be a retired judge who served on the Superior Court of the State of California in the County with substantial experience in the type of matter in dispute and without any relationship to the Parties or interest in the Properties, unless the Parties agree otherwise. The parties to the judicial reference proceeding shall meet to select the referee no later than thirty (30) days after service of the initial complaint on all defendants named in the complaint. Any dispute regarding selecting the referee shall be resolved by the court in which the complaint is filed.

(c) *Commencement and Timing of Proceeding.* The referee shall commence the proceeding at the earliest convenient date and shall conduct the proceeding without undue delay.

(d) *Pre-hearing Conferences.* The referee may require pre-hearing conferences.

(e) *Discovery.* The parties to the judicial reference proceeding shall be entitled only to limited discovery, consisting of the exchange of the following: (i) witness lists, (ii) expert witness designations, (iii) expert witness reports, (iv) exhibits, (v) reports of testing or inspections, and (vi) briefs. Any other discovery authorized in the California Code of Civil Procedure shall be permitted by the referee upon a showing of good cause or based on the consent of all parties to the judicial reference proceeding.

(f) *Motions.* The referee shall have the power to hear and dispose of motions, including motions relating to discovery, provisional remedies, demurrers, motions to dismiss, motions for judgment on the pleadings and summary judgment and/or adjudication motions, in the same manner as a trial court judge. The referee shall also have the power to adjudicate summarily issues of fact or law including the availability of remedies whether or not the issue adjudicated could dispose of an entire cause of action or defense.

(g) *Record.* A stenographic record of the hearing shall be made which shall remain confidential except as may be necessary for post-hearing motions and any appeals.

(h) *Statement of Decision.* The referee's statement of decision shall contain an explanation of the factual and legal basis for the decision pursuant to California Code of Civil Procedure Section 632. The decision of the referee shall stand as the decision of the court, and upon filing of the statement of decision with the clerk of the court, judgment may be entered thereon in the same manner as if the Dispute had been tried by the court.

(i) **Remedies.** The referee may grant all legal and equitable remedies and award damages in the judicial reference proceeding.

(j) **Post-hearing Motions.** The referee may rule on all post-hearing motions in the same manner as a trial judge.

(k) **Appeals.** The decision of the referee shall be subject to appeal in the same manner as if the Dispute had been tried by the Court.

(l) **Expenses.** Each party shall bear its own attorneys' fees and cost incurred in connection with the judicial reference proceeding. All other fees and costs incurred in connection with the judicial reference proceeding, including the cost of the stenographic record, shall be advanced equally by each of Declarant and the Declarant Parties to whom the Dispute is directed. However, the referee shall have the power to reallocate such fees and costs among the Parties in the referee's final ruling. This provision does not modify any provision of a contract between Declarant and any Declarant Party requiring indemnification or establishing a different allocation of costs between Declarant and the Declarant Party.

12.4.5 Statutes of Limitation. Nothing in this Section 12.4 shall be considered to toll, stay, reduce or extend any applicable statute of limitations, provided, however, that Declarant, the Declarant Parties, the Association and any Owner may commence a legal action which in the good faith determination of that Person is necessary to preserve that Person's rights under any applicable statute of limitations so long as no further steps in processing the action are taken except those authorized in this Section 12.4.

12.4.6 Agreement to Dispute Resolution; Waivers of Jury Trial. DECLARANT, THE ASSOCIATION AND EACH OWNER AGREE TO USE THE PROCEDURES ESTABLISHED IN THIS SECTION 12.4 TO RESOLVE ALL DISPUTES AND WAIVE THEIR RIGHTS TO RESOLVE DISPUTES IN ANY OTHER MANNER. DECLARANT, THE ASSOCIATION, AND EACH OWNER ACKNOWLEDGE THAT BY AGREEING TO RESOLVE ALL DISPUTES AS PROVIDED IN THIS SECTION 12.4, THEY ARE GIVING UP THEIR RIGHT TO HAVE DISPUTES TRIED BEFORE A JURY, PURSUANT TO THE FEDERAL ARBITRATION ACT. THIS SECTION 12.4 MAY NOT BE AMENDED WITHOUT DECLARANT'S PRIOR WRITTEN CONSENT.

ARTICLE XIII

DURATION AND AMENDMENT

13.1 DURATION. This Declaration shall continue in full force unless a declaration of termination satisfying the requirements of an amendment to this Declaration established in Section 13.2 is Recorded.

13.2 TERMINATION AND AMENDMENT.

13.2.1 Amendment Approval. Notice of the subject matter of a proposed amendment to this Declaration in reasonably detailed form must be included in the notice of any Association meeting or election at which a proposed amendment is to be considered. To be

effective, a proposed amendment must be adopted by the vote, in person or by proxy, or written consent of Owners representing not less than (i) sixty-seven percent (67%) of the voting power of each Class of the Association and (ii) sixty-seven percent (67%) of the Association's voting power represented by Owners other than Declarant, provided that the specified percentage of the Association's voting power necessary to amend a specific provision of this Declaration may not be less than the percentage of affirmative votes prescribed for action to be taken under the provision that is the subject of the proposed amendment.

13.2.2 Mortgagee Consent. In addition to the notices and consents required by Section 13.2.1, the Mortgagees of fifty-one percent (51%) of the first Mortgages on all the Condominiums in the Properties who have requested the Association to notify them of proposed action requiring the consent of a specified percentage of first Mortgagees must approve any amendment to this Declaration which is of a material nature, as follows:

(a) Any amendment which affects or purports to affect the validity or priority of Mortgages or the rights or protection granted to Mortgagees, insurers or guarantors of first Mortgages.

(b) Any amendment which would require a Mortgagee after it has acquired a Condominium through foreclosure to pay more than its proportionate share of any unpaid Assessment or Assessments accruing before such foreclosure.

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

(d) Any amendment relating to (i) the insurance provisions in Article VIII, (ii) the application of insurance proceeds in Article IX, or (iii) the disposition of any money received in any taking under condemnation proceedings.

(e) Any amendment which would or could result in partition or subdivision of a Condominium in any manner inconsistent with this Declaration.

(f) Any amendment which would subject any Owner to a right of first refusal or other such restriction, if such Condominium is proposed to be transferred.

(g) Any amendment concerning:

(i) Voting rights;

(ii) Rights to use the Common Property;

(iii) Reductions in reserves for maintenance, repair and replacement of the Common Property;

(iv) Responsibility for maintenance and repairs;

(v) Redefinition of boundaries of any Unit;

- its use;
- (vi) Reallocation of interests in the Common Area or rights to Common Property;
- (vii) Convertibility of Common Property into Units or Units into Common Property;
- (viii) Imposition of restrictions on leasing of Units;
- (ix) Establishment of self-management by the Association if professional management has been required by the Restrictions or any Mortgagee of a first Mortgage;
- (x) Expansion or contraction of the Properties or addition, annexation or deannexation of real property to or from the Properties;
- (xi) Increases in Assessments that raise the previously assessed amount by more than twenty-five percent (25%), Assessment liens, or the priority of such liens; or
- (xii) Restoration or repair of the Properties (after damage or partial condemnation) in a manner other than that specified in this Declaration.

13.2.3 Amendment of Defect Claims Provisions. Except for any amendment made by Declarant as authorized in Section 15.6, neither this Section 13.2.3 nor Sections 3.8, 4.5.2, 4.7.2(b) or 12.1.7, may be amended without the vote or approval by written ballot of at least (a) ninety percent (90%) of the voting power of the Members of the Association other than Declarant, and (b) at least ninety percent (90%) of the Mortgagees.

13.2.4 Termination Approval. Termination of this Declaration requires approval of the Owners as provided in Section 13.2.1. No such termination is effective unless it is also approved in advance either by fifty-one percent (51%) of the Mortgagees of the first Mortgages on all Condominiums in the Properties who have submitted a written request to the Association that they be notified of proposed actions requiring the consent of a specified percentage of such Mortgagees (if termination is proposed due to substantial destruction or condemnation of the Properties) or by sixty-seven percent (67%) of such Mortgagees (if termination is for reasons other than such substantial destruction or condemnation).

13.2.5 Notice to Mortgagees. Each Mortgagee of a first Mortgage on a Condominium in the Properties which receives proper written notice of a proposed amendment or termination of this Declaration with a return receipt requested is deemed to have approved the amendment or termination if the Mortgagee fails to submit a response to the notice within thirty (30) days after the Mortgagee receives the notice.

13.2.6 Certificate. A copy of each amendment (except for those amendments described in Section 15.6) must be certified by at least two (2) Association officers. The amendment becomes effective when a Certificate of Amendment is Recorded. The certificate, signed and sworn to by two (2) Association officers that the requisite number of Owners and Mortgagees have approved the amendment, when Recorded, is conclusive evidence

of that fact. The Association shall keep in its files for at least four (4) years the record of all such approvals. The certificate reflecting any termination or amendment which requires the written consent of any of the Mortgagees of first Mortgages must include a certification that the requisite approval of such first Mortgagees was obtained.

ARTICLE XIV

GENERAL PROVISIONS

14.1 MERGERS OR CONSOLIDATIONS. In a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by this Declaration governing the Properties, together with the covenants and restrictions established on any other property, as one (1) plan. Any such merger or consolidation requires the prior written approval of the VA.

14.2 NO PUBLIC RIGHT OR DEDICATION. Nothing in this Declaration is a gift or dedication of all or any part of the Properties to the public, or for any public use.

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

14.4 CONSTRUCTIVE NOTICE AND ACCEPTANCE. Every Person who owns, occupies or acquires any right, title, estate or interest in or to any Condominium or other portion of the Properties does consent and agree, and shall be conclusively deemed to have consented and agreed, to every limit, restriction, easement, reservation, condition and covenant contained in this Declaration, whether or not any reference to these restrictions is in the instrument by which such person acquired an interest in the Properties.

ARTICLE XV

DECLARANT'S RIGHTS AND RESERVATIONS

If there is a conflict between any other portion of the Restrictions and this Article, this Article shall control.

15.1 CONSTRUCTION RIGHTS. Declarant has the right to (a) subdivide or resubdivide the Properties, (b) complete or modify Improvements to and on the Common Property or any portion of the Properties owned solely or partially by Declarant, (c) alter Improvements and Declarant's construction plans and designs, (d) modify Declarant's development plan for the Properties and the Annexable Territory, including designating and redesignating the Units and the Common Property therein and constructing Condominiums of larger or smaller sizes, values, and of different types, and (e) construct such additional Improvements as Declarant considers advisable in the course of development of the Properties or the Annexable Territory so long as any Condominium in the Properties remains unsold.

15.2 SALES AND MARKETING RIGHTS. Declarant's rights under this Declaration include, but are not limited to, the right to install and maintain such structures, displays, signs, billboards, flags and sales offices as may be reasonably necessary to conduct Declarant's business of completing the work and disposing of the Condominiums in the Properties or the Annexable Territory by sale, resale, lease or otherwise. Declarant may use any Condominiums owned or leased by Declarant in the Properties as model home complexes, real estate sales offices or leasing offices.

15.3 CREATING ADDITIONAL EASEMENTS. At any time before acquisition of title to a Condominium in the Properties by a purchaser from Declarant, Declarant has the right to establish on that Condominium additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as Declarant determines are reasonably necessary to the Properties' proper development and disposal.

15.4 LEASING OFFICE. As long as Declarant owns any Condominium in the Properties or the Annexable Territory, Declarant shall have an exclusive easement for the use of one or more lockable offices of no more than 700 square feet of floor area locating across from the business center and containing windows in the administrative offices of the Properties (which are part of the Association Property) as a leasing office for the leasing of each Condominium that Declarant or any Declarant affiliate person desires to lease. Declarant shall provide notice to the Association of the office Declarant selects for such use and the name(s) of each Declarant affiliated person who will be leasing Condominiums from that office. Declarant shall pay a commercially reasonable monthly rental to the Association for such office(s) (not to exceed \$100 per month). Declarant shall not unreasonably interfere with any use the Association makes of the balance of the administrative offices. Declarant may terminate its use of the leasing office and its obligation to pay rent to the Association at any time by written notice to the Association.

15.5 ARCHITECTURAL RIGHTS. Declarant and any Person to whom Declarant may assign all or a portion of its exemption under this Declaration need not seek or obtain Design Review Committee approval of any Improvements constructed anywhere on the

Properties by Declarant or such Person. Declarant may exclude portions of the Properties from jurisdiction of the Design Review Committee in the applicable Notice of Addition or Supplemental Declaration. Declarant, may, at its option, establish an additional design review committee for any area exempted from the jurisdiction of the Design Review Committee.

15.6 USE RESTRICTION EXEMPTION. Declarant and any Person to whom Declarant may assign all or a portion of its exemption under this Declaration is exempt from the restrictions established in Article II.

15.7 ASSIGNMENT OF RIGHTS. Declarant may assign its rights under the Restrictions to any successor-in-interest to any portion of Declarant's interest in the Properties by a written assignment.

15.8 AMENDMENTS. No amendment may be made to this Article without the prior written approval of Declarant. At any time before the first Close of Escrow, Declarant may unilaterally amend or terminate all or a portion of this Declaration by Recording a written instrument which effects the amendment or termination and is signed and acknowledged by Declarant. For so long as Declarant owns any portion of the Properties or the Annexable Territory, Declarant may unilaterally amend all or a portion of this Declaration, any Notice of Addition and any Supplemental Declaration by Recording a written instrument signed by Declarant to (a) conform this Declaration to the rules, regulations or requirements of VA, FHA, DRE, FNMA, GNMA or FHLMC, (b) amend Article III, (c) amend any of the Exhibits to this Declaration that depict portions of the Properties that have not been subject to a Close or Escrow or conveyed to the Association, as applicable, (d) comply with any City, County, State or Federal laws or regulations, (e) correct any typographical errors, and (f) supplement this Declaration with provisions which pertain to rights and obligations of Declarant, the Association or Owners arising under Division 2, Part 2, Title 7 (commencing with Section 895) of the California Civil Code.

15.9 EXERCISE OF RIGHTS. Each Owner grants an irrevocable, special power of attorney to Declarant to execute and Record all documents and maps necessary to allow Declarant to exercise its rights under this Article.

15.10 USE OF PROPERTIES. Declarant and its prospective purchasers of Condominiums are entitled to the nonexclusive use of the Common Property and any recreational facilities thereon, without further cost for access, ingress, egress, use or enjoyment, to (a) show the Properties to prospective purchasers, (b) dispose of the Properties as provided in this Declaration, and (c) develop and sell the Annexable Territory. Declarant, and prospective purchasers, are also entitled to the nonexclusive use of any portions of the Properties which are private streets, drives and walkways for ingress, egress and accommodating vehicular and pedestrian traffic to and from the Properties and the Annexable Territory. The use of the Common Property by Declarant may not unreasonably interfere with the use thereof by the other Owners.

15.11 PARTICIPATION IN ASSOCIATION. The Association shall provide Declarant with written notice of the transfer of any Condominium and all notices and other documents to which a Mortgagee is entitled pursuant to this Declaration, provided that Declarant shall be provided such notices and other documents without making written request therefor.

Commencing on the date on which Declarant no longer has an elected representative on the Board, and continuing until the later to occur of the date on which Declarant (a) no longer owns a Condominium in the Properties, or (b) cannot unilaterally annex property to the Properties, the Association shall provide Declarant with written notice of all meetings of the Board as if Declarant were an Owner and Declarant shall be entitled to have a representative present at all such Board meetings ("*Declarant's Representative*"). The Declarant's Representative shall be present in an advisory capacity only and shall not be a Board member or have any right to vote on matters coming before the Board.

15.12 DECLARANT APPROVAL OF ACTIONS.

15.12.1 **General Rights.** Until Declarant no longer owns a portion of the Properties or the Annexable Territory, Declarant's prior written approval is required for any amendment to the Restrictions which would impair or diminish Declarant's rights to complete the Properties or the Annexable Territory or sell or lease dwellings therein.

15.12.2 **Limit on Actions.** Until Declarant no longer owns any Condominiums in the Properties or the Annexable Territory, the following actions, before being undertaken by the Association, must first be approved in writing by Declarant:

(a) Any amendment or action requiring the approval of first Mortgagees;

(b) The annexation to the Properties of real property other than the Annexable Territory pursuant to Section 16.2;

(c) The levy of a Capital Improvement Assessment for the construction of new facilities not constructed on the Common Property by Declarant;

(d) Any significant reduction of Association maintenance or other services; or

(e) Any modification or termination of any provision of the Restrictions benefiting Declarant.

15.13 **MARKETING NAME.** The Properties shall be marketed under the general name "Westlake Villas." Declarant may change the marketing name of the Properties at any time in Declarant's sole discretion. Declarant shall notify the DRE of any change in or addition to the marketing name or names of the Properties.

ARTICLE XVI

ANNEXATION OF ADDITIONAL PROPERTY

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

16.1 ADDITIONS BY DECLARANT. Declarant may add the Annexable Territory to the Properties and bring such added territory within the general plan of this Declaration without the approval of the Association, the Board or Owners so long as Declarant, its successors or assigns owns the Annexable Territory.

16.2 OTHER ADDITIONS. Additional real property may be annexed to the Properties and brought within the general plan of this Declaration on the approval by vote or written consent of Owners entitled to exercise no less than two-thirds (2/3) of the Association's voting power.

16.3 RIGHTS AND OBLIGATIONS-ADDED TERRITORY. Subject to the provisions of Section 16.4, when a Notice of Addition containing the provisions required by this Section is Recorded, all provisions in this Declaration will apply to the real property described in the Notice of Addition (the "*Added Territory*") in the same manner as if the real property were originally covered by this Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Declaration with respect to the Added Territory will be the same as with respect to the property originally covered by this Declaration, and the rights, powers and responsibilities of the Owners, lessees and occupants of Condominiums in the Added Territory, as well as in the property originally subject to this Declaration, will be the same as if the Added Territory were originally covered by this Declaration. After the first day of the month following the first Close of Escrow in the Added Territory, the Owner of Condominiums located in the Added Territory shall share in the payment of Assessments to the Association to meet Common Expenses of the entire Properties. Voting rights attributable to the Condominiums in the Added Territory may not be exercised until Annual Assessments have commenced on such Condominiums.

16.4 NOTICE OF ADDITION. The additions authorized under Sections 16.1 and 16.2 must be made by Recording a Notice of Addition which will extend the general plan of this Declaration to such Added Territory. The Notice of Addition for any addition under Section 16.1 must be signed by Declarant. The Notice of Addition for any addition under Section 16.2 must be signed by at least two (2) officers of the Association to certify that the Owner approval required under Section 16.2 was obtained. Recordation of the Notice of Addition effectuates annexation of the property described in the Notice of Addition as Added Territory. After the first Close of Escrow in the Added Territory covered by a Notice of Addition, the Added Territory will constitute a part of the Properties, become subject to this Declaration and encompassed within the general plan of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration, and become subject to the Association's functions, powers and jurisdiction; and the Owners of Condominiums in the Added Territory will automatically acquire Membership. In no event, however, may any Notice of Addition revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Declaration as the same pertain to the real property originally covered by this Declaration.

16.5 SPECIAL POWER OF ATTORNEY. Each Owner, by accepting and recording a Grant Deed to a Condominium in the Properties, is deemed to constitute and irrevocably appoint Declarant, for so long as Declarant owns all or any portion of the Properties or the Annexable Territory as Owner's Attorney-in-Fact, for Owner and for each of Owner's mortgagees, optionees, Owners, licensees, trustees, receivers, lessees, tenants, judgment

creditors, heirs, whether voluntary or involuntary, and each Owner is deemed thereby to have conveyed to Declarant a special power of attorney coupled with an interest authorizing Declarant to act as each Owner's attorney in fact to prepare, execute, acknowledge and record any amendment in order to correct errors, to conform to as-built conditions, or to bring the Plan into compliance with any City, County, State or Federal laws or regulations. The acceptance or creation of any Mortgage or other encumbrance, whether or not voluntary, created in good faith, or given for value, shall be deemed to be accepted or created subject to each of the terms and conditions of the Power of Attorney described in this Section.

Nothing set forth in this special power of attorney shall be deemed or construed to be an agreement by Declarant that Owner or any other party is entitled to participate in or exercise discretion over the preparation and recordation of condominium plans for any portion of the Annexable Territory. Owner agrees and acknowledges that the Owner owns no interest in the Annexable Territory, and that the Annexable Territory may be developed, if at all, by Declarant its sole and absolute discretion.

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

ARTICLE XVII

LENDER REQUIREMENTS

The following Sections 17.1 and 17.2 shall automatically terminate and be of no further force or effect upon the release of Record of that certain Construction Deed of Trust, Security Agreement, Assignment of Rents and Fixture Filing executed by Westlake Villas, LLC, a California limited liability company, as trustor, to Chicago Title Company, as trustee, for the benefit of Corus Bank, N.A., a national banking association ("**Lender**"), dated May 31, 2002, Recorded May 31, 2002 in Book 20020531, Page 2142 of Official Records.

17.1 ASSOCIATION INCORPORATION. Declarant must obtain Lender's written approval prior to incorporation of the Association.

17.2 AMENDMENT OF DECLARATION. Declarant must obtain Lender's written approval prior to Recording any amendment or supplement to this Declaration.

17.3 USE OF THE PROPERTIES. Declarant must obtain Lender's written approval prior to operating or marketing all or any portion of the Properties as a "condominium project" or Condominiums. In no event shall Lender's execution of the Subordination attached hereto be

deemed to constitute the foregoing consent. It is expressly understood and agreed that Lender is executing the Subordination attached hereto solely as an accommodation to facilitate the change in the use of the Properties from the existing use as multi-family apartments to that of Condominiums only after the release of Record of the Deed of Trust.

[SIGNATURES ON FOLLOWING PAGE]

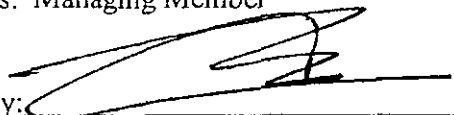
[SIGNATURE PAGE TO DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR WESTLAKE VILLAS]

This Declaration is dated for identification purposes SEPTEMBER 16, 2004.

WESTLAKE VILLAS, LLC,
a California limited liability company

By: MMM Westlake Villas, LLC, a
California limited liability company
Its: Managing Member

By: Meer Westlake Villas, LLC,
a California limited liability
company
Its: Managing Member

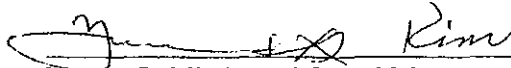
By: 
Name: Ronald L. Meer
Title: Member

"Declarant"

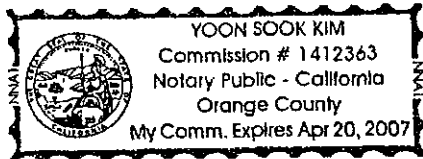
STATE OF CALIFORNIA)
) ss.
COUNTY OF Orange)

On September 16, 2004, before me, YOON SOOK KIM
personally appeared **Ronald L. Meer**, personally known to me (or proved to me on the basis of
satisfactory evidence) to be the person whose name is subscribed to the within instrument and
acknowledged to me that he executed the same in his authorized capacity, and that by his
signature on the instrument the person, or the entity upon behalf of which the person acted,
executed the instrument.

WITNESS my hand and official seal.


Notary Public in and for said State

(SEAL)



SUBORDINATION

The undersigned, as Beneficiary of the beneficial interest in and under that certain Construction Deed of Trust, Security Agreement, Assignment of Rents and Fixture Filing dated May 31, 2002, and recorded on May 31, 2002, in Book 20020531, Page 2142, in the Official Records of Sacramento County, California (the "**Deed of Trust**"), which Deed of Trust is by and among Westlake Villas, LLC, a California limited liability company, as Trustor ("**Borrower**"), and Chicago Title Company, a California corporation, as Trustee, and Corus Bank, N.A., a national banking association, as Beneficiary ("**Lender**"), expressly subordinates said Deed of Trust and its beneficial interest thereunder to the foregoing Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Westlake Villas ("**Declaration**"), and to all easements to be conveyed to the Association in accordance with the Declaration; provided, however, that this Subordination shall in no event be deemed to modify or alter in any way the obligations, covenants and agreements set forth in that certain Construction Loan Agreement dated May 31, 2002, by and between Borrower and Lender ("**Loan Agreement**"), including, but not limited to, Sections 10.10(a) and 10.15(a)(i) thereof, or in any of the other Loan Documents (as defined in the Loan Agreement). By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Properties by foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure or any other remedy in or relating to the Deed of Trust, the undersigned will acquire title subject to the provisions of the Declaration, which shall remain in full force and effect.

Dated: September 16, 2004.

CORUS BANK, N.A., a national banking
association

By: 

Name: John P. Ascher

Title: Vice President

ILLINOIS
STATE OF ~~CALIFORNIA~~)
) ss.
COUNTY OF COOK)

On Sept 16th, 2004, before me, ROSE ODESHOO,
personally appeared JOHN P. ASHER, VICE PRESIDENT, personally
known to me (or proved to me on the basis of satisfactory evidence) to be the person whose
name is subscribed to the within instrument and acknowledged to me that he/she executed the
same in his/her authorized capacity, and that by his/her signature on the instrument the person, or
the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.


Notary Public in and for said State

(SEAL)

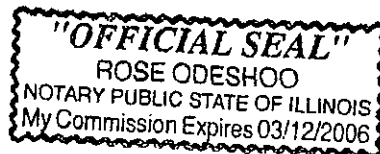


EXHIBIT A

ANNEXABLE TERRITORY

The certain real property located in the City of Sacramento, Sacramento County, California, described as follows:

Lot 1, as shown on the final Map of "Westlake Villas," Filed on May 9, 2003, in Book 315, at Page 6 of Maps, in the Office of the Sacramento County Recorder, excepting therefrom Phase 1.

EXHIBIT B
ARTICLES OF INCORPORATION

2667807

EXHIBIT "B"

State of California

SECRETARY OF STATE

I, *Kevin Shelley*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 1 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

JUL 30 2004



Kevin Shelley
Secretary of State

2667807

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

JUL 26 2004

ARTICLES OF INCORPORATION
OF
WESTLAKE VILLAS COMMUNITY ASSOCIATION

KEVIN SHELLEY
Secretary of State

ONE: The name of this corporation is WESTLAKE VILLAS COMMUNITY ASSOCIATION ("Corporation" herein).

TWO: This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such law.

THREE: The Corporation's initial agent for service of process is Ronald Meer, whose business address is 4100 Newport Place, Suite 840, Newport Beach, California 92660.

FOUR: The Corporation shall have and exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Mutual Benefit Corporation Law may now or hereafter have or exercise, provided that the Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of the Corporation, which is to operate a homeowners association within the meaning of Section 23701t of the California Revenue and Taxation Code and Section 528 of the Internal Revenue Code and to manage a common interest development under the Davis-Stirling Common Interest Development Act. The Corporation does not have a corporate office. The common interest development is located at the intersection of Westlake Parkway and Del Paso Road, in the City of Sacramento, California 95835-2071.

FIVE: The classes of Membership and the voting and other rights and privileges of Members shall be as set forth in the Bylaws. So long as there are two classes of Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, and (ii) Members representing a bare majority of the voting power of each class of Members. After conversion of the Class B Membership to Class A Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, (ii) a bare majority of the total voting power of the Members, and (iii) Members representing a bare majority of the voting power of the Members other than the Subdivider of the Project ("Declarant").

SIX: The Corporation has no managing agent.

The undersigned, who is the incorporator of the Corporation, has executed these Articles of Incorporation on ~~June~~ July 22, 2004.


Ronald Meer, Incorporator



EXHIBIT C
BYLAWS OF THE ASSOCIATION

**BYLAWS
OF
WESTLAKE VILLAS COMMUNITY ASSOCIATION**

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BYLAWS
OF
WESTLAKE VILLAS COMMUNITY ASSOCIATION

ARTICLE 1
PLAN OF CONDOMINIUM OWNERSHIP

1.1 DEFINITIONS AND INTERPRETATION. Unless otherwise provided in these Bylaws, the capitalized terms used in these Bylaws have the same meanings as in the Declaration. These Bylaws shall be interpreted in accordance with Section 1.2 of the Declaration.

1.2 NAME. The name of the corporation is Westlake Villas Community Association. The principal office of the Association shall be located in the County.

1.3 APPLICATION. These Bylaws apply to the residential condominium project known as Westlake Villas, located in the County. All Persons who use the facilities of the Properties in any manner, are subject to the regulations in these Bylaws and in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Westlake Villas, Recorded in the Official Records of the County against the Properties. Use of any Condominium in the Properties signifies acceptance and ratification of these Bylaws.

ARTICLE 2
BOARD OF DIRECTORS

2.1 NUMBER. Until the first annual meeting of the Owners, the Association's property, business and affairs shall be governed and managed by a Board of Directors composed of three (3) persons. Beginning with the first annual meeting of the Owners, the property, business and affairs of the Association shall be governed and managed by a Board of Directors composed of five (5) persons, each of whom, except for those appointed and serving as first Directors, must be either an Owner or an agent of Declarant until Declarant no longer owns a Condominium or any of the Annexable Territory. The authorized number of Directors may be changed by a duly adopted amendment to these Bylaws.

2.2 QUALIFICATIONS FOR HOLDING OFFICE. Directors are encouraged to satisfy the following requirements while they serve in office:

- (a) Not be absent from three (3) consecutive meetings of the Board;
- (b) Attend at least seventy five percent (75%) of the Board meetings held each year and attend the entire meeting each time;
- (c) Exhibit respect, professionalism and courteous behavior to Owners, committee members, vendors, the Manager and its staff, and any other Persons associated with or retained by the Association;

- (d) For non-Declarant Board members, be an Owner in good standing.

2.3 ELECTION.

2.3.1 General Procedure At the first annual meeting of the Owners, and at each annual meeting thereafter, the Owners shall elect new Directors to fill vacancies on the Board. If an annual meeting is not held, or all positions on the Board are not filled at the annual meeting, Board members may be elected at a special meeting of the Owners.

2.3.2 Voting. Voting shall be by secret written ballot. An Owner may cumulate his votes for any candidate for the Board in any election in which more than two (2) Directors are to be elected if (a) the candidate's name has been placed in nomination before the voting, and (b) an Owner has given notice at the meeting before the voting of such Owner's intent to cumulate votes. If an Owner cumulates his votes, such Owner may cast a number of votes equal to the Owner's share of the voting power multiplied by the number of Directors to be elected.

2.3.3 Special Election Requirement. So long as either (a) Declarant is entitled to exercise a Class B or Class C vote, or (b) Declarant is entitled to exercise a majority of the Association's voting power, not less than twenty percent (20%) of the members of the Board must be elected solely by the votes of Owners other than Declarant.

2.4 TERM OF OFFICE. Each Director shall hold office until the earlier to occur of (a) the end of the Director's term of office after a successor has been elected, or (b) his death, resignation, removal or judicial adjudication of mental incompetence. At the first annual meeting, the term of office of the three (3) Directors appointed by Declarant shall be three (3) years and the term of office of the two (2) Directors receiving the highest number of votes shall be two (2) years. The term of office of each Director elected to fill a vacancy created by expiration of a Director's term of office shall be two (2) years. The term of office of each Director elected or appointed to the Board for any other reason shall be the balance of the unserved term. Any person serving as a Director may be reelected. There is no limit on the number of terms which a Director may serve.

2.5 VACANCIES. A vacancy on the Board is deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director or if the Owners fail to elect the full number of authorized Directors at any meeting at which a Directors election is to take place. Vacancies on the Board caused by any reason other than the removal of a Director may be filled by either (a) vote of a majority of the remaining Directors, even though they may constitute less than a quorum, or (b) by vote of the Owners at a meeting. Any vacancy caused by the removal of a Director must be filled by a vote of the Owners. Until termination of the Class C vote, a vacancy in the office of a Director who was appointed by the Declarant shall be filled only by an appointee of the Declarant. A Director may resign at any time by giving notice to the President, the Secretary or the Board. Any Director who ceases to be an Owner or an agent of Declarant is deemed to have resigned from the Board.

2.6 REMOVAL OF DIRECTORS. At any meeting of the Owners, any individual Director or the entire Board may be removed before the expiration of their terms of office with

or without cause as follows: (a) for so long as fewer than fifty (50) Condominiums are included in the Properties, by the vote of Owners representing a majority of the Association's total voting power (including votes attributable to Declarant), and (b) once fifty (50) or more Condominiums are included in the Properties, by the vote of Owners representing a majority of a quorum of Owners

However, if the entire Board is not removed as a group pursuant to a single vote, no individual Director may be removed if the number of votes cast against removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. Any Director whose removal has been proposed by the Owners must be given an opportunity to be heard at the meeting. If any Directors are removed, new Directors may be elected at the same meeting. However, any Director elected to office solely by the votes of Owners other than Declarant pursuant to Section 2.3.3 may be removed only by the vote of at least a simple majority of the Association's voting power represented by Owners other than Declarant. Any Director elected to office solely by votes of Declarant may only be removed by Declarant, and the vacancy filled only by a Director elected by the votes of Declarant.

2.7 COMPENSATION. Directors may not receive any compensation for their services as Directors unless such compensation is first approved by Owners representing at least a majority of the Association's voting power. However, (a) nothing in these Bylaws precludes any Director from serving the Association in some other capacity and receiving compensation therefor, and (b) any Director may be reimbursed for actual expenses incurred in performance of Association duties, and (c) no officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation for service as a Director of the Association.

2.8 POWERS AND DUTIES. The Board has the powers and duties necessary to administer the Association's affairs. All the Association's powers shall be exercised by the Board except those powers specifically reserved to the Owners.

2.9 SPECIAL POWERS AND DUTIES. Without limiting the scope of the Board's general powers and duties, the Board is granted the following powers and duties:

2.9.1 Officers, Agents and Employees. The power and duty to select, appoint and remove all Association officers, agents and employees, to prescribe such powers and duties for them as may be consistent with law and with the Restrictions, to fix their compensation, to require from them such security for faithful service as the Board considers advisable, and to contract to provide them with such indemnification as the Board determines is appropriate.

2.9.2 Contracts. The power to enter into contracts. This includes contracts (a) for maintenance, landscaping, and common utilities services, (b) materials, supplies and other Common Expenses relating to the Condominiums, (c) employing personnel necessary to manage the Properties, including legal and accounting services, and (d) paying for Improvements on the Common Property. The Board may not enter into any contract with a term in excess of one (1) year, without the vote or written consent of

Owners representing at least a majority of the Association's voting power, except for the following:

(a) a contract with a public utility company for a term that does not exceed the shortest term for which the public utility company will contract at the regulated rate if the rates charged for the materials or services are regulated by the California Public Utilities Commission;

(b) prepaid casualty or liability insurance policies of not more than three (3) years' duration provided that the policies permit short-term cancellation by the Association;

(c) agreements for television services and equipment, satellite dish services and equipment, communication services and equipment, and comparable technology, services and equipment with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%);

(d) agreements for sale, lease or installation of burglar alarm and fire alarm equipment and related services with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%);

(e) a contract approved by the DRE;

(f) a contract for a term not to exceed three (3) years that is terminable by the Association after no longer than one (1) year without cause or penalty or other obligation on ninety (90) days written notice of termination to the other party; and

(g) contracts in which the Association enters into litigation or any alternative dispute resolution procedure when the Association's obligation to pay for services is set in whole or in part on a contingency basis only if they are (i) contracts for collection of assessments or other accounts receivable, (ii) or contracts involving evaluation of services, or (iii) contracts with a total amount to be paid by the Association not in excess of Forty Thousand Dollars (\$40,000.00).

2.9.3 Enforcement. The power to enforce the Restrictions and any agreements entered into by the Association and to impose sanctions against Owners for violating the Restrictions.

2.9.4 Principal Office, Place of Meetings, Seal. The power but not the duty to move the Association's principal office from one location to another in the County; to designate any place in the County for holding any meetings of Owners consistent with the provisions of Section 4.5; and to adopt and use a corporate seal and to alter the form of such seal.

2.9.5 Assessments. The power and duty to fix and levy Assessments and identify the due date for payment of Assessments. The Board may incur Common Expenses. The Association's funds shall be held in trust for the Owners

2.9.6 Insurance. The power and duty to contract and pay for insurance in accordance with the Declaration, covering and protecting against such damages or injuries as the Board considers advisable (which coverage may include medical expenses of persons injured on the Common Property). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on the Association's behalf.

2.9.7 Delegation. The power but not the duty to delegate its powers according to law.

2.9.8 Bylaws The power and duty to adopt these Bylaws.

2.9.9 Records. The power and duty to keep a complete record of Association acts and corporate affairs.

2.9.10 Sale of Property. The power but not the duty to sell property of the Association. Approval from Owners representing at least a majority of the Association's voting power must be obtained before property of the Association having an aggregate fair market value greater than five percent (5%) of the Association's budgeted gross expenses for the Fiscal Year is sold in a single Fiscal Year.

2.9.11 Manager. The power to engage a professional Manager for the Association at a compensation established by the Board to perform such duties and services as the Board authorizes.

2.9.12 Agreements with Declarant. The power but not the duty to negotiate and enter into agreements with Declarant.

2.10 DISTRIBUTION OF INFORMATION. The Board shall distribute the following financial information to all Owners (and any Beneficiary, insurer and guarantor of a first Mortgage on request), regardless of the number of Owners or the amount of assets of the Association:

2.10.1 Budget. A pro forma operating budget for each Fiscal Year consisting of at least the following information must be distributed not less than sixty (60) nor more than ninety (90) days before the beginning of the Fiscal Year:

(a) Estimated revenue and Common Expenses computed on an accrual basis.

(b) A summary of the Association's reserves based on the most recent review or study conducted pursuant to Section 1365.5 of the California Civil Code, which must be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Common Property for which the Association is responsible.

(ii) As of the end of the Fiscal Year for which the study is prepared:

(A) The current estimate of the amount of cash reserves necessary to restore or maintain the major components of the Common Property for which the Association is responsible ("Estimated Reserves").

(B) The current amount of accumulated cash reserves actually set aside to restore or maintain the major components of the Common Property for which the Association is responsible ("Actual Reserves").

(iii) The percentage that the Actual Reserves is of the Estimated Reserves.

(c) A statement of whether the Board has determined or expects that the levy of one or more Capital Improvement or Reconstruction Assessments will be required to repair, replace, or restore any major component of the Common Property for which the Association is responsible or to provide adequate reserves therefor.

(d) A general statement setting forth the procedures used by the Board in calculating and establishing reserves to defray the costs of repair and replacement of, or additions to, major components of the Common Property and facilities for which the Association is responsible.

The Board may distribute a summary of the Budget instead of the Budget itself, so long as the Board complies with the provisions of Section 1365(c) of the California Civil Code.

2.10.2 Financial Report. A report consisting of the following must be distributed within one hundred twenty (120) days after the close of the Fiscal Year.

(a) A balance sheet as of the end of the Fiscal Year.

(b) An operating (income) statement for the Fiscal Year.

(c) A statement of changes in financial position for the Fiscal Year.

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

(e) For any Fiscal Year in which the Association's gross income exceeds \$75,000, a copy of a review of the annual report prepared in accordance

with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(f) A statement of the place where the names and addresses of the current Owners are located.

If the report referred to in Section 2.10 2 is not prepared by an independent accountant, it must be accompanied by the certificate of an authorized Association officer stating that the statement was prepared from the Association's books and records without independent audit or review.

2.10.3 Insurance Information. The Association shall distribute to all Owners a summary of the Association's property, general liability, and earthquake and flood insurance policies within sixty (60) days before the beginning of the Fiscal Year, that includes all of the following information: (a) the name of the insurer, (b) the type of insurance, (c) the limits of coverage, and (d) the amount of the deductibles, if any

(a) The Association shall, as soon as reasonably practical, notify the Owners by first-class mail if any of the policies described above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Association receives any notice of nonrenewal of a policy described above, the Association shall immediately notify the Owners if replacement coverage will not be in effect by the date the existing coverage will lapse.

(b) To the extent that any of the information required to be disclosed is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it to all Owners.

(c) The summary distributed above shall contain, in at least 10-point boldface type, the following statement:

"This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions in the actual policies of insurance. Any Association member may, on request and provision of reasonable notice, review the Association's insurance policies and, on request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association keeps the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur in or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with

their individual insurance broker or agent for appropriate additional coverage.”

2.10.4 Enforcement Policies. In addition to financial statements, the Board shall annually distribute within sixty (60) days before the beginning of the Fiscal Year a statement of the Association’s policies and practices in enforcing its remedies against Owners for defaults in the payment of Assessments, including the recording and foreclosing of liens against Condominiums

2.10.5 Accounts. On at least a quarterly basis, the Board shall: (a) cause to be completed and review a current reconciliation of the Association’s operating and reserve accounts, (b) review the current Fiscal Year’s actual reserve revenues and expenses compared to the Budget for the then current Fiscal Year, (c) review the income and expense statement for the Association’s operating and reserve accounts, (d) review the most current account statements prepared by the financial institutions where the Association keeps its operating and reserve accounts, and (e) fulfill any additional duties established by Civil Code Section 1365.5. The signatures of either (i) two (2) Directors, or (ii) one (1) Director and one (1) Association officer (who is not also a Director) are required for the withdrawal of money from the Association’s reserve accounts. As used in this Subsection, the term “reserve accounts” means Budgeted funds that the Board has designated for use to defray the future repair and replacement of, or additions to, those major components of the Common Property which the Association is obligated to maintain.

2.10.6 Reserve Study. The Board shall cause a study of the reserve account requirements of the Properties to be conducted in accordance with Section 1365.5(e) of the California Civil Code. As used in this Subsection, “reserve account requirements” means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components of the Common Property which the Association is obligated to maintain.

2.11 MEETINGS.

2.11.1 Organization Meeting. The first regular (“organization”) meeting of a newly elected Board must be held within ten (10) days of election of the Board, at such place as is fixed and announced by the Directors at the meeting at which such Directors were elected, to organize, elect officers and transact other business. No notice is necessary to the newly elected Directors to hold such meeting; provided that (a) a majority of the whole Board is present when the time and place are announced at the annual meeting and (b) the meeting is held on the same day and at the same place as the annual meeting of the Owners at which the newly constituted Board was elected.

2.11.2 Regular Meetings. Regular meetings may be held at such time and place in the Properties as is determined by a resolution adopted by a majority of a quorum of the Directors; however, regular meetings must be held no less frequently than quarterly. Notice of the time and place of regular meetings of the Board shall be given to each Director at least four (4) days before the date of the meeting. Notices may be given

personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means or posted at a prominent place or places in the Common Property

2.11.3 Special Meetings. Special meetings may be called by the President or by any two (2) Directors by posting notice at least four (4) days before such meeting at a prominent place or places in the Common Property or on four (4) days' notice by first-class mail or forty-eight (48) hours' notice delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. The notice must state the time, place and the purpose of the meeting.

2.11.4 Executive Sessions. The Board may convene in executive session to discuss and vote upon personnel matters, litigation, matters relating to the formation of contracts with third parties, Owner discipline, or to meet with an Owner, upon the Owner's request, regarding the Owner's payment of Assessments as specified in Civil Code Section 1367 and 1367.1. The nature of business to be considered in executive session must first be announced in an open session and must be generally noted in the minutes of the Board.

2.11.5 Other Meetings. Any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate on any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session, shall constitute a meeting of the Board. All Owners shall have the right to attend any regular, special or other meeting of the Board, except an executive session. Owners who are not Directors may not participate in any deliberation or discussion at such meetings unless authorized by a vote of a majority of a quorum of the Board. However, at each Board meeting, except for executive sessions, the Board must set aside time for Owners to speak, subject to reasonable limits imposed by the Board.

2.11.6 Notice to Owners. Generally, if a meeting of the Board is not a regular or special meeting, Owners shall be given notice of the time and place of the meeting at least four (4) days before the meeting. Notice required by this Section may be given by posting the notice in a prominent place or places in the Common Property, by mail or delivery of the of the notice to each Condominium in the Properties, or by newsletter or other similar means of communication. If there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impractical to provide notice to the Owners, then an emergency meeting of the Board may be called by the President or any two other members of the Board without providing notice to the Owners.

2.11.7 Waiver of Notice. Before or at any meeting of the Board, any Director may, in writing, waive personal notice of such meeting. Attendance by a Director at any Board meeting waives the requirement of personal notice. If all Directors are present at a Board meeting, no notice to Directors is required and any business may be transacted at such meeting. The transactions of any Board meeting, however called and noticed or wherever held, are valid as though had at a meeting duly held after regular call and

notice, if (a) a quorum is present, (b) notice to the Owners of such meeting was posted as provided in Sections 2.11.2, 2.11.3 or 2.11.6, and (c) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the Minutes thereof. The Secretary shall file all such waivers, consents and approvals with the Association's records or make them a part of the Minutes of the meeting.

2.12 ACTION WITHOUT MEETING. The Board may act without a meeting if all Directors consent in writing to such action. Written consents must be filed with the minutes of the Board. Each action by written consent has the same effect as a unanimous vote of such Directors. Within three (3) days after the written consents of all Directors have been obtained, an explanation of any action taken by unanimous written consent without a meeting must be either (a) posted by the Board in a prominent place or places in the Common Property, or (b) communicated to the Owners by other means the Board determines to be appropriate.

2.13 QUORUM AND ADJOURNMENT. Except as otherwise expressly provided in these Bylaws, at all meetings of the Board, a majority of the Directors constitutes a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present are the acts of the Board. At any meeting of the Board when less than a quorum present, the majority of those present may adjourn the meeting to another time. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present.

2.14 COMMITTEES. The Board may by resolution establish such committees as it desires, and may establish the purposes and powers of each such committee created. The resolution establishing the committee must (a) provide for the appointment of its members and a chairman, (b) state the purposes of the committee, and (c) provide for reports, termination and other administrative matters as the Board considers appropriate.

ARTICLE 3 OFFICERS

3.1 DESIGNATION. The Association's principal officers are a President, a Vice President, a Secretary, and a Treasurer, all elected by the Board. The Board may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as it determines to be necessary. Officers other than the President need not be Directors. Any person may hold more than one office.

3.2 ELECTION OF OFFICERS. The Board shall annually elect the Association's officers at the new Board's organization meeting. Each officer shall hold his office at the pleasure of the Board, until he resigns or is removed, is otherwise disqualified to serve or a successor is elected and qualified to serve.

3.3 REMOVAL OF OFFICERS. On an affirmative vote of a majority of the entire Board, any officer may be removed, either with or without cause, and a successor elected at any meeting of the Board. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary. Any such resignation is effective on the date of receipt of such

notice or at any later time specified therein. Unless specified in the notice, acceptance of the resignation by the Board is not necessary to make it effective.

3.4 COMPENSATION. No officer may receive any compensation for services performed in the conduct of the Association's business unless such compensation is approved by the vote or written consent of Owners representing at least a majority of the Association's voting power; however (a) nothing in these Bylaws precludes any officer from serving the Association in some other capacity and receiving compensation therefor, and (b) any officer may be reimbursed for actual expenses incurred in the performance of Association duties. Appointment of any officer does not create contractual rights of compensation for services performed by such officer. No officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation for service as an officer of the Association.

3.5 PRESIDENT. The President is the chief executive officer of the Association and shall (a) preside at all Association and Board meetings, (b) have the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power to appoint committees from among the Owners as the President decides is appropriate to assist in the conduct of the Association's affairs, and (c) subject to the control of the Board, have general supervision, direction and control of the Association's business. The President is ex officio a member of all standing committees and has such other powers and duties as may be prescribed by the Board or these Bylaws.

3.6 VICE PRESIDENT. The Vice President shall take the President's place and perform the President's duties whenever the President is absent, disabled, fails or refuses to act. If neither the President nor the Vice President is available to perform the President's duties, the Board shall appoint another member of the Board to do so on an interim basis. The Vice President has such other powers and duties as may be prescribed by the Board or these Bylaws.

3.7 SECRETARY. The Secretary shall (a) keep the Minutes of all meetings of the Board and of the Association at the Association's principal office or at such other place as the Board may order, (b) keep the Association's seal in safe custody, (c) have charge of such books and papers as the Board may direct, (d) in general, perform the duties incident to the office of Secretary, (e) give, or cause to be given, notices of meetings of the Owners and of the Board required by these Bylaws or by law to be given, (f) keep a record book of Owners, listing the names, mailing addresses and telephone numbers of Owners, as furnished to the Association ("Membership Register"), and (g) record in the Membership Register the termination or transfer of ownership by any Owner, together with the date of the transfer. The Secretary has such other powers and duties as may be prescribed by the Board or these Bylaws.

3.8 TREASURER. The Treasurer is the Association's chief financial officer and is responsible for Association funds. The Treasurer shall (a) keep, or cause to be kept, full and accurate accounts and tax and business records of the Association, including accounts of all assets, liabilities, receipts and disbursements, (b) be responsible for the deposit of all funds in the name of the Association in such depositories as the Board designates, (c) disburse the Association's funds as ordered by the Board, and (d) render to the President and Directors, on request, an account of all transactions as Treasurer and of the Association's financial condition.

The Treasurer has such other powers and duties as may be prescribed by the Board or these Bylaws.

ARTICLE 4 OWNERS

4.1 VOTING RIGHTS. The Association has three (3) classes of voting Membership, as described in the Declaration. Except as provided in Section 2.3.3, any provision of the Bylaws which requires the vote or written consent of a specified percentage of the Association's voting power before action may be undertaken (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) requires the approval of such specified percentage of (a) each class of Membership so long as a Class B Membership exists, and (b) both the Association's total voting power and the Association's voting power represented by Owners other than Declarant.

4.2 MAJORITY OF QUORUM. Unless otherwise provided in the Restrictions, any action which may be taken by the Association may be taken by a majority of a quorum of the Owners.

4.3 QUORUM. Except as otherwise provided in these Bylaws, the presence in person or by proxy of at least twenty-five percent (25%) of the Association's voting power constitutes a quorum of the Membership. Owners present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, despite the withdrawal of enough Owners to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of a quorum. If a meeting is actually attended, in person or by proxy, by Owners having less than one-third (1/3) of the Association's voting power, then no matter may be voted on except matters which were generally described in the notice of the meeting. No action by the Owners on any matter is effective if the votes cast in favor are fewer than the minimum number of votes required by the Restrictions to approve the action.

4.4 PROXIES. Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary in advance of each meeting. Every proxy is revocable and automatically ceases after completion of the meeting for which the proxy was filed. Any form of proxy or written ballot distributed by any Person to the Owners must afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted on, except it is not mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot must provide that, when the Owner specifies a choice, the vote shall be cast in accordance with that choice. The proxy must also identify the person authorized to exercise the proxy and the length of time it will be valid. No proxy is valid with respect to a vote on any matter described in Section 7613(g) of the California Corporations Code unless the general nature of the proposal was described in the proxy.

4.5 PLACE OF MEETINGS OF OWNERS. Meetings of the Owners shall be held on the Properties, or such other suitable place as proximate thereto as practical and convenient to the Owners, as designated by the Board.

4.6 ANNUAL MEETINGS OF OWNERS. The first annual meeting of Owners shall be held within six (6) months after the Close of Escrow for the sale of the first Condominium in Phase 1. Thereafter, the annual meetings shall be held on or about the anniversary date of the first annual meeting. Each first Mortgagee may designate a representative to attend all annual meetings.

4.7 SPECIAL MEETINGS OF OWNERS. The Board shall call a special meeting of the Owners (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of the Association, or (c) on receipt of a petition signed by Owners representing at least five percent (5%) of the Association's total voting power. The Secretary shall give notice of any special meeting within twenty (20) days after adoption of such resolution or receipt of such request or petition. The notice must state the date, time and place of the special meeting and the general nature of the business to be transacted. The special meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at a special meeting except as stated in the notice. Each first Mortgagee may designate a representative to attend all special meetings.

4.8 NOTICE. The Secretary shall send to each Owner of record, and to each first Mortgagee who has filed a written request for notice with the Secretary, a notice of each annual or special meeting. The notice must be sent by first-class mail, at least ten (10) but not more than thirty (30) days before the meeting. The notice must state the purpose for the meeting as well as the day, hour and place where it is to be held. The notice may establish time limits for speakers and nominating procedures for the meeting. The notice must specify those matters the Board intends to present for action by the Owners, but, except as otherwise provided by law, any proper matter may be presented for action at the meeting. The notice of any meeting at which Directors are to be elected must include the names of all nominees when the notice is given to the Owners. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after the notice has been deposited in a regular depository of the United States mail. Such notice must be posted in a conspicuous place on the Common Property and is deemed served on an Owner on posting if no address for such Owner has been then furnished the Secretary.

Notwithstanding any other provision of these Bylaws, approval by the Owners of any of the following proposals, other than by unanimous approval of those Owners entitled to vote, is not valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice: (a) removing a Director without cause; (b) filling vacancies on the Board; (c) approving a contract or transaction between the Association and one or more Directors, or between the Association and any entity in which a Director has a material financial interest; (d) amendment of the Articles; or (e) electing to wind up and dissolve the Association.

4.9 RECORD DATES. The Board may fix a date in the future as a record date for determining which Owners are entitled to notice of any meeting of Owners. The record date so fixed must be not less than ten (10) nor more than sixty (60) days before the date of the meeting. If the Board does not fix a record date for notice to Owners, the record date for notice is the close of business on the business day preceding the day on which notice is given. In addition, the Board may fix a date in the future as a record date for determining the Owners entitled to vote at

any meeting of Owners. The record date so fixed must be not less than ten (10) nor more than sixty (60) days before the date of the meeting. If the Board does not fix a record date for determining Owners entitled to vote, Owners on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting

4.10 ADJOURNED MEETINGS. If a quorum is not present at the time and place established for a meeting, a majority of the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the original meeting date, at which meeting the quorum requirement is the presence in person or by proxy of Owners holding at least twenty-five percent (25%) of the Association's voting power. Such an adjourned meeting may be held without the notice required by these Bylaws if notice thereof is given by announcement at the meeting at which such adjournment is taken.

4.11 ORDER OF BUSINESS. Meetings of Owners must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. The order of business at all meetings of the Owners is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of election (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

4.12 ACTION WITHOUT MEETING. Except for election of Directors, any action which may be taken at a meeting of the Owners may be taken without a meeting by written ballot of the Owners. Ballots must be solicited in the same manner as provided in these Bylaws for giving of notice of meetings to Owners. Such solicitations must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Owner specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of (i) ballots which equal or exceed the quorum which would be required if the action were taken at a meeting, and (ii) approvals which equal or exceed the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, constitutes approval by written ballot.

4.13 CONSENT OF ABSENTEES. The actions taken at any meeting of Owners, however called and noticed, are valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present either in person or by proxy, and (b) either before or after the meeting, each of the Owners not present in person or by proxy signs (i) a written waiver of notice, (ii) a consent to the holding of such meeting, or (iii) an approval of the minutes thereof. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting.

4.14 MINUTES, PRESUMPTION OF NOTICE. Minutes or a similar record of the proceedings of meetings of Owners, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters described therein. A recitation in the Minutes

executed by the Secretary that proper notice of the meeting was given constitutes prima facie evidence that such notice was given.

ARTICLE 5 AMENDMENTS

These Bylaws may be amended by the vote or written consent of Owners representing at least (a) a majority of the voting power of each class of the Owners, and (b) a majority of the Association's voting power represented by Owners other than Declarant; provided that the specified percentage of each class of Owners necessary to amend a specific provision of these Bylaws may not be less than the percentage of affirmative votes prescribed for action to be taken under that provision. These Bylaws may be amended by a majority of the entire Board, (i) at any time before the Close of Escrow for the sale of the first Condominium, or (ii) if the amendment is within the Board's power to adopt without Owner approval pursuant to the California Corporations Code and either (a) the proposed amendment conforms the Bylaws to California law or the requirements of VA, FHA, DRE, FNMA, GNMA or FHLMC, or (b) the proposed amendment corrects a typographical error in the Bylaws. Any amendment to these Bylaws which materially affects matters listed in Article XII or Section 13.2 of the Declaration must be approved by the Beneficiaries of that percentage of first Mortgages on the Condominiums which is specified in the affected provision of Article XII or Section 13.2 of the Declaration, respectively. If an amendment to these Bylaws materially affects matters listed in both Article XII and Section 13.2 of the Declaration, the amendment must be approved pursuant to the requirements of both Article XII and Section 13.2. So long as there exists a Class B Membership, and the VA or FHA has made or is insuring a Mortgage on a Condominium in the Properties, the prior approval of VA or FHA (whichever entity has made or is insuring a Mortgage) is required for any amendment to these Bylaws to (1) terminate the Bylaws, (2) dissolve the Association (except pursuant to merger or consolidation), or (3) convey the Common Property. A draft of the proposed amendment must be submitted to VA and FHA for approval before its approval by the Membership.

ARTICLE 6 MISCELLANEOUS

6.1 CHECKS, DRAFTS AND DOCUMENTS. All checks, drafts, orders for payment of money, notes and other evidences of indebtedness issued in the name of or payable to the Association must be signed or endorsed in the manner and by the person or persons the Board designates by resolution, subject to the requirements of Section 2.10.5 for withdrawing money from the Association's reserve accounts.

6.2 CONFLICTS. If any of these Bylaws conflict with any laws of the State of California, such conflicting Bylaws shall be void on final court determination to such effect, but all other Bylaws shall remain in full force. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control. In case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

6.3 EXECUTION OF DOCUMENTS. The Board may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name and on

behalf of the Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent, committee member or employee may bind the Association by any contract or pledge its credit or render it liable for any purpose in any amount.

6.4 AVAILABILITY OF ASSOCIATION DOCUMENTS

6.4.1 Records To Be Maintained. The Association shall keep at its principal office (or at such other place in or near the Properties as the Board may prescribe) the Restrictions and the Association's books of account; minutes of meetings of Owners, the Board and committees; and the Membership Register (collectively, the "Association Documents"), each of which shall be made available for inspection and copying by any Owner or the Owner's duly appointed representative for a purpose reasonably related to the Owner's interest as an Owner.

6.4.2 Limits on Availability. The Board may establish reasonable rules regarding (a) notice to be given to the custodian of the Association Documents by the Owner desiring to make the inspection, (b) hours and days of the week when such an inspection may be made, and (c) payment of the cost of copying any of the Association Documents requested by an Owner; provided that every Director may at any reasonable time inspect all Association Documents and the physical properties owned or controlled by the Association, and make extracts and copies of documents.

6.4.3 Time of Availability. The minutes, minutes that are proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board (other than an executive session) must be available to Owners within thirty (30) days of the meeting. The minutes, proposed minutes or summary minutes must be distributed to any Owner on request and on reimbursement of the Association's cost in making that distribution.

6.4.4 Distribution to Owners. No later than ten (10) days after the Association receives written request from any Owner, the Association shall provide to that Owner a copy of each of the documents listed in California Civil Code Section 1368(a) that have been requested by the Owner. Owners must be notified in writing when the budget required in Section 2.10.1 is distributed or at the time of any general mailing to the entire Association Membership of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

6.5 FISCAL YEAR. The Board shall select the Association's Fiscal Year. The Fiscal Year is subject to change as the Board determines.

ARTICLE 7 NOTICE AND HEARING PROCEDURE

7.1 INITIAL COMPLAINT. Persons who believe a violation of the Restrictions has occurred may file a complaint with a Person designated by the Board on a form approved by the Board. The Board will commence the enforcement process. In its discretion, the Board may issue one or two violation letters to the Person alleged to have committed the violation

("respondent") or set a hearing described in Section 7.2 below. The Board may direct the Manager to assist the Board in any of the steps the Board chooses to take in enforcing the Restrictions except that decisions made at hearings must be made by the Board

7.2 SCHEDULING HEARINGS. A hearing before the Board to determine whether a sanction should be imposed may be initiated by the Board after receipt of at least one complaint. To initiate a hearing, the Board must deliver to the respondent a notice which includes the following:

7.2.1 Complaint. A written statement setting forth in ordinary and concise language the acts or omissions with which the respondent is charged,

7.2.2 Basis for Violation. A reference to the specific provisions of the Restrictions which the respondent is alleged to have violated,

7.2.3 Hearing Schedule. The date, time and place of the scheduled hearing,

7.2.4 Sanctions. A list of sanctions which may be imposed at the hearing.

The date for the hearing may be no less than fifteen (15) days after the date the notice of hearing is mailed or delivered to the respondent. The respondent is entitled to attend the hearing, submit a statement of defense to the Board in advance of the hearing, or present a statement of defense and supporting witnesses at the hearing. If the respondent does not attend the hearing, the respondent waives these rights.

7.3 CONDUCT OF HEARING. The Board shall conduct the hearing in executive session, affording the respondent a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard must be placed in the minutes of the meeting. Such proof is adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the Association officer or Board member who mailed or delivered such notice. The record of the meeting must contain a written statement of the results of the hearing and the sanction, if any, imposed.

7.4 IMPOSITION OF SANCTIONS. After affording the respondent an opportunity for a hearing before the Board, the Board may impose any one or more of the following sanctions: (a) levy a Special Assessment as authorized in the Declaration; (b) suspend or condition the respondent's right to use any recreational facilities the Association owns, operates or maintains commencing on a date in the future selected by the Board; (c) suspend the respondent's voting privileges established under the Declaration; (d) enter upon a Condominium to perform maintenance which, according to the Declaration, is the responsibility of the respondent; or (e) record a notice of noncompliance if allowed by law. Any suspension of Membership privileges may not be for a period of more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. Written notice of any sanctions to be imposed must be delivered to the respondent personally, by any system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means, via first class mail or certified mail return

receipt requested, or any combination of the foregoing. No action against the respondent arising from the alleged violation may take effect prior to five (5) days after the hearing

7.5 LIMITS ON REMEDIES The Board's failure to enforce the Restrictions does not waive the right to enforce them. The remedies provided by the Restrictions are cumulative and not exclusive. However, any individual Owner must exhaust all available internal Association remedies prescribed by the Restrictions before that Owner may resort to a court of law for relief with respect to any alleged violation of the Restrictions by another Owner.

CERTIFICATE OF SECRETARY

I, the undersigned, certify that:

1. I am the duly elected and acting Secretary of WESTLAKE VILLAS COMMUNITY ASSOCIATION, a California nonprofit corporation ("Association"); and

2. The foregoing Bylaws comprising 19 pages including this page constitute the Bylaws of the Association duly adopted by Consent of Directors in Lieu of First Meeting dated July 26, 2004.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Association effective this 26th day of July, 2004.

A handwritten signature in black ink, appearing to read 'Ronald L. Meer', is written over a horizontal line.

Ronald L. Meer, Secretary

(SEAL)

EXHIBIT D

**OWNER MAINTENANCE, REPAIR AND
REPLACEMENT RESPONSIBILITY**

ITEM	OWNER RESPONSIBILITY
BUILDING EXTERIOR	
Unit entry doors	Owner shall maintain interior surfaces, and maintain, repair and replace all hardware, glass, lock mechanism and kick plates.
garage doors	Owner shall maintain interior surfaces, and maintain, repair and replace all hardware and glass. Owner shall maintain, repair and replace attendant garage door opener(s).
sliding glass doors, screen doors	Owner shall maintain all portions of sliding glass doors and screen doors, including the lock mechanism.
Windows	Owner shall maintain, repair and replace all portions of the window glass, screens.
air conditioning compressor	Owner shall maintain and repair the air conditioning compressor that exclusively serves Unit.
BUILDING INTERIOR	
Unit	Owner shall maintain, repair and replace all interior doors, interior wall surfaces, drywall, cabinets, floor coverings, ceilings, permanent fixtures, appliances, electrical outlets and switches, toilets, smoke detectors (including periodic testing and replacement of batteries), washing machine water hoses, door frames, and door hardware.
fireplace in the Unit	Owner shall maintain the interior surface of the chimney, the flue, the firebox, and the contents in the firebox.
Garage	Owner shall maintain and repair interior.
water, gas and sewer pipes, water pressure regulator, hot water heater, plumbing outlets and fixtures, furnaces and air conditioning units, ducts (HVAC, dryer, stove, oven), electrical wiring, circuit breakers, electrical outlets and fixtures and all other heating and	Owner shall maintain, repair and replace portions within or which exclusively serve Unit. Owners shall replace light bulbs used in fixtures that obtain electricity from inside the Unit.

ITEM	OWNER RESPONSIBILITY
cooling equipment.	
UTILITIES	
telephone wiring	Owner shall maintain and repair portions within or which exclusively serve Unit.
gas, telephone, and cable television service	Owner responsible for obtaining and having serviced.
electric and gas service	Owner responsible for obtaining and having serviced unless sub-metered.

ALL MAINTENANCE, REPAIR AND REPLACEMENT TO BE PERFORMED BY OWNERS SHALL BE PERFORMED IN ACCORDANCE WITH THE RESTRICTIONS, DESIGN GUIDELINES AND GOVERNMENTAL AUTHORITIES.

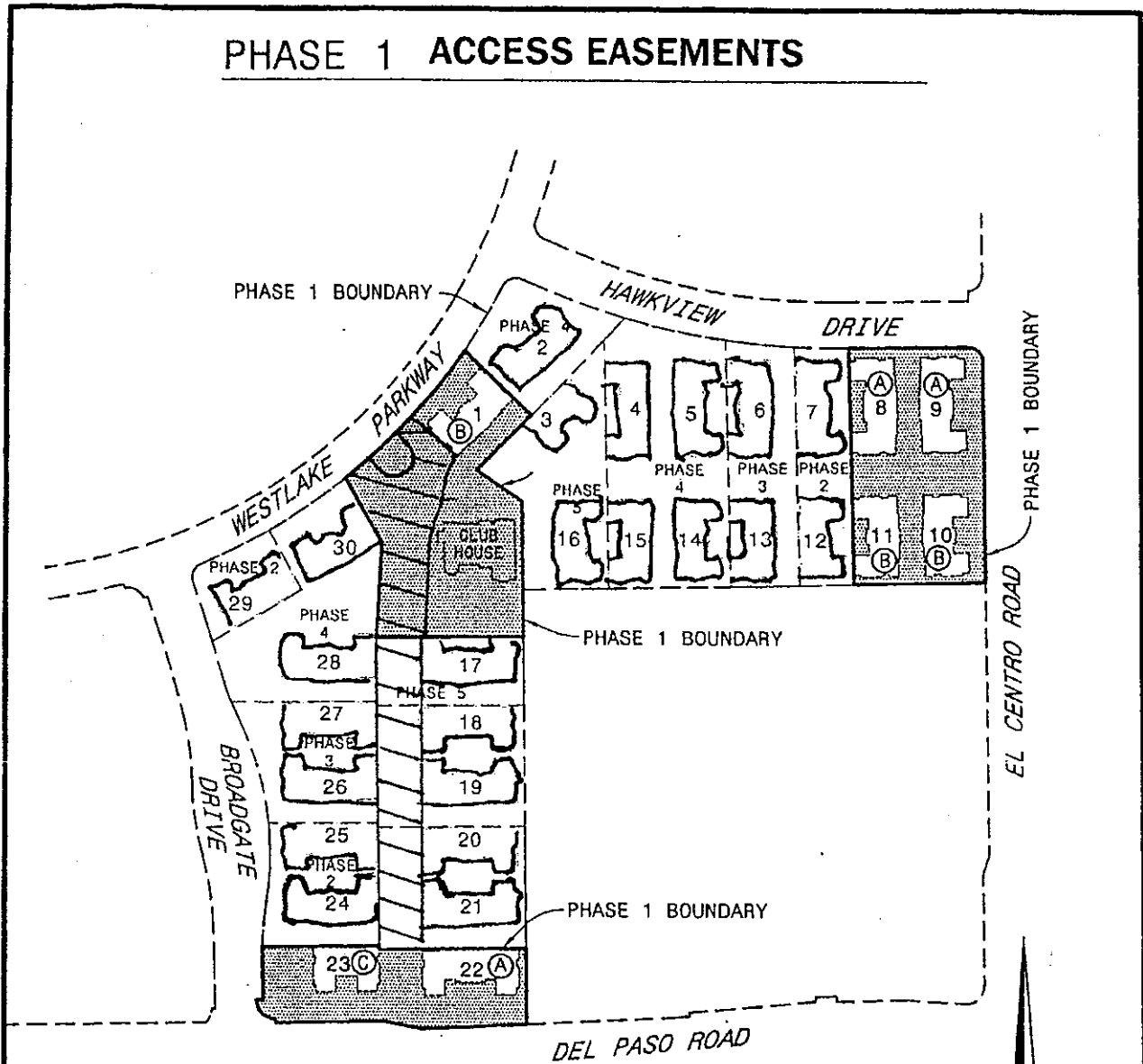
UNLESS OTHERWISE SPECIFIED, MAINTENANCE INCLUDES THE OBLIGATION TO KEEP THE SUBJECT ITEM IN A CLEAN, SANITARY AND ATTRACTIVE CONDITION, FREE OF DEBRIS AND REASONABLY PROTECTED FROM DAMAGE SUBJECT TO THE APPROVAL OF THE DESIGN REVIEW COMMITTEE.

UNLESS OTHERWISE SPECIFIED, ALL COSTS AND EXPENSES OF MAINTENANCE, REPAIR AND REPLACEMENT SHALL BE BORNE SOLELY BY THE OWNER PERFORMING SUCH MAINTENANCE, REPAIR AND REPLACEMENT.

EXHIBIT E
ACCESS EASEMENT IN PHASE 1

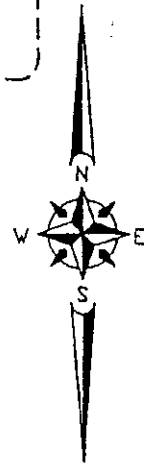
EXHIBIT "E"

PHASE 1 ACCESS EASEMENTS



LEGEND:

- 1 BUILDING NUMBER
 - (A) BUILDING TYPE
 - ASSOCIATION PROPERTY
 - ACCESS EASEMENT
- 0 100 200
(IN FEET)
1 inch = 200 ft.



**WECKER
SURVEYS**

1111 KENNEDY PLACE
SUITE 4
DAVIS, CA 95616
530-792-7252
FAX 530-792-7171

WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
(SUBDIVISION NO. P01-053)
CITY OF SACRAMENTO, CALIFORNIA
Meer Capital Partners

Date: 06-15-04
Sheet 38 of 39



Sacramento County Recording
Mark Norris, Clerk/Recorder

BOOK **20011127** PAGE **1009**

Tuesday, NOV 27, 2001 11:18:00 AM
Ttl Pd \$42.00 Nbr-0000055980

SPM/16/1-12

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Thomas P. Winn
Lennar Communities
2240 Douglas Boulevard, Suite 200
Roseville, CA 95661

#1051633

AP #225-1480-002,003

#225-1480-042

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

COVENANTS, CONDITIONS AND RESTRICTIONS

These Covenants, Conditions and Restrictions ("CC&Rs") are executed by and between WINNCREST NATOMAS LLC, a Nevada limited liability company ("Seller"), and WESTLAKE VILLAS, LLC, a California limited liability company ("Builder"), as owner of the "Property" described below, who agree as follows:

1. Property. Concurrently with the recordation of these CC&Rs, Seller has conveyed to Builder that certain real property (the "Property") located in the City of Sacramento ("City"), County of Sacramento (the "County"), State of California (the "State"), which is more particularly described in Exhibit 1 attached hereto and incorporated herein. The purchase and sale was consummated pursuant to that certain Purchase and Sale Agreement between Seller and Meer Capital Partners, LLC, dated January 16, 2001, as amended by the First through Fourth Amendments thereto (as amended, the "Purchase Agreement"). Capitalized terms not defined in these CC&Rs shall have the meaning given to them in the Purchase Agreement.

2. Development and Use of the Property.

2.1. Apartment Complex; Seller's Approval. The Property shall be improved with, used and operated as an apartment complex containing approximately 240 residential apartments (the "Project"), with such incidental uses as are customary with an apartment complex of the quality approved by Seller in accordance with the Purchase Agreement.

2.1.1. All construction on the Property shall conform to the Final Development Plan approved by Seller in accordance with the Purchase Agreement, and such modifications thereto as may have been made by Builder and approved by Seller in accordance with the terms of the Purchase Agreement.

2.1.2. Seller's right to approve future modifications to the apartment complex under the Purchase Agreement shall terminate on the date Builder receives a certificate of occupancy from the City for an apartment complex constructed in accordance with the terms of the Purchase Agreement and these CC&Rs.

2.2. Use Covenants. The Property shall be operated and maintained in a commercially reasonable manner compatible and consistent with the WestLake

community of which it is a part, and in accordance with the following specific provisions:

2.2.1. No animals, reptiles, rodents, livestock or poultry shall be kept in any apartment or elsewhere within the Property except that fish in an aquarium, pet birds in a bird cage, other small animals kept in cages within the apartments and domesticated cats or dogs may be kept as household pets if they are not kept, bred or raised for commercial purposes or in unreasonable quantities. No dog owned by a resident at the Property shall be allowed outside the Property except upon a leash held by a person capable of controlling it.

2.2.2. All garbage and trash shall be placed and kept in covered containers in the enclosed areas specifically designed therefor. In no event shall such containers be kept where they are visible from any neighboring property. No portion of the Property shall be used for the storage of building materials or other materials except in connection with approved construction. The Property shall subscribe to mandatory refuse collection services, no less frequently than twice each week, from the refuse collection franchise holder or a comparable reputable service provider.

2.2.3. No exterior clothesline shall be erected or maintained on the Property. No laundering, clothes drying or related activity shall be permitted outside any building. Neither sheets nor aluminum foil may be used as window coverings.

2.2.4. No sign of any kind shall be displayed to the public view on or from the Property without the approval of Seller, which shall not be unreasonably withheld. Those directional, identification and other signs (such as signs indicating apartments available for rent) approved by Seller as a part of the original design approvals given for the Project, and their identical replacements, shall be permitted.

2.2.5. No noxious or offensive activity shall be carried on within the Property, nor shall anything be done or placed thereon which may be or become a nuisance or cause unreasonable embarrassment, disturbance or annoyance to other property owners in the enjoyment of their property. Without limiting any of the foregoing, Builder shall use commercially reasonable efforts to limit the noise emanating from the Property, including, but not limited to, the barking of dogs and the excessive playing of music systems, in order to avoid the unreasonable disturbance of the neighbors' quiet enjoyment of their homes.

2.2.6. Except as originally installed by Builder pursuant to approvals given by Seller, all outdoor lighting on the Property shall be shielded such that direct rays from the lamp are directed downward and do not cross any boundary line of the Property.

2.2.7. No quantities of manure, composting materials or decaying vegetation matter shall be stored in such quantities as to attract household pests or constitute an injury to the person or property of any other person. Such materials shall be stored in a manner so as to prevent the creation of obnoxious odors.

2.3. Professional Management. Throughout the term of these CC&Rs, the Project shall be managed by a professional management company, experienced in operating and maintaining housing apartment complexes of similar quality.

3. Provisions Run With the Land. The Property shall be held, conveyed, hypothecated and encumbered subject to the limitations, covenants, conditions and restrictions contained in these CC&Rs, all of which shall run with the land, shall constitute equitable servitudes, shall be binding on Builder and all parties having or acquiring any right, title or interest in the Property, and each and every portion of the Property, and which shall inure to the benefit of Seller, and other persons having an interest in the "Benefitted Property" described below. It is the parties' intent that this Agreement satisfy the requirements of California Civil Code Section 1468. For purposes of this Agreement, the "**Benefitted Property**" means:

Parcel 30 as shown on that certain "Master Parcel Map of Westborough," recorded on June 14, 2000 in the office of the County Recorder of Sacramento County, California, in Book 158 of Parcel Maps, Map No. 1 (the "**Master Parcel Map**").

4. Remedies. In the event Builder or any tenant or other occupant of the Property breaches in any material way any provision of these CC&Rs, Seller shall be entitled to exercise any and all remedies afforded by law and in equity.

5. Resolution of Disputes. Any dispute, controversy or claim arising out of or relating to this Agreement, including any dispute relating to interpretation of or performance under this Agreement ("**Dispute**"), shall be resolved in the manner set forth in this Section 6, which shall be in lieu of litigation in any court, and the parties specifically waive any right to a jury trial of any Dispute between them.

5.1. Negotiation. The parties will attempt in good faith to resolve the Dispute promptly by negotiations between senior representatives of the parties who have authority to settle the Dispute (each, a "**Representative**").

5.2. ARBITRATION OF DISPUTES. In the event the Representatives are not able to resolve the Dispute within 30 days following the date one party first notifies the other party of the Dispute in writing, the Dispute shall be resolved by binding arbitration before a retired judge of the Superior Court, Appellate Court or Supreme Court of the State of California (the "**Arbitrator**"), in accordance with the following provisions:

(1) The parties stipulate and agree that any and all necessary parties may be joined in the arbitration, but the parties agree to proceed with arbitration of all Disputes between themselves even if other parties refuse to participate. The parties specifically waive any objection to arbitration based on the failure or refusal of any other party to be joined.

(2) The arbitration shall be initiated by written notice (the "**Arbitration Notice**") of a demand to arbitrate by registered or certified mail sent by one party to the other party or parties. The Arbitration Notice shall include a plain statement of the Dispute and the relief requested. It shall attach the documents the party demanding arbitration relies upon and a detailed statement of the expected testimony of witnesses, including expert witnesses. Within 30 days of receipt of the Arbitration Notice, each responding party or parties shall provide its own plain statement of the Dispute, together with documents such party intends to rely upon and the expected testimony of witnesses,

including expert witnesses. SELLER and Builder shall each advance one-half of the Arbitrator's fee, as fixed and required by the Arbitrator in order to initiate the arbitration, although the parties shall ultimately bear responsibility for such fee as determined by the Arbitrator.

(3) The parties shall attempt to agree on a retired judge to be the Arbitrator. If they are unable to agree, the parties shall simultaneously exchange the names of three available retired judges and a judge appearing on both lists shall be selected. If there is no common available Arbitrator and the parties still cannot agree on an Arbitrator, the parties shall submit further lists until one is selected. If the parties have not selected the Arbitrator within 15 days following the responding party's statement of its position, the presiding judge of the Superior Court of California in and for the County of Placer shall appoint the Arbitrator. The Arbitrator so selected shall be notified immediately and a date for the arbitration shall be set. The Dispute shall be resolved by binding arbitration under the American Arbitration Association's ("AAA") Commercial Arbitration Rules then in effect, as supplemented by this Section 6.

(4) The Arbitrator shall schedule a pre-hearing conference to resolve procedural matters, arrange for the exchange of information, obtain stipulations and narrow the issues.

(5) Prior to the arbitration, the parties shall be allowed the following limited discovery: each party shall be entitled to receive relevant documents and to take one fact witness deposition. Each party shall be entitled to take the depositions of all the opposing party's experts. Any further discovery shall only be allowed by order of the Arbitrator upon a showing that it is critical to the presentation of a party's claims or defenses. All discovery shall be completed 15 days prior to the arbitration.

(6) The arbitration shall be completed in no more than five full consecutive days. Each party shall have two days to present its position using documentary or live witness evidence. Declarations of witnesses may be submitted in lieu of live witness testimony, provided the declarations have been produced with the Arbitration Notice or the response thereto, or as soon thereafter as practicable. One day shall be reserved for argument or the taking of such further evidence as the Arbitrator may require.

(7) The Arbitrator shall have the power to grant all legal and equitable remedies, including, but not limited to, injunction, specific performance, reformation, cancellation, accounting and compensatory damages, except only that punitive damages shall not be awarded. The Arbitrator shall issue a binding decision within 30 days of the conclusion of the arbitration. The Arbitrator's interpretations of California law or applicable federal law shall form the basis of the decision. The Arbitrator's decision shall be conclusive and binding, and it may thereafter be confirmed as a judgment by the Superior Court of the State of California, subject only to challenge on the grounds set forth in California Code of Civil Procedure Section 1286.2. The validity and enforceability of the Arbitrator's decision is to be determined exclusively by the California courts pursuant to the provisions of this Section 6.

(8) The Arbitrator shall award reasonable attorneys' fees and costs, including the Arbitrator's fees and expert fees, to the "Prevailing Party." For purposes of this section, the "Prevailing Party" shall be the party which obtains a net monetary recovery, exclusive of attorneys' fees and costs UNLESS the net monetary recovery is equal to or less than the amount of a written offer from the opposing party made after the negotiations described in Section 6.1. The Arbitrator shall have exclusive and binding authority to determine entitlement to attorneys' fees and costs, including Arbitrator's and experts' fees, under this section.

(9) The arbitration shall be conducted in Roseville, California. Any party may be represented by counsel or other authorized representative.

"NOTICE: BY INITIALLING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

"WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION."



Seller's Initials



Builder's Initials

6. Notices. All notices, approvals, disapprovals or elections required or permitted to be given under this Agreement shall be in writing and shall be (a) delivered personally, (b) sent via FedEx (or a private messenger service), (c) sent via confirmed telecopy, or (d) mailed, certified or registered mail, return receipt requested, to the parties at the following addresses:

If to Seller:

Thomas P. Winn
Lennar Communities
2240 Douglas Boulevard, Suite 200
Roseville, CA 95661
Facsimile: (916) 783-3914

If to Builder:

Westlake Villas, LLC
Attn: Ronald L. Meer, President
1651 East Fourth Street, Suite 2501
Santa Ana, CA 92701
Facsimile: (714) 285-1499

(8) The Arbitrator shall award reasonable attorneys' fees and costs, including the Arbitrator's fees and expert fees, to the "Prevailing Party." For purposes of this section, the "Prevailing Party" shall be the party which obtains a net monetary recovery, exclusive of attorneys' fees and costs UNLESS the net monetary recovery is equal to or less than the amount of a written offer from the opposing party made after the negotiations described in Section 6.1. The Arbitrator shall have exclusive and binding authority to determine entitlement to attorneys' fees and costs, including Arbitrator's and experts' fees, under this section.

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If to Seller:

Thomas P. Winn
Lennar Communities
2240 Douglas Boulevard, Suite 200
Roseville, CA 95661
Facsimile: (916) 783-3914

If to Builder:

Westlake Villas, LLC
Attn: Ronald L. Meer, President
1651 East Fourth Street, Suite 2501
Santa Ana, CA 92701
Facsimile: (714) 285-1499

Copy to:

Jeffrey R. Jones, Esq.
McDonough, Holland & Allen
555 Capitol Mall, 9th Floor
Sacramento, CA 95814
Telephone: (916) 444-3900
Facsimile: (916) 444-5918

Copy to:

Christine H. Suh, Esq.
O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, CA 90071-2899
Facsimile: (213) 430-6407

Personally delivered notices shall be deemed given upon actual personal delivery to the above address of the principals. Telecopied notices shall be deemed given upon confirmed completion of transmission to the receiving telecopy machine, provided such transmission occurs at a time and day on which the recipient is customarily open for business. Notices sent via overnight express (or private messenger service) shall be deemed given upon delivery to the above address (as evidenced by the receipt of the delivery service). Mailed notices shall be deemed given upon the earlier of three business days after deposit into the United States mail, registered or certified, with postage fully prepaid, on the date of actual receipt as evidenced by the return receipt. Any party may change its address for purposes of this section by giving the other party written notice of the new address in the manner set forth above.

7. Mortgagee Protection. No violation of any provision of these CC&Rs shall defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value upon the Property, and the purchaser at any trustees' sale or foreclosure sale shall not be liable for any violation of these CC&Rs occurring prior to the acquisition of title by such purchaser. Such purchaser shall be bound by and subject to these CC&Rs from and after such trustees' sale or foreclosure sale.

8. Attorneys' Fees. In the event any of the parties shall commence legal proceedings for the purpose of enforcing any provision or condition hereof, or by reason of any breach arising under the provisions hereof, then the successful party in such proceeding shall be entitled to court costs and reasonable attorneys' fees to be determined by the Court or Arbitrator (as hereafter defined). Without limiting the generality of the foregoing: (i) the prevailing party shall be entitled to recover its attorneys' fees and other legal expenses incurred in connection with a bankruptcy or other insolvency-related proceeding of the other party (and including such fees and expenses incurred in efforts, whether successful or not, to obtain adequate protection, annulment, modification or termination of the automatic stay); and (ii) the prevailing party shall be entitled, in addition to and separately from the amounts recoverable under clause "(i)," to the payment by the losing party of the prevailing party's reasonable attorneys' fees, court costs and litigation expenses incurred in connection with any appellate review of the judgment rendered or of any other ruling in such action or proceeding, and any proceeding to enforce a judgment in such action and proceeding. It is the intent of the parties that the provisions of clause "(ii)" be distinct and severable from the other rights of the parties under this Agreement, shall survive

the entry of judgment in any action or proceeding and shall not be merged into such judgment.

DATED: November 21, 2001.

BUILDER:

WESTLAKE VILLAS, LLC
a California limited liability company

By: Meer Westlake Villas, LLC
a California limited liability company
its Managing Member

By: 

Ronald L. Meer
Its Managing Member

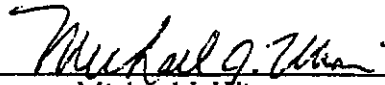
SELLER:

WINNCREST NATOMAS LLC
a Nevada limited liability company

By: Lennar Winncrest, LLC
a Delaware limited liability company

By: Lennar Land Partners II,
a Florida general partnership
Its Managing Member

By: Lennar Homes of California, Inc.
a California corporation
Its attorney in fact

By: 
Michael J. Winn
Vice President

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me the undersigned, a notary public, personally appeared
RONALD L. MEER,

- () personally known to me, or
() proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged
to me that he executed the same in his authorized capacity, and that by his signature on
the instrument the person, or the entity upon behalf of which the person acted, executed
the instrument.

WITNESS my hand and official seal.

Signature _____

STATE OF CALIFORNIA)
) ss.
COUNTY OF PLACER)

On 11/21/2001, before me the undersigned, a notary public, personally appeared
MICHAEL J. WINN,

- () personally known to me, or
() proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged
to me that he executed the same in his authorized capacity, and that by his signature on
the instrument the person, or the entity upon behalf of which the person acted, executed
the instrument.

WITNESS my hand and official seal.

Signature Tina M. Duncan



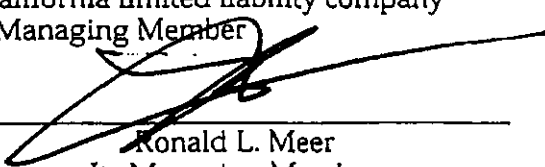
the entry of judgment in any action or proceeding and shall not be merged into such judgment.

DATED: November 21, 2001.

BUILDER:

WESTLAKE VILLAS, LLC
a California limited liability company

By: Meer Westlake Villas, LLC
a California limited liability company
its Managing Member

By: 
Ronald L. Meer
Its Managing Member

SELLER:

WINNCREST NATOMAS LLC
a Nevada limited liability company

By: Lennar Winncrest, LLC
a Delaware limited liability company

By: Lennar Land Partners II,
a Florida general partnership
Its Managing Member

By: Lennar Homes of California, Inc.
a California corporation
Its attorney in fact

By: _____
Michael J. Winn
Vice President

STATE OF CALIFORNIA)
) ss.
COUNTY OF Orange)

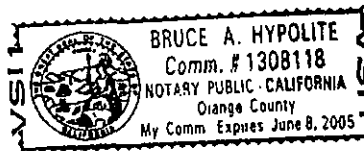
On November 21, 2001, before me the undersigned, a notary public, personally appeared
RONALD L. MEER,

() personally known to me, or
(☒) proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged
to me that he executed the same in his authorized capacity, and that by his signature on
the instrument the person, or the entity upon behalf of which the person acted, executed
the instrument.

WITNESS my hand and official seal.

Signature Bruce A. Hypolite



STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me the undersigned, a notary public, personally appeared
MICHAEL J. WINN,

() personally known to me, or
() proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged
to me that he executed the same in his authorized capacity, and that by his signature on
the instrument the person, or the entity upon behalf of which the person acted, executed
the instrument.

WITNESS my hand and official seal.

Signature _____

EXHIBIT 1

LEGAL DESCRIPTION

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

Parcels 2 and 3 as shown on that certain "Master Parcel Map of Westborough," recorded on June 14, 2000 in the office of the County Recorder of Sacramento County, California, in Book 158 of Parcel Maps, Map No. 1

EXCEPTING THEREFROM all oil, gas and other hydrocarbon substances, inert gases, minerals and metals, lying below a depth of 500 feet from the surface of said land and real property, whether now known to exist or hereinafter discovered, including, but not limited to, the rights to explore for, develop and remove such oil, gas and other hydrocarbon substances, inert gases, minerals and metals.

RECORDING REQUESTED BY:



WHEN RECORDED RETURN TO:

Robert O. Smylie, Esquire
Robert Smylie & Associates
2049 Century Park East, Suite 2050
Los Angeles, California 90067

Sacramento County Recording
Mark Norris, Clerk/Recorder
BOOK **20010314** PAGE **1532**
Wednesday, MAR 14, 2001 2:23:17 PM
Ttl Pd \$303.00 Nbr-0000539532
KDL/24/1-99

106402

AMENDED AND RESTATED
MASTER DECLARATION OF ESTABLISHMENT
OF
CONDITIONS, COVENANTS AND RESTRICTIONS
FOR
WESTLAKE
A Master Planned Development

6\LENNAR\WESTLAKE\CC&RS-5.WPD\5
3-5-01

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AMENDED AND RESTATED
MASTER DECLARATION OF ESTABLISHMENT OF
CONDITIONS, COVENANTS AND RESTRICTIONS
FOR
WESTLAKE

THIS AMENDED AND RESTATED MASTER DECLARATION OF ESTABLISHMENT OF CONDITIONS, COVENANTS AND RESTRICTIONS FOR WESTLAKE ("Master Declaration") is made by WINNCREST NATOMAS, LLC, a Nevada limited liability company (the "Declarant"), and the undersigned Merchant Builder, LW1, LLC, a Delaware limited liability company, which is the owner of that certain real property subject to this Declaration, as hereinafter more particularly described.

WITNESSETH:

WHEREAS, Declarant executed that certain Master Declaration of Conditions, Covenants and Restrictions for Westlake (the "Original Master Declaration"), which Original Master Declaration was recorded against the original portion of the Properties on June 19, 2000, as Instrument No. 20000619, Page 0097, et. seq., of Official Records in the Office of the Sacramento County Recorder; and

WHEREAS, the Original Master Declaration was amended by those certain First Amendments to Declaration of Establishment of Conditions, Covenants and Restrictions, recorded, respectively, on October 20, 2000, as Instrument No. 20001020, and on November 16, 2000, as Instrument Nos. 200011160209, 200011160210, 200011160211, and 200011160212, of Official Records in the Office of the Sacramento County Recorder, and

WHEREAS, the undersigned Merchant Builder, LW1, LLC, is a successor in interest to Declarant as the owner of the real property located in the City of Sacramento, County of Sacramento, State of California (the "Properties"), as more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference; and

WHEREAS, Declarant caused certain Notices of Annexation to be recorded, each annexing a portion of the Annexable Property described in the Original Master Declaration to the Properties, in connection with the sale thereof to other Merchant Builders; and

WHEREAS, all of said Merchant Builders will execute and record separate documents to annex their respective portions of the Annexable Property to the Properties and to indicate

their joinder in this Master Declaration and their consents to the recordation hereof, which separate documents are incorporated herein by this reference.

WHEREAS, Declarant and said Merchant Builders desire to, and this Master Declaration shall, cancel and revoke the Original Master Declaration, and amend and restate in this Master Declaration the conditions, covenants and restrictions described herein over the Properties; and

WHEREAS, this action is taken by Declarant and the Merchant Builders as the owners of all of the real property encumbered by the Original Master Declaration, including all annexations thereto; and

WHEREAS, the Westlake Community ("Community") is a multi-phase, mixed-use master planned development (as defined in Section 2792.32 of Title 10 of the California Code of Regulations), and is also a "common interest development" within the meaning of Section 1351(c) of the California Civil Code, pursuant to the Davis-Stirling Common Interest Development Act. The Properties will constitute one or more "subdivisions", as defined in Section 11000 of the California Business and Professions Code. The general plan of development is planned to include low, medium and high density residential development, including single-family lot residential subdivisions, medium density and high density residential areas, and possibly condominium projects, and neighborhood commercial, light industrial, employment center, and institutional Lots, and a man made lake. The high density residential, neighborhood commercial, light industrial, employment center, and institutional Lots are included in the Community only for certain limited purposes, including: (a) conformance with restrictions, and (b) paying assessments to the Master Association in order to share in the cost of maintenance of the Lake and certain other improvements of common benefit to such properties. The Community will include a recreational facility, to be known as "The Club at Westlake" ("The Club"), which will be leased to the Master Association until it is acquired by the Master Association in fee, and will be owned by Declarant and managed and operated by Declarant or an independent contractor. The Club will provide Owners of the Residential Area Lots and Condominiums with a range of recreational services and facilities pursuant to a contract with the Master Association. Such services and facilities may include swimming pool, multi-purpose rooms, administrative offices, boat dock(s), and non-motorized small boats for recreational use on the Lake, all subject to change at the sole and absolute discretion of Declarant. Membership in The Club and payment of Club membership fees, and costs and charges for its services and facilities will be mandatory for Owners of Lots and Condominiums within the Community. There is no guarantee that all phases will be completed, or that the number of Lots and Condominiums or the Master Common Area facilities and amenities will ever be developed as presently proposed.

WHEREAS, it is the desire and intention of Declarant and the Merchant Builders to sell and convey Lots and Condominiums within the Properties to members of the general public subject to certain basic protective restrictions, limitations, easements, covenants, reservations, liens and charges between it and the purchasers or users of said Properties, as hereinafter set forth. The covenants, conditions, restrictions, rights, reservations, easements and equitable

servitudes set forth herein will: (a) run with and burden the Properties and be binding upon all persons having or acquiring any interest in the Properties or any part thereof, including their heirs, successors and assigns, (b) inure to the benefit of every portion of the Properties and any interest therein, (c) inure to the benefit and be binding upon Declarant, the Merchant Builders, and their respective successors in interest, and each Owner and each Owner's successors in interest, and (d) may be enforced by the Declarant, any Merchant Builder, the Master Association, and any Owner.

NOW, THEREFORE, Declarant hereby declares that all of the real property described above, is, and shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of preserving the integrity, beauty and aesthetic qualities and desirability of, and which shall run with, the real property and be binding on all parties having any right, title or interest in the Properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof. The provisions of this Master Declaration shall be enforceable by any of the Owners of an interest in the real property above described, against any other Owner or Owners thereof, and shall also be enforceable by the Board of Directors of the Master Association, which shall be created for the purpose of governing this Community.

ARTICLE 1

DEFINITIONS

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

1.1.1 **Annexation** shall mean the addition of real property and all improvements thereto into the scheme created by this Master Declaration. Upon such annexation, the annexed property shall be governed by, and, except as otherwise provided herein, subject to each and every provision of this Master Declaration and any amendments thereto. The procedures for annexation of property are set forth in Article 15.

1.1.2 **Annexable Property** shall mean and refer to the real property which may be annexed to the Community by Declarant and/or a Merchant Builder without the consent of the Master Association, in accordance with the provisions of Section 15.1 hereof. The Annexable Property is that certain real property described in **Exhibit "B"** attached hereto and incorporated herein by this reference.

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

1.1.4 **Bank Area** shall mean and refer to all land not within the Lake but within twenty-five feet (25') of the edge of the Lake erosion control barrier as it exists from time to time. The phrase "edge of the Lake" for purposes of this definition shall mean the physical edge of the

Lake as it exists from time to time, and not the boundary of the parcel designated as the Lake, or the boundary of any Lake Lot or any Master Common Area parcel bordering the Lake.

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

1.1.6 Budget shall mean and refer to the annual pro forma operating statement for the Master Association described in Section 6.2 hereof, and shall consist of a Base Budget and (if any Cost Center(s) are then part of the Community) a separate Cost Center Budget. The Base Budget shall be applicable to all Lots and Condominiums within the Properties and shall contain the financial information required by Section 6.2, except financial information related to the Cost Center. The Cost Center Budget shall be applicable only to Lots or Condominiums subject to assessment for the cost of operation, maintenance, repair and/or replacement of Cost Center improvements or maintenance areas and shall contain the same categories of financial information but only with respect to the Cost Center(s).

1.1.7 Bylaws shall mean the duly adopted Bylaws of the Master Association as the same may be amended from time to time.

1.1.8 The Club at Westlake shall mean and refer to the community recreational facility that is intended to serve the Community, and is referred to herein as "The Club". The Club is planned to consist of that certain real property, buildings and improvements to be owned by Declarant, or an affiliate, leased to the Master Association until it is acquired by the Master Association in fee, and managed and operated by Declarant, an affiliate of Declarant, or an independent contractor, pursuant to the "Operator Agreement for The Club at Westlake" between the owner of The Club and the Operator. Membership in The Club and payment of Club Charges are mandatory for all Owners of Residential Area Lots and Condominiums within the Community.

1.1.9 Club Charges shall mean and refer to the charges related to The Club to be paid by the Owners of Residential Area Lots and Condominiums pursuant to this Master Declaration, the Operating Agreement, and the Club Lease. Club Charges include Club Fees and Club Operating Costs (both as defined in the Operating Agreement). Club Charges are payable monthly by Owners of Residential Area Lots and Condominiums for mandatory membership in The Club and for the right to use the facilities and amenities of The Club. Club Charges shall be assessed by the Master Association against each Owner's Residential Area Lot or Condominium and shall be collected as a part of the monthly assessments levied to operate and maintain the Master Association's properties. Club Charges are established annually by the Operator of The Club.

1.1.10 Club Lease shall mean and refer to that certain "Lease-Purchase Agreement for The Club at Westlake" pursuant to which the owner of The Club shall lease The Club to the Master Association for the use and benefit of the Owners of Residential Area Lots and Condominiums within the Community, and their permitted family members, guests and invitees,

pursuant to which the Master Association is purchasing The Club. Club Charges constitute the lease payments for The Club and include: (a) Club Operating Costs and (b) Club Fees which constitutes the installment payments for the purchase of The Club.

1.1.11 Commercial Area shall mean and refer to those parcels of real property that are annexed to the Community and designated in the Notice of Annexation therefor as "Commercial Area", and any other real property in the Community that is actually used for commercial purposes consistent with this Master Declaration. This section shall not be construed to permit the commercial use of any real property which is limited to other uses by this Master Declaration, any Notice of Annexation, or by law. The Commercial Area is subject to this Master Declaration only for the Commercial Area Payments, as provided by the Section hereof entitled "Non-Member Area Payments", and as provided by Article entitled "Application of Declaration to Non-Member Areas". The Commercial Area shall not include any portion of the Employment Center Area even if such portion is in use for residential purposes.

1.1.12 Community shall mean the Properties and all improvements thereon.

1.1.13 Community Manager shall mean and refer to an experienced professional management company that the Board shall retain from time to time to provide property management services to the Master Association, and to perform the functions of the Master Association, including the management and maintenance of the Community, as further provided for in this Master Declaration.

1.1.14 Condominium shall mean and refer to a Condominium as defined in Section 783 of the California Civil Code. As used herein, the term Condominium is limited to single-family residential condominium units.

1.1.15 Cost Center shall mean and refer to one (1) or more improvements or maintenance areas located on a portion of the Master Common Area, which directly confer a special benefit on some but not all of the Owners or Lots and/or Condominiums within the Community, and for which the cost of operation, maintenance, repair and/or replacement are to be wholly or primarily borne solely or disproportionately by such specified Owners through the use of a procedure for regular assessments on the benefitted Lots or Condominiums, based upon a Cost Center Budget. There are no Cost Centers established in connection with the first Phase of the Community. Cost Centers may be established for any future Phase or Phases, or any Delegate District as a whole, by Declarant or by Declarant and the annexing Merchant Builder, in the Notice of Annexation recorded for such Phase prior to the first sale of a Lot or Condominium in such Phase. Such Notice of Annexation shall clearly identify the Cost Center improvements or maintenance area being established.

1.1.16 Declarant shall mean and refer to Winncrest Natomas, LLC, a Nevada limited liability company, its successors and any Merchant Builder or other person to which it shall have assigned any of its rights by a duly recorded express written assignment. Any such assignment may include some or all of the rights and powers of the Declarant, and may be

subject to such conditions as Declarant may impose in its sole and absolute discretion. As used in this paragraph, "successor" shall mean a person who acquires Declarant, or substantially all of Declarant's interests in the Community, or who merges with Declarant. For purposes of this Declaration, Declarant shall be considered a "builder" for purposes of the dispute resolution provisions of California Civil Code Section 1375.

1.1.17 Delegate shall mean and refer to a natural person selected pursuant to Section 4.3 hereof by the Owners within any Delegate District of the Community to represent all of the Owners within such Delegate District, and to vote on their behalf, as further provided herein and in the Bylaws of the Master Association. All of the provisions of this Master Declaration and the Bylaws pertaining to the election, removal, qualification or action of Delegates shall be equally applicable to alternate Delegates selected in accordance with Section 4.3 hereof.

1.1.18 Delegate District shall mean and refer to a geographical area within the Properties in which all of the Members owning Lots or Condominiums within such geographical area shall elect a single Delegate (and one alternate Delegate) to represent their collective voting power in the Master Association. A Delegate District may be established in either of the following ways:

(a) Sub-Association. Where a Sub-Association is created for a geographic portion of the Properties described in Exhibit "B" hereto, the portion of the Properties governed by such Sub-Association shall constitute a single Delegate District, and each portion thereof shall be named and designated as such in the Notices of Annexation annexing each such portion to the Properties. In the case of Delegate Districts having a Sub-Association, the Delegate and alternate Delegate(s) representing the Owners in such Delegate District shall be the President, Vice President (if any), Secretary and Treasurer of the Sub-Association, in that order, duly elected and serving in such capacities from time to time, and no separate elections for Delegates shall be required.

(b) No Sub-Association. Where a geographic portion of the Properties is annexed as a Phase of the Properties and is not covered by any Sub-Association Declaration providing for a Sub-Association for such portion, Declarant, or if the property is owned by a Merchant builder, Declarant and such Merchant Builder jointly, shall name and designate such portion of the Properties as a Delegate District of the Master Association in the Notice of Annexation adding such portion to the Community. Subsequently recorded Notices of Annexation, annexing to the Community additional real property not a part of any Sub-Association, may, in the sole and absolute discretion of Declarant, designate such real property as an additional portion of a previously established Delegate District having no Sub-Association, or as a new Delegate District of the Master Association, and shall state the name of such Delegate District.

1.1.19 Employment Center Area shall mean and refer to those parcels of real property that are annexed to the Community and designated in the Notice of Annexation therefor as "Employment Center Area". This section shall not be construed to permit the employment

center use of any real property which is limited to other uses by this Master Declaration, any Notice of Annexation, or by law. The Employment Center Area is subject to this Master Declaration only for the Employment Center Area Payments, as provided by the Section hereof entitled "Non-Member Area Payments", and as provided by Article entitled "Application of Declaration to Non-Member Areas".

1.1.20 High Density Area shall mean and refer to those parcels of real property that are annexed to the Community and designated in the Notice of Annexation therefor as "High Density Area". This section shall not be construed to permit the high density residential use of any real property which is limited to other uses by this Master Declaration, any Notice of Annexation, or by law. The High Density Area is subject to this Master Declaration only for the High Density Area Payments, as provided by the Section hereof entitled "Non-Member Area Payments", and as provided by Article entitled "Application of Declaration to Non-Member Areas". The High Density Area shall not include any portion of the Employment Center Area even if such portion is in use for high density residential purposes.

1.1.21 Industrial Area shall mean and refer to those parcels of real property that are annexed to the Community and designated in the Notice of Annexation therefor as "Industrial Area", and any other real property in the Community that is actually used for industrial purposes consistent with this Master Declaration. This section shall not be construed to permit the industrial use of any real property which is limited to other uses by this Master Declaration, any Notice of Annexation, or by law. The Industrial Area is subject to this Master Declaration only for the Industrial Area Payments, as provided by the Section hereof entitled "Non-Member Area Payments", and as provided by Article entitled "Application of Declaration to Non-Member Areas". The Industrial Area shall not include any portion of the Employment Center Area even if such portion is in use for industrial purposes.

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

1.1.23 Institutional Area shall mean and refer to those parcels of real property that are annexed to the Community and designated in the Notice of Annexation therefor as "Institutional Area", and any other real property in the Community that is actually used for institutional purposes consistent with this Master Declaration. This section shall not be construed to permit the institutional use of any real property which is limited to other uses by this Master Declaration, any Notice of Annexation, or by law. The Institutional Area is subject to this Master Declaration only for the Institutional Area Payments, as provided by the Section hereof entitled "Non-Member Area Payments", and as provided by Article entitled "Application of Declaration to Non-Member Areas". The Institutional Area shall not include any portion of the Employment Center Area even if such portion is in use for institutional purposes.

1.1.24 Lake shall mean and refer to that certain man made lake within the Community, to be owned by the City of Sacramento, subject to certain easements of maintenance, use and

enjoyment by the Master Association, including construction, installation and maintenance of boat docks. The Lake constitutes a part of the Master Common Area. The Lake has adjacent residential Lake Lots which front or abut the Lake, or portions of which form part of the Lake bed or Bank Area of the Lake. Some or all of such Lake Lots may have special easements or rights to use the Lake and/or to install, construct, maintain and use boat docks extending into the Lake from their respective Lake Lots, and may be subject to assessments, in addition to the annual assessments to which other Lots and Condominiums are subject, for the costs of maintenance of the Lake, its erosion control barrier, or other Lake related improvements.

1.1.25 Lake Lot shall mean and refer to (a) one or the residential Lots that fronts or abuts the Lake, and (b) any residential Lot that is designated as a "Lake Lot" in a Notice of Annexation.

1.1.26 Lot shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties, or other recorded document such as a lot line adjustment that is developed or to be developed as a part of the Community, and shall include all lots and parcels of land within the High Density Area, Commercial Area, the Industrial Area, the Employment Center Area and the Institutional Area, with the exception of the Master Common Area, and shall exclude therefrom all Condominiums. "Residential Area Lots" shall mean the lots and parcels of land within the Residential Area, and shall not include any Lots within the High Density Area. "High Density Area Lots" shall mean the lots and parcels of land within the High Density Area. "Commercial Area Lots" shall mean the lots and parcels of land within the Commercial Area. "Industrial Area Lots" shall mean the lots and parcels of land within the Industrial Area. "Institutional Area Lots" shall mean the lots and parcels of land within the Institutional Area. "Employment Center Lots" shall mean the lots and parcels of land within the Employment Center Area.

1.1.27 Master Association shall mean and refer to WESTLAKE MASTER ASSOCIATION, a California nonprofit mutual benefit corporation, its successors and assigns. The Master Association, with its Delegate Districts, is intended to function as a master association with Delegate Districts being co-terminus with portions of the Community having Sub-Associations, and, possibly, other Delegate Districts consisting of areas not subject to any Sub-Association.

1.1.28 Master Common Area shall mean all real property (including improvements thereon), whether annexed to the Properties or not, owned in fee simple by the Master Association, or for which the Master Association has rights and/or obligations by easement, lease, encroachment permit, license or other agreement, for management, operation, maintenance and/or for the common use and enjoyment of the Owners. Notwithstanding the obligations of the Master Association to maintain The Club as required in this Declaration and in the Club Lease, the Master Common Area shall not include The Club until such time that The Club is acquired by the Master Association in fee and annexed into the Master Association. The Master Common Area to be owned by the Master Association at the time of the conveyance of the first Lot is described in Exhibit "A" attached hereto. The Master Common Areas

may be added to from time to time. The Master Common Areas may include, without limitation, open space areas, slopes, berms, trails, landscaping, trees and shrubs, entry monumentation, utility and other easements, private streets, sidewalks, access gates, landscaped parkways and medians, parking areas, plazas, fences and walls, bridges, irrigation and drainage systems, and areas of public property designated by the City or other local governmental agency for maintenance, operation or management by the Master Association. Fee title or appropriate easements or other rights to all proposed Master Common Area within any Phase annexed to the Properties shall be conveyed to the Master Association prior to or concurrently with the closing of the sale of the first Lot or Condominium within such Phase.

1.1.29 Master Declaration shall mean and refer to this enabling Amended and Restated Master Declaration of Establishment of Conditions, Covenants and Restrictions for Westlake, as the same may be amended, changed or modified, from time to time.

1.1.30 Member shall mean an Owner of a Residential Area Lot or Condominium with a membership in the Master Association. Owners of Lots within the Non-Member Areas shall not be Members of the Master Association by virtue of the ownership of such real property.

1.1.31 Merchant Builder shall mean and refer to any person or entity, other than Declarant, which has or will acquire from Declarant a portion of the Community, or real property annexable thereto, for the purpose of developing and improving such real property in accordance with this Master Declaration and for sale thereof to members of the general public. A Merchant Builder is a "builder" for all purposes of Civil Code Section 1375.

1.1.32 Mortgage shall mean and refer to a deed of trust as well as a mortgage.

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

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

1.1.35 Non-Member Area shall mean and refer collectively to the High Density Area, the Commercial Area, the Industrial Area, the Institutional Area and the Employment Center Area, the Owners and occupants of which are not Members of the Master Association.

1.1.36 Operator shall mean and refer to the manager contracted with by the owner of the Club from time to time to operate, maintain and manage The Club, and to provide community recreational services and facilities to the Owners of Residential Area Lots and Condominiums in the Community, as further provided in this Master Declaration.

1.1.37 Operator Agreement shall mean and refer to that certain "Operator Agreement for The Club at Westlake" by and between the owner of the Club and the Operator with respect to the operation, maintenance and management of The Club.

1.1.38 Owner shall mean and refer to the record Owners, whether one (1) or more persons or entities, of fee simple title to any Lot or Condominium which is part of the Properties, including Declarant and any Merchant Builders, but excluding those having such interests merely as security for the performance of an obligation.

1.1.39 Phase shall mean one of the phases of development of the Community for which a separate Final Subdivision Public Report is issued by the California Department of Real Estate.

1.1.40 Residential Area shall mean and refer to the real property described in Exhibit "A" hereto, except the Master Common Area, and any parcels that are annexed to the Community and designated in the Notice of Annexation therefor as "Residential Area". The Residential Area shall not include any portion of the Employment Center Area or the High Density Area even if such portion is in use for residential purposes.

1.1.41 Special Use Fees shall mean charges incurred by a member of The Club for special or additional services provided to such member and would include the use of meeting rooms for special occasions. Special Use Fees are not a part of "Club Charges", and are not collected by assessment but are collected by the Operator of The Club prior to the special use or additional services for which Special Use Fees are charged. A schedule of Special Use Fees will be established and updated periodically by the Operator of The Club.

1.1.42 Sub-Association shall mean and refer to a California nonprofit mutual benefit corporation, created and established as a homeowners' association in connection with the recordation of a Sub-Association Declaration, for the management of that portion of the Properties encumbered by such Sub-Association Declaration.

1.1.43 Sub-Association Declaration shall mean a declaration of covenants, conditions and restrictions, or similar document, which affects a particular portion of the Properties, and which provides for a Sub-Association to manage and maintain the common property and facilities in such portion of the Properties. The Master Declaration and Notices of Annexation are not Sub-Association Declarations. All Sub-Association Declarations shall be subordinate and subject to the provisions of this Master Declaration and shall contain a provision reciting such subordination.

1.1.44 Properties shall mean and refer to that certain real property located in the City of Sacramento, Sacramento County, California, hereinbefore described and such additions thereto as may hereafter be brought within the jurisdiction of the Master Association through the annexation procedures set forth in Article 15.

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

ARTICLE 2

PROPERTY RIGHTS IN MASTER COMMON AREA

Section 2.1 Title to the Master Common Area. Subject to Section 1.1.20 above, Declarant hereby covenants for itself, its successors and assigns, that it will convey title or an easement, as appropriate, to the Master Common Area to the Master Association, free and clear of all encumbrances and liens, except easements, covenants, conditions and reservations then of record, including those set forth in this Master Declaration. Said conveyance for each Phase shall be made to the Master Association prior to the conveyance of the first residential Lot or Condominium in such Phase to an Owner other than Declarant or a Merchant Builder.

Section 2.2 Owner's Easements of Enjoyment. Every Owner of a Lot or Condominium shall have a right and easement of ingress, egress and of enjoyment in and to the Master Common Area which shall be appurtenant to and shall pass with the title to every such Lot and Condominium, subject to the following provisions:

(a) The right of the Master Association to suspend the voting rights, including the right to vote at any meeting of Members of the Delegate District, and right to use of the recreational facilities by an Owner for any period during which any assessment against his Lot or Condominium remains unpaid; and for a period not to exceed thirty (30) days for any infraction of its Rules and Regulations (as defined below) after reasonable written notice and an opportunity for a hearing before the Board as set forth in the Bylaws, which notice satisfies the minimum requirements of Section 7341 of the California Corporations Code;

(b) The right of the Master Association to dedicate or transfer all or substantially all of its assets, including all or any part of the Master Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. Notwithstanding any contrary provision in the Articles or Bylaws, so long as there is any Lot or Condominium for which the Master Association is obligated to provide management, maintenance, preservation, or control, no such dedication or transfer shall be effective unless approved by the vote or written assent of Delegates representing sixty-six and two-thirds percent (66-2/3%) of both classes of Members of the Master Association, or following the conversion of Class B to Class A members, by the vote or written assent of Delegates representing sixty-six and two-thirds (66-2/3%) of the Members of the Master Association, other than Declarant and any Merchant Builders, and an instrument executed by both the President and Secretary of the Master Association affecting such dedication or transfer, has been recorded;

(c) The right of the Master Association, in accordance with its Articles of Incorporation and Bylaws, to borrow money for the purpose of improving the Master Common Area and in aid thereof, and with the assent of two-thirds (2/3) of each class of Members, to hypothecate any or all real or personal property owned by the Master Association. After conversion of the Class B membership to Class A membership, the action herein requiring membership approval shall require the vote or written consent of Delegates representing (i) two-

thirds (2/3) of the voting power of Members of the Master Association and (ii) for so long only as the Declarant and any Merchant Builder(s) holds or directly controls twenty-five percent (25%) or more of the voting power of Members of the Master Association, Delegates representing two-thirds (2/3) or more of the voting power of the Members of the Master Association other than Declarant and such Merchant Builder(s);

(d) Subject to a concomitant obligation to restore, Declarant and its agents shall have the following rights together with the right and power to consent to and authorize the Merchant Builders and their agents to exercise the same from time to time:

(i) A non-exclusive easement over the Master Common Area for the purpose of making repairs to the Master Common Area, or to the residences, provided access thereto is not otherwise reasonably available;

(ii) The right to the non-exclusive use of the Master Common Area for the purpose of maintaining model homes, sales offices and signs reasonably necessary to market the Lots and Condominiums, until completion of the sale of all residential Lots and Condominiums within the Properties. The use of the Master Common Area by Declarant, Merchant Builders and their respective agents shall not unreasonably interfere with the use thereof by the Owners.

(e) Notwithstanding any other provision of this Master Declaration to the contrary, Owners shall not be permitted to enter upon the Master Common Areas and install their own plants, landscaping or other improvements, or in any manner alter or interfere with the landscaping installed thereon by Declarant, any Merchant Builder, or the Master Association. No Owner shall be permitted to install any gate in the fences separating a Lot or Condominium from the Master Common Area, or otherwise alter any such fence in a manner to permit a means of access to the Master Common Area not intended by Declarant or the Merchant Builder installing such fence.

(f) Owners and occupants of Lots that are not Lake Lots have no right to use the Lake, except through their memberships in The Club, and any rights they may have as members of The Club to use the dock(s) and boats of The Club.

Section 2.3 Delegation of Use. Any Owner may delegate, in accordance with the Bylaws of the Master Association, his rights of enjoyment to the Master Common Area and facilities to the members of his family, his tenants or contract purchasers who reside on his Lot or Condominium. However, if a Lot or Condominium is rented or leased by the Owner thereof to another person, or is otherwise legally occupied by another person or persons to the exclusion of the Owner, then the Common Area recreational and service facilities, and (unless otherwise provided in the lease or rental agreement) the facilities of The Club at Westlake, that may be used by the Owner may be used only by the occupants of such Lot or Condominium and their guests, and not by the Owner, subject to any restrictions governing the use of such facilities by guests.

Section 2.4 Lake Lot Owners' Easements. The Lake Lots shall have appurtenant to them a non-exclusive easement of use and enjoyment in and to the Lake, and for boating on the Lake, and, for Lake Lots within Village 2 and Village 3 only, the right to install and use a boat dock attached to such Lake Lot, subject to any prohibitions and restrictions contained in the Section of this Master Declarations entitled "Restrictions Applicable to Lake and Lake Lots," "Additional Building Standards for Lake Lots", or in any Rules and Regulations promulgated by the Master Association, and to any provisions of this Master Declaration under which such easements may be modified or extinguished.

Section 2.5 Lake Use Easements. The Master Association or its duly authorized agents, shall have a non-exclusive easement and the right at any time, and from time to time, without notice and without liability for trespass or otherwise, to enter upon the Bank Areas of Lake Lots for the purpose of improving, abating, maintaining, repairing, fortifying, or replacing the Bank Areas or erosion control barriers of the Lake or any other improvement or condition related to the Lake for which the Master Association has the right or duty to perform such work. In performing any such work, the Master Association may remove docks, floats, structures, improvements and property of the Owner of such Lake Lot, as useful or necessary for the proper performance of such work, but the Master Association must replace and restore any such property in as good a condition as when it was removed (except for any property installed without the required consent of the Master Association or not in conformance with this Master Declaration, Architectural Guidelines, or applicable Rules and Regulations).

Section 2.6 Reciprocal Easements. Upon the annexation of additional land and improvements into the Community, as provided in Article 15, the Owners of Lots or Condominium in the annexed areas shall have non-exclusive easements for ingress, egress, and recreational use over the Master Common Areas within the Community. Similarly, the Owners of Lots or Condominiums within the original scheme of this Master Declaration, including previously annexed areas, shall have non-exclusive easements for ingress, egress, and recreational use over the Master Common Areas of the newly annexed areas.

Section 2.7 Utility Easements. Declarant (as to its portion of the Community) and each Merchant Builder (as to their respective portions of the Community) hereby grants, reserves, and establishes non-exclusive easements over, under, and through each and every Lot and Condominium, and the Master Common Area and common areas and other properties owned or maintained by Sub-Associations (collectively "Common Property"), within the Community (the "Special Easement Area") as necessary for the installation, operation and maintenance of underground utility conduits and lines for the sole purpose of providing utilities to such Lots and Condominiums and Common Property.

2.7.1 Each Lot or Condominium or Common Property which obtains electrical power or other utilities through an underground utility conduit located within a Special Easement Area of another Lot(s) or Condominium(s), or within Common Property, is hereby granted and shall have the benefit of a non-exclusive easement through and under such Special Easement Area

for the installation, operation and maintenance of such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.7.2 Each Lot or Condominium or Common Property containing a Special Easement Area within which there lies an underground utility conduit and utility lines is hereby declared to be, and shall be conveyed subject to, a non-exclusive easement by reservation for the benefit of the Lot(s) or Condominium(s) or Common Property serviced by such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.7.3 The easements hereinabove described shall bind and inure to the benefit of Declarant's and the respective Merchant Builders' heirs, personal representatives, successors and assigns.

2.7.4 Subject easements shall be construed as covenants running with the land, or equitable servitudes as necessary to achieve Declarant's intent. Declarant and each Merchant Builder hereby acknowledges that it is its express intent to subject each Lot and Condominium within the Community which contains an underground utility conduit, as described hereinabove, to such restrictions, covenants, easements, and servitudes as are necessary to provide for the continued operation and existence of such utility conduit and utility lines.

2.7.5 Declarant hereby grants, reserves, and establishes non-exclusive easements over, under, and through each and every Lot and Condominium, and the Common Property, for access, ingress and egress, for the installation, operation, maintenance, repair, inspection, removal and replacement of a cable television system, telecommunication service lines, facilities and equipment, for the benefit of Declarant, the Merchant Builders, the Master Association, all Owners, and their respective subsidiaries, successors and assigns. All such cable television system, telecommunication service lines, facilities and equipment shall remain the property of Declarant, its subsidiaries, successors, transferees and assigns, and transfer of all or any portion of the Properties shall not be deemed to include a transfer of any such easements or the cable television system, telecommunication service lines, facilities and equipment, unless the same are expressly conveyed. Declarant hereby reserves the right to grant to any third persons (including any public utility, governmental entity, or private or public corporation or company), at any time in the future, said easements, as may be necessary or desirable for the benefit of Declarant, the Merchant Builders, the Master Association, all Owners, and their respective subsidiaries, successors and assigns.

Section 2.8 Right of Declarant and Merchant Builders to Modify Plan of Development. Declarant and each Merchant Builder hereby reserves the right to modify, amend, change, or eliminate altogether, the multi-phase plan of development hereinbefore described. Such right shall include, without limitation, the right to delete any and all subsequent Phases of development, and to divide the subsequent Phases into additional Phases. There is no guarantee by, or obligation of, Declarant or such Merchant Builders to complete all currently proposed Phases of development or to annex same into the Properties.

Section 2.9 Use of The Club by Declarant and Merchant Builders. After the Master Association acquires fee title to The Club and it becomes a part of the Master Common Area, Declarant and the Merchant Builders shall still have the right to use of The Club facilities and services for and in connection with marketing of Lots and Condominiums in the Community, promotion and advertising of the Community, public relations, and generally creating an interest among potential residents in becoming an Owner, and for purposes unrelated to the Community; provided, however, that such use shall not unreasonably interfere with the rights of Owners and their guests to use such facilities and receive such services.

ARTICLE 3

MEMBERSHIP AND VOTING RIGHTS IN MASTER ASSOCIATION

Section 3.1 Formation. Declarant has, at its sole expense, formed an incorporated homeowners' association known as the Westlake Master Association, a California nonprofit mutual benefit corporation (the "Master Association"). The Master Association shall be primarily responsible for the management and maintenance of the Master Common Area and for the maintenance of the landscaping and other items as set forth in this Master Declaration.

Section 3.2 Membership. Every Owner of a Residential Area Lot or Condominium which is subject to assessment shall be a Member of the Master Association. Owners of Lots within the Non-Member Areas shall not be Members of the Master Association and shall not have any voting rights. Membership shall be appurtenant to and may not be separated from ownership of any Residential Area Lot or Condominium which is subject to assessment.

Section 3.3 Delegate Districts; Voting Rights. The Residential Areas within the Properties shall be divided into Delegate Districts as provided in this Master Declaration. The Delegate, and alternate Delegate, to represent any Delegate District shall be elected by Members holding a majority of the voting power within such Delegate District in accordance with the voting procedure set forth in Article 4 hereof. The Master Association shall have three (3) classes of voting membership:

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

Class B. The Class B Member shall be Declarant and the Merchant Builders and shall be entitled to three (3) votes for each Residential Area Lot or Condominium owned which is subject to assessment by the Master Association. The Class B membership shall cease and be converted to Class A membership on the happening of the earliest of the following to occur:

(a) Five (5) years from the date of the most recent conveyance of a subdivision interest in any Phase of the overall development under the authority of a Final Subdivision Public Report; or

(b) Twenty (20) years from the date of the first conveyance to a Class A Member of a subdivision interest in the first Phase of the overall development.

Class C. In addition to the other memberships it may hold, Declarant shall be the sole Class C Member of the Master Association. The Class C membership shall be considered a part of the Master Association's voting power for the sole purpose of the Class C Member electing a majority of the directors of the Master Association. References to "each class of membership" in this Master Declaration or in the Bylaws or Articles of Incorporation shall not refer to Class C membership for any purpose other than election of directors of the Master Association. The directors shall be elected as set forth in the Bylaws. The Class C membership shall forever cease on the happening of the earliest of the following to occur:

(a) Close of escrow for the sale to Class A Members of 75% of the total proposed Residential Area Lots and Condominiums within the Community and the Annexable Property in accordance with the conditions of approval for the Community; or

(b) Five (5) years from the date of the most recent conveyance of a subdivision interest in any Phase of the overall development under the authority of a Final Subdivision Public Report; or

(c) Fifteen (15) years from the date of the first conveyance to a Class A Member of a subdivision interest in the first Phase of the overall development.

The Class C Member shall have the right to cause early termination of the Class C membership or to reduce the number of directors which the Class C Member is entitled to appoint by so notifying the Secretary of the Master Association in writing.

Any provision in the Articles, Bylaws, or this Master Declaration calling for membership approval of action to be taken by the Master Association, except provisions with respect to the action to enforce the obligations of the Declarant or any Merchant Builder under any completion bond, shall expressly require the vote or written assent of Delegates representing the prescribed percentage of each class of membership during the time that there are at least two outstanding classes of membership. Any requirement elsewhere in the Articles of Incorporation, Bylaws, and Master Declaration, except provisions with respect to the action to enforce the obligations of Declarant or any Merchant Builder under any completion bond, that the vote of Declarant or the concerned Merchant Builder shall be excluded in any such determination, shall be applicable only if there has been a conversion of Class B Members to Class A Members, and the same shall be read as requiring the vote of the prescribed percentage of the Class A members and the vote of the prescribed percentage of the Class A Members other than Declarant or the concerned Merchant Builder. The voting rights attributed to any given Lot or

Condominium in the Community as provided for herein, shall not vest until the assessments provided for hereinbelow have been levied by the Master Association as against said Lot or Condominium. This Section shall not be amended to affect the Class B or Class C voting rights without the Declarant's prior written consent.

Section 3.4 Designation of Delegate District. The Properties described in Exhibit "A" hereto, except the Master Common Area parcels, are a part of the Residential Area and are hereby designated as follows:

3.4.1 The residential Lots within Village 5 are hereby designated as a part of the Village 5 Delegate District of the Westlake Master Association.

ARTICLE 4

POWERS OF THE MASTER ASSOCIATION AND MEMBERSHIP MEETINGS

Section 4.1 Powers of the Master Association. The Master Association, in its sole and absolute discretion, and as more fully set forth in its Bylaws, shall have the power, and where appropriate, the duty, to perform the following acts:

4.1.1 The Master Association shall have the sole and exclusive right and duty to manage, operate, control, repair, replace, or restore the Master Common Area, including, without limitation, the Lake, and all the improvements, trees, shrubbery, plants and grass, private streets, drives and walks within the Master Common Area. The Master Association shall also have the sole and exclusive right and duty to perform maintenance, repair and replacement of certain landscaping and related improvements located outside of the boundaries of the Community, in accordance with the requirements of the City of Sacramento, as provided in Section 17.2.2 below.

4.1.2 The Master Association shall have the right, duty and power to levy and collect assessments, including annual assessments, special assessments, and Club Charges.

4.1.3 The Master Association shall have the right, duty and power to levy Non-Member Area Assessments and collect Non-Member Area Payments, as provided in this Master Declaration.

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

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

4.1.6 The Master Association shall have the right and power to adopt and enforce architectural guidelines ("Architectural Guidelines") for the Community, including a Design Review Handbook and Guidelines, and all supplements thereto, which may be updated from time to time, and which shall not be inconsistent with those guidelines developed by the Declarant and the City of Sacramento.

4.1.7 The Master Association shall adopt rules and regulations ("Rules and Regulations") not inconsistent with the provisions of this Master Declaration, including, but not limited to, Rules and Regulations relating to the use of the Master Common Area and of the Community.

4.1.8 The Master Association shall have the right and power to enforce the provisions of this Master Declaration, and the Bylaws, Articles of Incorporation and Rules and Regulations of the Master Association; provided, however, nothing contained in this Section shall be construed to prohibit enforcement of same by any Owner.

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

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

4.1.11 Notwithstanding any of the foregoing, the Master Association, acting through its Board, may not enter into any contract binding for a term longer than one (1) year from the effective date thereof without the vote or written consent of Delegates representing a majority of the voting power of the Members of the Master Association other than the Declarant and any Merchant Builders, except as specifically authorized herein or in the Articles or Bylaws.

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

4.1.13 The Master Association has the right and power to contract for and pay for reconstruction of any portion or portions of the Master Common Area and improvements of the Community damaged or destroyed.

4.1.14 The Master Association has the right and power to enter into one or more long term leases with Declarant and/or Declarant's successor(s) in interest for the Master Association's lease of The Club, in order for the Master Association to provide for the facilities, services and amenities of the community recreational center for the use and benefit of the Members. Such lease may have a term not to exceed the term of this Declaration. In the event that the

levy and collection of Club Charge assessments is insufficient to pay the full amount of the payments due under the Club Lease in a timely manner, the Master Association has the power and the obligation to temporarily make up such deficiency out of its general funds until such deficient amounts are recovered through collection of the delinquent Club Charge assessments, by foreclosure or otherwise. In addition, the Master Association shall have the right and power to acquire the real and personal property constituting The Club, by purchase or otherwise, upon mutually acceptable terms, and to finance such transaction(s).

4.1.15 The Master Association has the right and power to provide, and to hire all necessary personnel, and/or to contract with the Operator or any management company, to provide, any or all of the community recreational facilities and services to be provided by The Club for the Owners of Lots and Condominiums in the Community, and to levy assessments to collect and enforce payment of the Club Charges established by the Operator of the Club, and to require mandatory membership in The Club by the Owners of Lots and Condominiums in the Community. Initially, the Master Association will lease The Club from Declarant, as owner of The Club, pursuant to the Club Lease and subject to the existing Operator Agreement between such owner of The Club and the Operator. Notwithstanding anything herein to the contrary, such contract with the Operator may have an initial term of up to five (5) years and may be automatically renewed for additional one (1) year terms unless terminated by advance written notice as provided therein. So long as Declarant is the owner of The Club, The Club shall be continuously managed and operated by an Operator, and the Board shall not take any action or consent to any action which will result in a material reduction in the facilities, services or amenities provided by The Club or the amount of the assessments related thereto.

4.1.16 The Master Association has the right and power to enter into a shared maintenance agreement, cost sharing arrangement, joint use agreement, or other appropriate contract with Declarant, Merchant Builders, Sub-Associations, the Operator and any other person, with regard to the use and maintenance of any real property of the Master Association, or any neighboring real property or jointly used improvement or the cost of providing services to jointly to such parties.

4.1.17 The Master Association has the right and power, and the duty, to enter into a contract to obtain standard, basic cable television service for each Lot and Condominium in the Community from Strategic Technologies, Inc. or an affiliate of Declarant, for an initial period of three (3) years, automatically renewable for additional one (1) year terms, unless terminated in advance of such renewal by action of the Master Association. The charges for such service shall be included in the annual assessments levied against each end user owned Lot and Condominium in the Community.

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

4.1.19 The Master Association has the right and power to prosecute or defend, and to perform any act reasonably necessary to resolve by alternative dispute resolution proceedings,

under the name of the Master Association, any action affecting or relating to the Community or the personal property thereon, or any action in which all of the Owners have an interest in the subject matter of the action.

4.1.20 Subject to the vote or written consent therefor from Delegates representing sixty-six and two-thirds percent (66-2/3%) of the voting power of the membership, excluding the vote of the Declarant and any Merchant Builders, the Master Association may borrow money, and may mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

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

4.1.22 The Master Association may acquire by gift, purchase or otherwise own, hold, enjoy, lease, operate, maintain, convey, sell, transfer, mortgage, or otherwise encumber, dedicate for public use, or otherwise dispose of real and/or personal property in connection with the business of the Master Association; provided, however, that the Master Association shall not acquire or sell any real or personal property having an individual or aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year by purchase or lease without first obtaining the vote or written consent therefor from Delegates representing a majority of the voting power of the membership, excluding the vote of the Declarant and any Merchant Builders, except as is provided pursuant to the annexation of subsequent Phases to this Community. The foregoing limitation shall not apply to the acquisition of The Club by the Master Association.

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

4.1.23.1 The Master Association may not cause a forfeiture of an Owner's right to use and enjoy his Lot or Condominium for failure of such Owner to comply with the provisions of this Master Declaration, or the Bylaws of the Master Association or the Rules and Regulations of the Master Association, except (1) by judgment of a court or decision arising out of arbitration, or (2) on account of a foreclosure or sale under a power of sale for failure of the Owner to pay assessments duly levied by the Master Association, as set forth in Article 5 hereof.

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

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

4.1.26 In order to assure consistent landscaping and/or maintenance of the attractive appearance of landscaping throughout the Community, the Master Association shall have the right and power, but not the obligation, to assume responsibility for the installation, repair, replacement and/or maintenance of the landscaping within all or any portion of any Lot(s) or Condominium(s), or within any real property owned or maintained by any Sub-Association, and the costs thereof, subject to the written consent of the owner thereof and to the granting to the Master Association of the necessary license(s) or easement(s) for such purposes. Assumption of such responsibilities by the Master Association shall not bar the later return of such responsibilities to the owner(s) of such Lot(s) or Condominium(s), or Common Property, regardless of such owner(s) consent.

Section 4.2 Fidelity Bond. The Master Association shall maintain a fidelity bond or insurance in an amount at least equal to the sum of three months' assessments on all Lots and Condominiums in the Community, which names the Master Association as obligee and insures against loss by reason of acts of members of the Board of Directors, officers and employees of the Master Association and any Community Manager, or other management agent, and its employees, whether or not such persons are compensated for their services.

Section 4.3 Membership Meetings; Selection And Removal Of Delegates.

4.3.1 The Delegate and alternate Delegate to represent any Delegate District shall be elected, removed and instructed by Members in such Delegate District in accordance with the voting procedures set forth below:

4.3.1.1 Those Members appearing in the official records of the Master Association on the date established by the Board as the record date, which shall be not more than sixty (60) nor less than thirty (30) days prior to the scheduled date of any meeting of Members required or permitted to be held under this Master Declaration, as record Owners of Lots or Condominiums in a Delegate District or in the Community as a whole, shall be entitled to written notice

of any such meeting and to attend such meeting in person or by proxy, duly authorized by an instrument in writing in accordance with the Bylaws.

4.3.1.2 There shall be an annual meeting of Members held in each Delegate District not less than ten (10) nor more than forty-five (45) calendar days prior to every annual meeting of the Master Association, in accordance with Section 6.2 of the Bylaws. The first meeting of the Members in each Delegate District shall be held no later than thirty-five (35) days after the close of escrow for the sale of a majority of the Lots or Condominiums in such Delegate District, and in no event shall the first meeting be held later than six (6) months after assessments have commenced on the Lots or Condominiums in such Delegate District. At the first meeting of Members in a Delegate District, and at each subsequent annual meeting of such Members, they shall elect a Delegate to represent them and an alternate Delegate. The Delegate and alternate Delegate shall be elected by a majority of a quorum of the Members in such Delegate District. A majority of the voting power of Members entitled to vote at any meeting of Members in a Delegate District shall constitute a quorum for the transaction of business at such meeting. Such Delegate shall continue to be a Delegate for a period of one (1) year or until a successor Delegate is elected, which ever is later, unless such Delegate is removed, with or without cause, pursuant to Section 4.3.3.3 below. In the case of Delegate Districts having a Sub-Association, the Delegate and alternate Delegate(s) representing the Owners in such Delegate District shall be the President, Vice President (if any), Secretary and Treasurer of the Sub-Association, in that order, duly elected and serving in such capacities from time to time, and no separate elections for Delegates shall be required.

4.3.2 Notice of Meetings. The following provisions of this paragraph shall apply to Delegate Districts that do not consist of a Sub-Association. Meetings of Members shall be held at The Club or at a location within the Delegate District or at such other convenient location on or near the Properties within the County in which the Properties are located, as may be designated in the notice of the meeting. Written notice of meetings shall state the place, date and time of the meeting and those matters which, at the time the notice is given, are to be presented for action by the Members. Notice of any meeting at which Delegates are to be elected shall include the names of all those who are nominees at the time the notice is given to Members. The Secretary of the Master Association shall cause notice of all meetings of Members of Delegate District to be sent to each Member within the Delegate District, no later than ten (10) days prior to the meeting. A special meeting of the Members in such Delegate District may be called at any reasonable time and place by written request (a) by Declarant, for so long as Declarant is a Class B or Class C member, (b) by the Delegate representing the Members in such Delegate District, or (c) by the Members in the Delegate District having not less than five percent (5%) of the total voting power within such Delegate District. To be effective, such written request shall be delivered to either the President, a Vice President, or Secretary of the Master Association. Such officers shall then cause notice to be given by the Secretary to Members entitled to vote that a meeting will be held at a time and place fixed by the Board of Directors not less than ten (10) days, nor more than thirty (30) days after receipt of the written request. Notice of special meetings shall specify the general nature of the business to be undertaken and that no other business may be transacted.

4.3.3 Voting by Delegates. Each Delegate District shall elect one Delegate and one alternate Delegate to the Master Association to exercise the voting power of all of the Class A and Class B Members in such Delegate District. If Declarant furnishes voting instructions to a Delegate in connection with Class A or Class B votes attributable to Lots or Condominiums owned by Declarant or a Merchant Builder or subject to a proxy in favor of Declarant, the Delegate shall cast such votes in the manner specified by such voting instructions. Any Class C vote shall be cast by Declarant through its authorized representative. The chairperson of any meeting at which a Delegate or alternate Delegate is elected shall certify in writing to the Board the name and address of the Delegate and alternate elected, the time and place of the meeting at which the election occurred and the Delegate District which the Delegates represent. Each Delegate shall be entitled to cast the Class A and Class B votes representing Lots or Condominiums in his Delegate District with respect to each such Lot or Condominium only during such periods as the Owner of such Lot or Condominium is entitled to cast votes for the election of a Delegate as provided herein. Except as otherwise provided in Section 4.3.4 below (matters requiring the vote of only a majority of a quorum of Members), Delegates shall cast the votes "for" and "against" any matter voted upon by the Members they represent in the same manner and proportion as such votes were cast by such Members, but shall be free to exercise their independent discretion as to how to vote any Absentee Votes (defined below). In order that the business of the Master Association not be hindered by lack of a quorum, the Delegates shall in all cases cast all the votes to which the Members they represent are entitled, regardless of whether such votes were actually cast by such Members or are Absentee Votes. Delegates may only act personally at a meeting of the Delegates of the Master Association or by written ballot, and may not act by proxy. If a Delegate ("Absent 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 the Absent Delegate should arrive prior to the adjournment of any such meeting, the alternate shall no longer be entitled to act in the place of the Absent Delegate; provided that such relinquishment of authority by the alternate shall not invalidate any matter previously voted or acted upon by the alternate in his temporary capacity as Delegate.

4.3.3.1 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.

4.3.3.2 Delegate Qualifications. Delegates must be (a) an authorized agent or employee of Declarant, or (b) a Member of the Master Association in good standing. If the Member is a corporation, partnership, or other such entity, the authorized agent of such corporation, partnership or other entity shall be eligible for election as a Delegate, but may serve in such capacity only until such authorized agency is terminated. With the exception of Delegates who are agents or employees of Declarant, upon termination of any Delegate's membership in the Master Association, such Delegate shall be disqualified from serving the

remainder of his term as Delegate, and the position of Delegate for such Delegate District shall be deemed vacant.

4.3.3.3 Delegate Terms. Each Delegate shall serve a term of one (1) year (except that Delegates who hold such position by being officers of a Sub-Association serve for a period equal to the term of such office). The office of a Delegate shall be deemed vacant upon the death, resignation, removal or judicial adjudication of mental incompetence of the Delegate, or upon the Delegate's failure to satisfy all of the qualifications of Delegates as specified in the foregoing Section, or in case the Members in any Delegate District fail to elect a Delegate. Delegate vacancies caused by any reason other than the removal of a Delegate shall first be filled by the alternate Delegate, and if there is no alternate Delegate, by a special election within the Delegate District which shall be called and conducted by the Board either upon its own motion or upon receipt of a petition for such election signed by at least five percent (5%) of the Members within such Delegate District. Subject to the eligibility and vacancy provisions herein, each such person shall serve the remainder of the unexpired term of office of the predecessor Delegate, or until a successor is elected at a meeting of the Members in such Delegate District.

4.3.3.4 Removal of Delegates. A Delegate may be removed without cause by the vote in person or by proxy of a majority of a quorum of Members in a Delegate District, cast at any duly held meeting; provided, that in no event shall a Delegate be removed unless that votes cast in favor of such removal equal at least the lesser of: (a) the number of votes which elected such Delegate to his current term, or (b) a majority of the total voting power of the Members in such Delegate District.

4.3.4 Allocation of Delegate Votes. Whenever a matter which this Master Declaration requires to be approved by the vote of Delegates representing a majority or other specified percentage of the total voting power of the Master Association (i.e., excluding matters requiring a mere majority of a quorum of Delegates as defined in the Bylaws, and excluding the election of Directors by the Class C Members) is presented to the Delegates for approval, written notice of the substance of such matter shall be given to the Delegates at least sixty (60) days prior to the date on which such matter is scheduled to be discussed at a meeting of the Delegates. During such sixty (60) day period, the Delegates shall submit such matter to a vote of the Members within their respective Delegate Districts. When voting on any such specified matter, each Delegate shall cast all of the votes which he represents as follows:

4.3.4.1 The Delegate shall cast votes attributable to Owners actually voting (whether in person, by proxy or written ballot) in such Delegate District "for" or "against" such specified matter in the same manner and proportion as such votes were cast by the voting Owners;

4.3.4.2 The Delegate shall cast votes attributable to Members within the Delegate District who have not voted on such specified matter ("Absentee Votes") as follows:

(a) If fifty-one percent (51%) or more of the votes in the Delegate District attributable to Owners other than Declarant have been cast pursuant to paragraph 4.3.4.1 above, then any Absentee Votes attributable to Owners other than Declarant shall be cast "for" or "against" the specified matter in the same proportion as the votes actually cast by the Owners other than Declarant pursuant to paragraph 4.3.4.1 above.

(b) If less than fifty-one percent (51%) of the votes in the Delegate District attributable to Owners other than Declarant have been cast pursuant to paragraph 4.3.4.1 above, then the Absentee Votes attributable to Owners other than Declarant shall be voted "for" or "against" the specified matter in such proportions as the Delegate shall, in his or her sole discretion, determine to be appropriate.

(c) Absentee Votes cast on behalf of Declarant shall be cast in the same proportion as the votes actually cast by Declarant.

4.3.5 Voting Reports. In order to verify compliance with the foregoing voting requirements, each ballot cast by a Delegate shall contain such Delegate's certification of the following information: (a) the total number and classification of votes in the Delegate District; (b) the total number and classification of votes cast "for" and "against" the specified matter on behalf of Declarant in response to instructions given pursuant to paragraph 4.3.4.1; (c) the total number of votes cast "for" and "against" the specified matter on behalf of Members other than Declarant in response to instructions given pursuant to Section 4.3.4.1; (d) the total number and classification of Absentee Votes in such Delegate District attributable to Declarant and the total number of Absentee Votes attributable to Members other than Declarant; and (e) the total number and classification of votes cast by such Delegate "for" and "against" the specified matter. The inspector of election shall tabulate the total number and classification of votes cast by all Delegates in each of the foregoing categories in order to determine whether the necessary approvals have been obtained. It will be conclusively presumed for all purposes of Master Association business that each Delegate casting votes on behalf of the Owners of Lots or Condominiums in his Delegate District will have acted with the authority and consent of all such Owners. All agreements and determinations lawfully made by the Master Association in accordance with the voting procedures established herein, and in the Bylaws, shall be deemed to be binding upon all Members, Owners and their respective successors and assigns.

4.3.6 Meetings of the membership of the Master Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Master Association may adopt. Notwithstanding any other provision of law, notice of meetings of the Delegates shall specify those matters the Board intends to present for action by the Members but, except as otherwise provided by Law, any proper matter may be presented at the meeting for action. Members of the Master Association shall have access to Master Association records in accordance with Article 3 (commencing with Section 8330) of Chapter 13 of Part 3 of Division 2 of Title 1 of the Corporations Code. Any Member of the Master Association may attend but not participate in meetings of the Board of Directors of the Master Association, except when the Board adjourns to executive session to consider litigation,

matters that relate to the formation of contracts with third parties, Member discipline or personnel matters. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors. In any matter relating to the discipline of a Member, the Board of Directors shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session.

4.3.7 The minutes, minutes proposed for adoption that are marked to indicate draft status or a summary of the minutes, of any meeting of the Board of Directors of the Master Association, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member of the Master Association upon request and upon reimbursement of the Master Association's costs in making that distribution.

4.3.8 Members of the Master Association shall be notified in writing at the time that the Budget required in Section 6.2 below is distributed or at the time of any general mailing to the entire membership of the Master Association of their right to have copies of the minutes of meetings of the Board of Directors and how and where those minutes may be obtained, and the cost of obtaining such copies.

ARTICLE 5

ASSESSMENTS

Section 5.1 Creation of Lien and Personal Obligation of Assessments. Declarant and each Merchant Builder, for each Residential Area Lot or Condominium owned within the Properties, hereby covenants, and each Owner of a Residential Area Lot or Condominium by acceptance of a grant deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Master Association: (a) annual assessments or charges, which shall include an adequate reserve fund for the periodic maintenance, repair and replacement of the Master Common Area and (b) special assessments as provided in Section 5.4 below, and (c) monthly Club Charge assessments for mandatory membership in The Club, such assessments to be established and collected as hereinafter provided. The annual and special assessments, and Club Charge assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the Lot or Condominium against which each such assessment is made, the lien to be effective upon recordation of a Notice of Delinquent Assessment. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Residential Area Lot or Condominium at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to an Owner's successors in title, unless expressly assumed by them.

Section 5.2 Purpose of Assessments. The assessments levied by the Master Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Properties, for the improvement and maintenance of the Master Common Area and the homes

situated upon the Residential Area Lots or Condominiums, for the payment of amounts due with respect to The Club, cable television service, and such other purposes as set forth in this Master Declaration and the Bylaws. The assessments collected for the payment of Club Charges shall be applied exclusively to that purpose. The portion of assessments levied to pay the costs related to Cost Center(s) shall be used exclusively for the purposes for which they were levied.

Section 5.3 Maximum Annual Assessment and Maximum Annual Club Charges. The Board of Directors shall abide by the hereinafter provisions for establishing the maximum annual assessments and maximum Club Charge assessments.

5.3.1 Until the first day of the fiscal year immediately following the conveyance of the first Residential Area Lot or Condominium in a Phase to an Owner, or until an earlier sale of the first Residential Area Lot or Condominium in a new Phase of the Community, the maximum annual assessment for each Residential Area Lot or Condominium in the Properties shall be as provided for in the budget approved by the California Department of Real Estate and disclosed in the Final Subdivision Public Report, for the particular Phase of the Community in which such sale occurred, and any amendments thereto. The Master Association shall maintain an adequate reserve fund for maintenance, repairs and replacement of those elements of the Master Common Area that must be replaced on a periodic basis, and such reserve shall be funded by annual assessments. In addition, the Master Association shall maintain adequate Cost Center reserve funds, with a separate fund for each identified Cost Center, for the maintenance, repairs and replacement of the Cost Centers, and such reserve shall be funded by annual Cost Center assessments levied only against Lots or Condominiums having special benefit from the respective Cost Centers within the Community, in accordance with the amounts therefor contained in the approved Cost Center Budgets.

5.3.2 From and after the first day of the fiscal year immediately following the conveyance of the first Residential Area Lot or Condominium to an Owner in a Phase, the maximum annual assessment may be increased effective the first day of each fiscal year by the Board without a vote of the membership, provided that (i) any such increase shall not be more than twenty percent (20%) of the previous year's most recent assessment level (including any increase in such assessment resulting from new Phases being annexed to the Properties during such year), and (ii) the Board of Directors has complied with Section 6.2 below with respect to that fiscal year, including, but not limited to, the preparation and distribution of a pro forma operating budget to all members of the Master Association as provided in Section 6.2 below, or has obtained the approval of Delegates representing a majority of the votes of Members at a meeting of Delegates at which more than fifty percent (50%) of the Members subject to such assessments are represented. The Member votes represented at such meeting of Delegates shall have been cast at meetings in Delegate Districts conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code. Such annual assessment shall continue in effect for the following twelve (12) calendar months, which period shall be deemed to be the assessment period.

5.3.3 From and after the first day of the fiscal year immediately following the conveyance of the first Residential Area Lot or Condominium in a Phase to an Owner, the maximum annual assessment may be increased by the Board in an amount above the amount provided in subparagraph 5.3.1 by the vote or written assent of Delegates representing at least a majority of Owners in the Master Association constituting a quorum (as defined below), provided that the Board of Directors has prepared and distributed a pro forma operating budget to all members of the Master Association as provided in Section 6.2 below. For purposes of this Article 5, "quorum" means more than fifty percent (50%) of the Owners of the Master Association applied separately with respect to each Delegate District whose votes are represented. The Master Association shall provide notice by first-class mail to each Owner of any increase in the regular assessments of the Master Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. Increases resulting from annexation of an additional Phase, the approved budget for which contains a higher maximum annual assessment amount than that in effect prior to such annexation, are not subject to this limitation.

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

5.3.5 The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

5.3.6 The restrictions on increases in assessments contained in this Section 5.3 shall be applied separately to the annual assessments applicable to all Lots and Condominiums, and to each of the separate Cost Centers applicable only to a particular group of Lots or Condominiums subject to Cost Center assessments. Increases in the Cost Center assessments, for each separate Cost Center, above the stated limits shall require the approving vote or written consent of a majority of a quorum of the Members subject to Cost Center assessments for the particular Cost Center for which an increase is proposed, in accordance with the procedures of this Article as applied to such Members.

5.3.7 With specific reference to the Club Charge, the initial Club Operating Budget (which shall consist of a separate budget for The Club, or those items of cost designated as costs of The Club in the Budget approved by the California Department of Real Estate for Phase 1 of the Community) shall become effective and operative on the later of (a) date of filing of a Notice of Completion for The Club At Westlake, and (b) the close of escrow for the sale of the first Residential Area Lot to an Owner, and the assessment of Club Charges shall also commence as of such date. Thereafter, the monthly Club Charge assessed per Residential Area Lot or per Condominium shall be as established by the Operator in accordance with the Operator Agreement and disclosed in the Final Subdivision Public Report, for the particular Phase of the Community, and any amendments thereto, and in accordance with the Club Operating Budgets in effect from time to time.

5.3.8 From and after the effective date of the initial Club Operating Budget described in the preceding paragraph, the monthly Club Charges to be assessed against each Residential Area Lot and Condominium in the Community shall be the amount determined by the Operator annually, or as of the effective date(s) of the succeeding Club Operating Budgets, as described below. Such Club Charges shall continue in effect for the following twelve (12) calendar months, or until the effective date of the succeeding Club Operating Budget. The Operator shall deliver written notice to the Secretary or President of the Master Association of any increase in the monthly Club Charges not less than ninety (90) nor more than one hundred twenty (120) days prior to the beginning of the calendar year for which such increased amount is applicable. The Master Association shall provide notice by first-class mail to each affected Owner of any increase in the monthly Club Charges, not less than thirty (30) nor more than sixty (60) days prior to the increased amount becoming due, and such notice shall include a copy of the new schedule of Special Use Fees.

5.3.9 The Declarant and Merchant Builders shall be exempt from the payment of that portion of assessments designated for payment of the Budget Line Item for cable TV services. The line item assessments for cable TV services shall only be assessed to end user Owners. During the period of time prior to the commencement of assessments under the approved budget for Phase 1 of the Community, Owners will be separately charged the monthly amount for the cable TV services by the provider thereof. After commencement of assessments under said initial budget, the cost of cable TV services will be collected by the Master Association.

Section 5.4 Special Assessments. In addition to the annual assessments authorized above, the Master Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Master Common Area, including fixtures and personal property related thereto, or otherwise, provided that any such assessment for capital improvements to the Master Common Area which total more than five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year shall have the vote or written assent of Delegates representing a majority of the Owners constituting a quorum; and, further provided, that any such assessment for capital improvements to the Cost Center within any Delegate District, which total more than five percent (5%) of the budgeted gross expenses of the Master Association with respect to such Cost Center for that fiscal year, shall have the vote or written assent of a majority of the Owners within the affected Delegate District constituting a quorum. The Master Association may also levy a special assessment against any Member to reimburse the Master Association for costs incurred in bringing the Member and his Residential Area Lot or Condominium into compliance with the provisions of the Master Declaration, any amendments thereto, the Articles, the Bylaws, and the Rules and Regulations, which special assessment may be levied upon the vote of the Board after notice and an opportunity for a hearing which satisfy the requirements of Section 7341 of the California Corporations Code, as set forth in the Bylaws. The above provisions requiring the requisite vote of the membership with respect to special assessments do not apply in the case where a monetary penalty is imposed against an Owner as a disciplinary measure by the Master Association for the following reasons: (1) for failure of an Owner to comply with the Master

Declaration, Bylaws or Rules and Regulations, or (2) as a means of reimbursing the Master Association for costs incurred by the Master Association in the repair of damages to Master Common Areas and facilities for which the Owner is allegedly responsible, or (3) to bring an Owner or its Residential Area Lot or Condominium into compliance with provisions of this Master Declaration, Articles of Incorporation, Bylaws, Rules and Regulations and any amendments thereto. The Master Association shall provide notice by first-class mail to each Owner of any increase in the special assessments of the Master Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

Section 5.5 Notice and Quorum for Any Action Authorized Under Sections 5.3 and 5.4. Any action authorized under Sections 5.3 and 5.4 shall be taken at a meeting of Delegates called for that purpose, written notice of which shall be sent to all Delegates not less than thirty (30) nor more than ninety (90) days in advance of the meeting. A quorum for such meeting shall be Delegates representing the votes of at least fifty-one percent (51%) of each class of Members entitled to vote on such action. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum for the preceding meeting.

Section 5.6 Rate of Assessment. Special assessments, except as may be otherwise provided in Sections 5.4 and 12.3, and annual assessments, shall be fixed at a uniform rate for all Residential Area Lots and Condominiums and shall be collected on a monthly basis. Notwithstanding the foregoing, those Residential Area Lots and Condominiums which receive special benefit from a Cost Center, as designated in a Notice of Annexation, shall also be subject to Cost Center assessments to reimburse the Master Association for the cost of periodic inspection, maintenance, replacement and repair, and accumulation of reserves, for the applicable Cost Center(s), in accordance with the amounts stated for such costs in the approved Cost Center Budgets for the Community. Club Charges shall be assessed in accordance with the Club Charges determined annually by the Operator of The Club. The obligation to pay Club Charges with respect to all persons using facilities or receiving services of The Club based upon the membership of an Owner shall be that of such Owner.

Section 5.7 Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Residential Area Lots or Condominiums in the first Phase of the Community on the date of close of escrow for the sale of the first Residential Area Lot or Condominium to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against each Residential Area Lot and Condominium at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to the Owner of each Residential Area Lot and Condominium within the Community. All Residential Area Lots and Condominiums within the real property annexed into the Community under the procedure hereinafter set forth in Article 15 shall be obligated to pay annual assessments to the Master Association as hereinbefore provided. The annual assessments shall automatically commence as to all Residential Area Lots or Condominiums within any Phase annexed to the Master Association on the date of close of escrow for the

sale of the first Residential Area Lot or Condominium in such Phase to an Owner. The due dates for assessments shall be established by the Board of Directors. If any payment of an assessment installment is less than the amount assessed and the payment does not specify the assessment fund or account into which it is to be deposited, it shall first be applied to pay general annual assessments for operating costs until the amount due therefor is satisfied, then to pay the Cost Center operating cost assessment (if any) due from such Owner until the amount due therefor is satisfied, then to pay the general reserve fund until the amount due therefor is satisfied, and, any remaining amount shall be applied to pay the reserve fund for the Cost Center for which such Owner is responsible.

Section 5.8 Commencement Of Club Charge Assessments. Monthly Club Charge assessments shall commence as to any Lot or Condominium owned by a Merchant Builder, Declarant or any other Owner, on the date on which such Lot or Condominium is annexed to the Master Association; provided, however, that Club Charge assessments shall not commence as to any Lot or Condominium until the date on which a Notice of Completion is filed for The Club. Club Charge assessments are due and payable in the same manner and at the same times as monthly installments of annual assessments, and the same collection and enforcement procedures apply. Amounts received on account of Club Charge Assessments shall be applied in the following order of priority: (1) to payment of interest due under the Lease-Purchase Agreement; (2) payment of Club Operating Costs; (3) to accumulation of required reserves; (4) payment of the Club Operator's Management Fee; and (5) payment of principal due under the Lease-Purchase Agreement.

Section 5.9 Non-Member Area Payments.

5.9.1 Establishment of Non-Member Area Payments. At least thirty (30) days prior to the start of each Fiscal Year, or the start of any partial fiscal year, the Master Association shall estimate and establish the costs and expense for the maintenance of the water quantity and quality of the Lake, including, but not 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 Master Association. The appropriate portion of the amounts so established shall be assessed as a "Non-Member Area Assessment" against the Lots within the Non-Member Areas based upon the ratio that the aggregate number of acres in the Non-Member Areas, calculated to the tenth of an acre, bears to 331.2 acres minus the acreage occupied by the Lake, the Recreational Facility, and any public park, public school site, or other publicly owned real property, located within such area. 331.2 acres is the entire area using the Lake for storm water drainage. This area is identical to the area that is originally subject to this Declaration plus the Lane and 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. The aggregate Non-Member Area Assessment shall be allocated to and levied against the Lots within the respective portions of the Non-Member Areas as follows, subject to the power and authority of the Board, in its sole and absolute

discretion, to reallocate and reapportion such amounts from time to time among the respective Lots, based upon changes in use, or otherwise, in order to maintain fairness in such allocations:

5.9.1.1 High Density Area. Each High Density Area Lot, and the Owner thereof, shall be charged one (1) Assessment Unit for each three (3) residential units, multi-family apartments, condominiums, or the like, or portion thereof, which may be constructed thereon based upon the maximum limitations contained in the most recent Conditions of Approval for such real property.

5.9.1.2 Commercial Area. Each Commercial Area Lot, and the Owner thereof, shall be charged one (1) Assessment Unit for every one-third (1/3) gross acre, or portion thereof, of commercial development which may be constructed thereon based upon the maximum limitations contained in the most recent Conditions of Approval for such real property.

5.9.1.3 Industrial Area. Each Industrial Area Lot, and the Owner thereof, shall be charged one (1) Assessment Unit for every one-third (1/3) gross acre, or portion thereof, of industrial development which may be constructed thereon based upon the maximum limitations contained in the most recent Conditions of Approval for such real property.

5.9.1.4 Institutional Area. Each Institutional Area Lot, and the Owner thereof, shall be charged one (1) Assessment Unit for every one-third (1/3) gross acre, or portion thereof, of institutional development which may be constructed thereon based upon the maximum limitations contained in the most recent Conditions of Approval for such real property.

5.9.1.5 Employment Center Area. Each Employment Center Area Lot, and the Owner thereof, shall be charged, based upon the improvements constructed, or approved and planned to be constructed thereon, one (1) Assessment Unit for:

(a) every three (3) residential units, multi-family apartments, condominiums, or the like, or portion thereof, which may be constructed thereon based upon the maximum limitations contained in the most recent Conditions of Approval for such real property; and

(b) every one-third (1/3) gross acre, or portion thereof, of commercial, office, industrial, or institutional development which may be constructed thereon, based upon the maximum limitations contained in the most recent Conditions of Approval for such real property.

5.9.2 Commencement of Non-Member Area Assessments. All Non-Member Area payments of assessments ("Non-Member Area Payments") shall commence as to all Lots within any Phase of the Non-Member Areas annexed to the Properties, on the first day of the month following the earlier of (i) the conveyance of the first Lot within such Phase by the developer

thereof (except a conveyance to another developer); (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 with respect to such real property. "Declaration of Commencement of Assessments" as used in this Section means a document executed by Declarant and recorded to provide notice to the Owners of the property within a Phase of commencement of Non-Member Area Payments.

5.9.3 Special Assessments. The Master Association may during the fiscal year, levy a Special Payment against the Owners of Non-Member Area Lots for water quality costs or for the Non-Member Area share of a special assessment levied for such purposes. The Master Association may also levy a special assessment against any Owner of a Non-Member Area Lot to reimburse the Master Association for costs incurred in bringing the Owner and his Lot into compliance with the provisions of the Master Declaration, any amendments thereto, the Articles, the Bylaws, and the Rules and Regulations, which special assessment may be levied upon the vote of the Board after notice and an opportunity for a hearing which satisfy the requirements of Section 7341 of the California Corporations Code, as set forth in the Bylaws.

5.9.4 Notice to Non-Member Area Owners. Owners of Non-Member Area Lots shall have no rights to vote upon any matter determined by the Board, including, without limitation, the determination, allocation, levy and collection of Non-Member Area Assessments, Non-Member Area Payments, or Non-Member Area Special Assessments. However, such Owners shall be entitled to written notice of proposed actions of the Board that will directly and materially effect their Non-Member Payments, and a reasonable opportunity to communicate their concerns to the Board, either in writing or in person as the Board may from time to time determine. The Master Association shall provide notice by first-class mail to each Owner of a Non-Member Area Lot of any increase in the special assessments or Non-Member Area Assessments levied against Non-Member Area Lots, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

5.9.5 Application of Other Provisions. The provisions of the Sections in this Article entitled "Effect of Non-Payment of Assessments; Remedies of Master Association", "Policies for Assessment Collection", "Subordination of the Lien to First Deeds of Trust and First Mortgages", "Estoppel Certificate", "Personal Liability of Owner", "Exempt Property", and "Master Association Statement at Transfer of Title", shall apply to Non-Member Area Payments.

Section 5.10 Effect of Non-Payment of Assessments; Remedies of the Master Association. Any assessment made in accordance with this Master Declaration shall be a debt of the Owner of a Lot or Condominium from the time the assessment is levied. With respect to each assessment not received by the Master Association within fifteen (15) days after its due date, the Board may, at its election, require the Owner to pay a late charge in a sum to be determined by the Board, but not to exceed ten percent (10%) or Ten Dollars (\$10.00), whichever is greater. A late charge may not be imposed more than once on any delinquent assessment, but it shall not eliminate or supersede any charges imposed on prior delinquent assessments. If any such

assessment is not paid within thirty (30) days after the date said assessment is due, the assessment shall bear interest from the due date at the rate of twelve percent (12%) per annum. The Master Association may bring an action at law against the Owner personally obligated to pay same, and in addition thereto, or in lieu thereof, after the expiration of thirty (30) days following recordation thereof, may foreclose the lien provided herein below against the Lot or Condominium.

5.10.1 Any assessment not received by the Master Association within fifteen (15) days after the due date shall be delinquent. Before the Master Association may place a lien upon the Lot or Condominium of an Owner as provided herein, the Master Association shall notify such Owner in writing by certified mail of the fee and penalty procedures of the Master Association, provide an itemized statement which indicates the principal amount owed, any late charges and the method of calculation, any attorney's fees, and the collection practices used by the Master Association, including the right of the Master Association to the reasonable costs of collection. The amount of any such delinquent assessment or installment, together with any accompanying late charges, interest, costs (including reasonable attorneys' fees), and penalties, as provided for in this Master Declaration, shall be and become a lien on the Lot or Condominium against which the assessment is levied when the Master Association causes to be recorded a Notice of Delinquent Assessment (herein the "Notice") in the office of the County Recorder of the County in which the Lot or Condominium is located. The Notice shall describe the amount of such delinquent assessment or installment and such other charges thereon as may be authorized by this Master Declaration, a legal description of the Lot or Condominium against which the same has been assessed, the name of the Owner, and, if the lien is to be enforced by the power of sale under nonjudicial foreclosure proceedings, the name and address of the trustee authorized by the Master Association to enforce the lien by sale. Such Notice shall be signed by the president or vice-president, and the secretary or assistant secretary of the Master Association or any employee or agent of the Master Association authorized to do so by the Board and shall be mailed in the manner set forth in Civil Code Section 2924b to all record owners of the Owner's interest in the Lot or Condominium no later than ten (10) calendar days after recordation. Unless the Board considers the immediate recording of the Notice to be in the best interests of the Master Association, the Notice shall not be recorded until fifteen (15) calendar days after the Master Association has delivered the above-described required written notice of default. Any payments received by the Master Association on account of such a debt shall first be applied to the principal amount owed, and only after the principal amount owed is paid in full shall such payments be applied to interest or collection expenses. If the delinquent assessment or installment and related charges are paid or otherwise satisfied, the Master Association shall record a notice of satisfaction and release of lien.

5.10.2 The Board may, after the expiration of thirty (30) days following recordation thereof, enforce any assessment lien provided for in Section 5.9 hereinabove, by filing an action for judicial foreclosure or, if the Notice contained the name and address of the trustee authorized by the Master Association to enforce the lien by nonjudicial foreclosure, by recording a notice of default in the form described in Civil Code Section 2924c(b)(1) to commence a nonjudicial foreclosure. Any nonjudicial foreclosure shall be conducted in accordance with the

requirements of Civil Code Sections 2924, 2924b, 2924c, 2924f, 2924g, and 2924h that apply to nonjudicial foreclosures of Mortgages or deeds of trust. The sale shall be conducted by the trustee named in the Notice of Delinquent Assessment or by a trustee substituted in accordance with the provisions of the California Civil Code. The Master Association may bid on the Lot or Condominium at the sale, and may hold, lease, mortgage, and convey the acquired Lot or Condominium. If the default is cured before the sale, or before completing a judicial foreclosure, including payment of all costs and expenses incurred by the Master Association, the Master Association shall record a Notice of Satisfaction and Release of Lien, and on receipt of a written request by the Owner, a Notice of Rescission of the Master Declaration of Default and Demand for Sale. Suit to recover a money judgment for unpaid assessments, rent and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same.

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

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

Section 5.11 Policies for Assessment Collection. The Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Master Association's policies and practices for enforcing its remedies against Members for defaults in the payment of annual and special assessments, including the recording and foreclosing of liens against Members' Lots and Condominiums.

Section 5.12 Subordination of the Lien to First Deeds of Trust and First Mortgages. The lien for the assessments provided for herein shall be subordinate to the lien of any first Mortgage upon any Lot or Condominium. Sale or transfer of any Lot or Condominium shall not affect the assessment lien. However, the sale or transfer of any Lot or Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage or any conveyance in lieu thereof shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot or Condominium from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of Record or other purchaser of a Lot or Condominium obtains title to the same as a result of foreclosure or conveyance in lieu thereof, such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Master Association chargeable to such Lot or Condominium which became due prior to the acquisition of title to such Lot or Condominium by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Lots and Condominiums including such acquirer, his successors and assigns.

Section 5.13 Estoppel Certificate. The Master Association shall furnish or cause an appropriate officer to furnish, upon demand by any person, a certificate signed by an officer of the Master Association setting forth whether the assessments on a specified Lot or Condominium have been paid. A properly executed certificate of the Master Association as to the status of assessments on a Lot or Condominium is binding upon the Master Association as of the date of its issuance.

Section 5.14 Personal Liability of Owner. No Owner may exempt himself from personal liability for assessments, nor any part thereof (including the charges for cable television service), levied by the Master Association, nor release the Lot or Condominium owned by him from the liens and charges hereof by waiver of the use and enjoyment of the Master Common Area and facilities thereon, or by abandonment of his Lot or Condominium. Similarly, no Member may exempt himself from personal liability for payment of Club Charge assessments levied by the Master Association, nor release the Lot or Condominium owned by him from the liens and charges thereof by waiver of the use and enjoyment of facilities and services of The Club, or because of non-use or abandonment of such Member's Lot or Condominium.

Section 5.15 Exempt Property. All Properties dedicated to and accepted by a local public authority, and all Properties owned by a charitable nonprofit organization exempt from taxation by the laws of the State of California, shall be exempt from the assessments created herein. However, no real property or improvements devoted to dwelling use shall be exempt from said assessments.

Section 5.16 Assessment Limitation Not Applicable. The limitation on percentage increases of annual assessments shall not limit assessment increases by the Board for the following emergency situations:

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

(b) An extraordinary expense necessary to repair or maintain those portions of the Community for which the Master Association is responsible where a threat to personal safety on the property is discovered; or

(c) An extraordinary expense necessary to repair or maintain the Community or any part of it for which the Master Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro-forma operating budget pursuant to Article 6 hereof. However, prior to the imposition or collection of an assessment under this subparagraph (c), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolutions shall be distributed to the members with the notice of assessment.

Section 5.17 Master Association Statement at Transfer of Title. At the request of any Owner transferring title to such Owner's Lot or Condominium, the Master Association shall provide (i) a true statement in writing from an authorized representative of the Master Association as to the amount of the Master Association's current regular and special assessments and fees, as well as any assessments levied upon the Owner's Lot or Condominium which are unpaid on the date of the statement, and (ii) any change in the Master Association's current regular and special assessments and fees which have been approved by the Master Association's Board of Directors, but have not become due and payable as of the date disclosure is provided pursuant to this Section.

Section 5.18 Exemption from Assessments to Master Common Areas. Notwithstanding any other provisions of this Master Declaration, Declarant, the Merchant Builders or any other Owner shall not be obligated to pay any portion of any assessments, which is for the purpose of defraying expenses and establishing reserves directly attributable to the existence and use of a Master Common Area improvement that is not complete at the time assessments commence. Any such exemption for the payment of assessments shall be in effect only until a Notice of Completion of the Master Common Area improvement has been recorded or the Master Common Area improvement has been placed into use, whichever shall first occur.

ARTICLE 6 ACCOUNTINGS

Section 6.1 Books and Records. The Master Association shall maintain books of account of all its receipts and expenditures. Each Owner shall be entitled at reasonable times to inspect the books of the Master Association, and to have such books examined at such Owner's expense by an attorney or an accountant representing such Owner, and may make excerpts or copies of such books or portions thereof, and each such Owner, at his own expense, shall have the right to have such books independently audited by an accountant.

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

- (1) The recorded subdivision map or maps for the Community.
- (2) The deeds and easements executed by Declarant conveying the common area or other interest to the Master Association, to the extent applicable.
- (3) The recorded Master Declaration, including all amendments and annexations thereto.
- (4) The Master Association's bylaws and all amendments thereto.
- (5) The Master Association's filed Articles of Incorporation, if any, and all amendments thereto.
- (6) All Architectural Guidelines and all other rules regulating the use of an Owner's interest in the Community or use of the Master Common Area which have been promulgated by the Master Association.
- (7) The plans approved by the local agency or county where the Community is located for the construction or improvement of facilities that the Master Association is obligated to maintain or repair; provided, however, that the plans need not be as-built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.
- (8) All notice of completion certificates issued for Master Common Area improvements (other than residential structures).
- (9) Any bond or other security device in which the Master Association is the beneficiary.
- (10) Any written warranty being transferred to the Master Association for Master Common Area equipment, fixtures or improvements.
- (11) Any insurance policy procured for the benefit of the Master Association, the Board or the Master Common Area.

(12) Any lease or contract to which the Master Association is a party.

(13) The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members, of the Board, and of committees of the Board.

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

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

Section 6.2 Budget.

6.2.1 A pro forma operating statement ("Budget") for each fiscal year shall be prepared and distributed to each Owner of a Residential Area Lot or Condominium not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year. The Budget shall consist of both a Base Budget and, if applicable, a separate Cost Center Budget, and shall contain the following information:

(a) The estimated revenue and expenses of the Master Association for the upcoming fiscal year on an accrual basis;

(b) A summary of the Master Association's reserves based upon the most recent review or study conducted pursuant to Section 6.2.4 below, which shall be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component within the Master Common Area and within each identified Cost Center, and within the Lake;

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

A. The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components within the Master

Common Area, and, separately accounted for, the components within each identified Cost Center, and within the Lake;

B. The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components within the Master Common Area, and each identified Cost Center, and the Lake;

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

(c) A statement as to whether the Board of Directors of the Master Association has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component within the Master Common Area, or any Cost Center, or the Lake, or to provide adequate reserves therefor;

(d) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Master Common Areas, the Cost Centers, the Lake, and facilities for which the Master Association is responsible.

6.2.2 The summary of the Master Association's reserves disclosed pursuant to paragraph 6.2.1 shall not be admissible in evidence to show improper financial management of the Master Association, provided that other relevant and competent evidence of the financial condition of the Master Association is not made inadmissible by this provision.

6.2.3 At least once every three (3) years the Board of Directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Master Association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the Community if the current replacement value of the major components within the Master Common Area, including the Cost Centers and the Lake, which the Master Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half ($\frac{1}{2}$) of the gross Budget of the Master Association for which excludes the Master Association's reserve account for that period. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The study required hereunder shall at a minimum include:

(a) Identification of the major components within the Master Common Area and Cost Centers, and the Lake, which the Master Association is obligated to repair, replace, restore, or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years;

(b) Identification of the probable remaining useful life of the components identified in Section 6.2.4(a) as of the date of the study;

(c) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in Section 6.2.4(a) during and at the end of its useful life;

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

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

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

6.2.6 The Budget and financial reporting required by this Article shall include appropriate information regarding the Cost Centers which the Master Association is obligated to maintain. All Cost Center assessment funds received by the Master Association shall be maintained in Cost Center operating and reserve accounts separate from the Master Association's general operating funds and general reserve funds, shall not be commingled with such funds, and shall not be expended for any general purpose of the Master Association other than for the respective costs of the respective Cost Centers for which they are intended, and for the costs of administrative, accounting and financial reporting requirements and functions directly related to the Cost Centers.

6.2.7 The Budget and financial reporting required by this Article shall include appropriate information regarding the Lake which the Master Association is obligated to maintain. The Master 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.

6.2.7.1 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:

(a) Regular Lake assessments.

- (b) Special Lake assessments.
- (c) Miscellaneous income.
- (d) Income and profits attributable to the Lake Operating Fund.

6.2.7.2 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, including Non-Member Area Assessments, shall be placed in this Lake Reserve Fund. Amounts remaining in the Lake Operating Fund at the end of the Fiscal Year that were collected as fees or assessments, shall be deposited in the Lake Reserve Fund to the extent the board finds that fund is deficient, and otherwise shall be applied to reduce the regular Lake assessments for the coming Fiscal Year

The Lake Funds collected shall not be expended for any general purpose of the Master Association other than for the operation, maintenance, repair, and replacement of the Lake and its appurtenant improvements and facilities, for which they are intended, and for the related costs of administrative, accounting and financial reporting requirements and functions directly related to the Lake. One of the purposes of this provision is for the benefit and protection of the Owners of Non-Member Area Lots who will be paying their respective portions of the costs of Lake maintenance through the Non-Member Area Payments. The Owners of Non-Member Area Lots shall have the reasonable and limited right to receive annual financial reports with respect to the collection and expenditure of Non-Member Area Payments, and to inspect the financial records of the Master Association with respect to those Lake Funds and accounts through which their Non-Member Area Payments are deposited and expended.

Section 6.3 Initial Financial Report. A balance sheet, as of the accounting date which is the last day of the month closest in time to six (6) months from the date of the closing of the first sale of a Residential Area Lot or Condominium in the Community, and an operating statement for the period from the date of the first closing to said accounting date, shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable, identified by the number of the Residential Area Lot or Condominium and the name of the record Owner so assessed.

Section 6.4 Annual Report. An annual report consisting of the following, separately stated for the general funds of the Master Association and for each separate Cost Center account, shall be distributed to each Owner of a Residential Area Lot or Condominium within one hundred twenty (120) days after the close of the fiscal year:

- (a) A balance sheet as of the end of the fiscal year;
- (b) An operating (income) statement for the fiscal year;
- (c) A statement of changes in financial position for the fiscal year;

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

(e) A review of the annual report for the Master Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy, (hereinafter "Independent Accountant"), for any fiscal year in which the gross income to the Master Association exceeds Seventy-Five Thousand Dollars (\$75,000).

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

Section 6.5 Independent Preparation. Ordinarily the annual financial report referred to in Section 6.4 above shall be prepared by an Independent Accountant for each fiscal year.

Section 6.6 Copy of Financial Statement To Prospective Buyers. Within ten (10) days of receipt of any written request therefor, the Board of Directors shall furnish any Owner or prospective Owner (through escrow) with a copy of this Master Declaration, the Articles of Incorporation, Bylaws and Rules and Regulations of the Master Association, as amended to date, together with a copy of the Master Association's most recent annual financial report as described in Section 6.4 hereof, and a true statement of any delinquent assessments, penalties, late charges, attorneys' fees or other charges under this Master Declaration on such Owner's Lot or Condominium as of the date the statement is issued. The Board of Directors may charge a reasonable fee for providing such documents and reports not to exceed the reasonable cost to prepare and reproduce same.

Section 6.7 Master Association Officer Statement. If the report referred to in Section 6.5 above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Master Association stating that the report was prepared without audit from the books and records of the Master Association.

Section 6.8 Master Association's Policies and Practices Statement. A statement describing the Master Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its Members shall be annually delivered to the Members and to the Owners in the Non-Member Areas during the sixty (60) day period immediately preceding the beginning of the Master Association's fiscal year.

Section 6.9 Reconciliation of Accounts. The Board of Directors shall do the following not less frequently than quarterly:

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

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

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

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

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

Section 6.10 Reserve Account.

6.10.1 Withdrawal of funds from the Master Association's general reserve account or the Cost Center reserve accounts, or the Lake Reserve Fund, shall require the signatures of either: (1) two members of the Board of Directors, or (2) one member of the Board of Directors and an officer of the Master Association who is not also a member of the Board of Directors.

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

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

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

6.10.3 Notwithstanding Section 6.10.2 above, the Board:

(a) may authorize the temporary transfer of money from the general reserve account, but not the Cost Center reserve accounts or the Lake Reserve Fund, to the Master Association's operating account to meet short term cash flow requirements or other expenses, provided that the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve account.

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

(c) shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits specified in (b) above. Any such special assessments

shall be subject to the five percent (5%) limitation specified in Section 5.4 above. The Board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

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

Section 6.11 Transfer of Title. The Board of Directors shall not impose or collect any assessment, penalty or fee in connection with the transfer of title or any other interest except the Board of Directors' or Community Manager's actual costs to change its records and the fee for providing documents pursuant to Section 6.6.

ARTICLE 7 ARCHITECTURAL CONTROL COMMITTEE

Section 7.1 Submissions and Approvals Required. No building, fence, wall, patio covers and gazebos or other structure, landscaping or improvement (collectively "Improvement") shall be commenced, erected, placed or altered upon any Residential Area Lot or Condominium until the location and full, complete and legible plans and specifications, in form acceptable to the Board or the Architectural Control Committee, showing the nature, kind, shape, height and materials, including the color scheme, have been submitted by personal delivery or certified mail, return receipt requested, to and approved in writing as to harmony of external design and location of surrounding structures and topography by the Board of Directors of the Master Association, or by an architectural committee appointed by the Board of Directors and composed of three (3) or more, but not to exceed five (5) representatives, or by a subcommittee as provided below. With respect to any application made by an Owner whose Residential Area Lot or Condominium is within a Sub-Association, it shall be a prerequisite to review of such application by the Architectural Control Committee that any required approval first be granted by the architectural committee, if any, of the applicable Sub-Association. The architectural committee may designate an agent (i.e. an architect) for the purpose of assisting in the review of such location, plans and specifications or other requests and may charge the Owner making a submission its reasonable costs of such agent's review. Approval shall be by majority vote of the Board or its designated committee, or the applicable subcommittee. In the event the Board or its designated committee fails to approve or disapprove such location, plans and specifications or other requests within forty-five (45) days after receipt of the submission thereof to it of a complete application with all required documents in acceptable form, then such approval will not be required; provided that any structure or Improvement so erected or altered, conforms to all of the conditions and restrictions herein contained, and is in harmony with

similar structures erected within the Properties. Grade, level or drainage characteristics of the Lot or Condominium or any portion thereof, shall not be altered without the prior written consent of the Board or its designated committee. Each Owner shall be responsible for obtaining all necessary approvals or permits from applicable governmental entities or agencies and shall comply with all laws, codes and regulations concerning the construction of any such Improvement.

Section 7.2 Appointment of Architectural Committee. Declarant may appoint all of the original members of the architectural committee and all replacements until the first anniversary of the original issuance of the Final Subdivision Public Report for the Community, except as otherwise provided below with respect to subcommittees. Thereafter, Declarant may appoint a majority of the members of the architectural committee until ninety percent (90%) of the total proposed Residential Area Lots and Condominiums in the Community and the Annexable Property have been sold to Class A Members or until the fifth (5th) anniversary of the original issuance of the Final Subdivision Public Report for the most recent Phase of the Community, whichever first occurs. After one year from the date of the original issuance of the Final Subdivision Public Report for the Community, the Board of Directors of the Master Association shall have the power to appoint one member to the architectural committee until ninety percent (90%) of the total proposed Residential Area Lots and Condominiums in the Community and the Annexable Property have been sold to Class A Members or until the fifth (5th) anniversary of the original issuance of the Final Subdivision Public Report for the most recent Phase of the Community, whichever first occurs. Thereafter, the Board of Directors of the Master Association shall have the power to appoint all of the members of the architectural committee. Members appointed to the architectural committee by the Board of Directors shall be from the membership of the Master Association. Members appointed to the architectural committee by the Declarant need not be Members of the Master Association.

Section 7.3 Views. There are no express or implied easements whatsoever appurtenant to any Lot or Condominium for view purposes, or for the passage of light and air across any other Lot or Condominium, or any property not within the Community, regardless of whether such Lot or Condominium is owned by Declarant or a Merchant Builder. In addition, no Owner shall have any right to the protection of any view that may exist at any time from such Owner's Lot or Condominium across any other Lot or Condominium or other property. Each Owner, by accepting a deed to a Lot or Condominium, hereby expressly acknowledges and agrees that any view which his Lot or Condominium may enjoy as of the date of purchase may be impaired or obstructed by the installation of trees, other landscaping or other types of barriers (both natural and artificial), the growth of landscaping, the construction or installation of Improvements in the Community and/or any adjoining property, and each Owner hereby expressly consents to any such obstruction. Declarant and the Merchant Builders make no assurance whatsoever concerning the impact on views of any construction of Improvements by anyone after completion of Declarant's or a Merchant Builder's original construction, whether such construction is approved by the architectural committee or constructed on property contiguous to the Properties.

Section 7.4 Fences and Walls. If any fences or walls are intended by the developer thereof to be constructed by individual Owners of Residential Area Lots or detached Condominiums in any Phase of the Community, rather than by Declarant or a Merchant Builder, then each Owner of such Lots or Condominium shall construct and maintain such fences or walls along the side and rear perimeters of his Lot or Condominium in conformance with the requirements of the approved architectural guidelines applicable such Owner's Phase of the Community. Such fences and walls shall be built so as to straddle the boundary lines of a Lot or Condominium, and only one fence or wall shall be constructed on the boundary lines of adjoining Lots or Condominiums. Each Owner shall obtain all necessary permits for such construction and shall comply with all local laws and ordinances in connection with such construction. Each Owner whose Residential Area Lot or Condominium is separated from adjacent Master Common Area by a fence or wall along such boundary shall be responsible for all painting, maintenance, repair and replacement of the inside surface of such wall or fence, and shall have an easement of reasonable access over the Master Common Area for such purposes. The cost of construction and maintenance of the fences and walls shall be borne by the Owner thereof, except that, subject to Article 16 hereof, the cost of construction and maintenance for fences and walls which straddle boundary lines of adjoining Lots or Condominiums shall be borne equally by such adjoining Lots or Condominiums as required by California Civil Code Section 841. In the event any Owner fails to maintain the fences and walls as required hereunder, then the Master Association or the Architectural Control Committee may, after due notice to the Owner involved and opportunity to be heard, shall have the right of access to such Owner's Lot or Condominium to conduct such maintenance as may be necessary and said Owner shall be liable for all costs incurred by the party conducting such activities.

Section 7.5 Landscaping by Owner. Except to the extent that Declarant or a Merchant Builder may have installed front yard and side yard landscaping thereon, each Owner of a Residential Area Lot or detached Condominium, other than Declarant or a Merchant Builder, shall, within one hundred twenty (120) days after acquiring title thereto, cause the front, side and rear yards of said Lot or detached Condominium to be fully landscaped, subject to reasonable growing times, and shall thereafter cause said landscaping to be maintained in a neat and orderly manner, replacing any plant material which die or are otherwise destroyed. Such landscaping shall include street trees to be located four feet (4') from the back of the sidewalk, and planted an average of one fifteen (15) gallon tree per thirty (30) linear feet of street. Each Owner shall promptly replace any such street trees that die or are destroyed with the same species/type tree as originally planted. All planting of trees, shrubs, and landscaping, and the replacement thereof, shall be done only after approval thereof by the Architectural Control Committee and using only approved trees, shrubs and landscaping. No weeds, rubbish, debris, objects or materials of any kind, plants or seed infected with noxious insects or plant diseases shall be placed, grown or permitted to accumulate on any portion of a Lot or Condominium which renders such portion of the Lot or Condominium unsanitary, unsightly, offensive or detrimental to any Lot or Condominium in the vicinity thereof, or to the occupants of any such Lot or Condominium, or to the Master Common Area. In the event of the default in performance of this provision, Declarant, the Architectural Control Committee, the Board or any agents thereof shall have the right to enter upon such Lot or Condominium, as provided in Section 10.4

hereof, and remove all such weeds, plants, rubbish, debris, objects of materials and do all the things necessary to place said Lot or Condominium in a neat and orderly condition including the installation of front, side and rear lawns and landscaping, and any expenses therefor shall become due and payable by the Owner of said Lot or Condominium to such person or entity performing such work within ten (10) days after written demand therefor.

Section 7.6 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.

7.6.1 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 dwelling on such Lake Lot.

7.6.2 Approval of Plantings. In addition to Architectural Control Committee approval, all planting within five (5) feet of the Lake edge, except for grass lawns, must be approved in writing by the Master Association. The Master 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 feet (4') feet in height of any kind shall be planted within fifteen feet (15') of the Lake edge.

7.6.3 Structures, Fences and Plantings. No structure other than approved fences, docks, erosion control barriers, 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 erosion control barrier 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 erosion control barriers to prevent entry over the Lake erosion control barrier 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 erosion control barrier.

7.6.4 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" attached hereto and incorporated herein by this reference, entitled "Dock Specifications". The Master 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 Lake erosion control barrier, except as permitted in accordance with the standards of Exhibit "C" and as necessary for the connecting deck to clear the top of the Lake erosion control barrier.

(c) No Dock shall be attached to or penetrate the Lake erosion control barrier or the bottom of the Lake, nor shall such Dock put weight on the Lake erosion control barrier, and each such Dock shall be a floating dock and shall be movable to allow for repair and renovation of the Lake erosion control barrier.

(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 erosion control barrier of the Lake. The depth of the Docks refers to its length measured perpendicularly from the erosion control barrier of the Lake.

(i) Docks must have a minimum depth of four (4) feet and a.

(ii) Docks shall be set back from the side yard lot line of the Lake erosion control barrier a minimum distance of ten feet (10') on Lake Lots having a Lake erosion control barrier of more than thirty feet (30'). In Lake Lots having a Lake erosion control barrier length of thirty (30) feet or less, Docks shall be set back from the side yard lot line a minimum distance of five feet (5').

7.6.5 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 Architectural Control 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 Area or erosion control barrier of the Lake in the absence of adequate corrective measures.

7.6.6 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 Lake Lot executed by Declarant expressly sets forth the setback limitations for the Lake Lot, and the improvements are otherwise consistent with this Master Declaration.

Section 7.7 Non-Liability of Architectural Committee Members. Neither Declarant, the Merchant Builders, the Master Association, the Board or the architectural committee, or any subcommittees thereof, or the members or designated representatives thereof, shall be liable for damages to any Owner submitting plans or specifications to them for approval, or to any Owner in the Community affected by this Master Declaration by reason of mistake in judgment, negligence or nonfeasance, unless due to willful misconduct or bad faith of the architectural committee. The architectural committee's (or subcommittee's) approval or disapproval of a submission shall be based solely on the consideration set forth in this Article, and in such rules and regulations as may be promulgated by the architectural committee, and the architectural committee shall not be responsible for reviewing, nor shall its approval of any plan or design

be deemed approval of, any plans or design from the standpoint of structural safety and conformance with building or other codes.

Section 7.8 Exemption from Architectural Committee Review. Neither Declarant nor the Merchant Builders shall be subject to the provisions of this Article regarding review and approval by the Architectural Control Committee of their development and construction of their respective portions of the Community; provided, however, that Merchant Builders must seek and obtain the prior written approval of Declarant for their development and construction activities as if Declarant were the Architectural Control Committee having jurisdiction over such activities. Declarant may establish more expedient and informal procedures for such review of Merchant Builder applications than are provided for in this Article, or otherwise vary the procedure.

ARTICLE 8 USE RESTRICTIONS AND OBLIGATIONS OF OWNERS

Section 8.1 Leasing of Lots and Condominiums. Any Owner may lease his Residential Area Lot or Condominium subject to the following:

8.1.1 No Owner shall be permitted to lease his Lot or Condominium for transient or hotel purposes or for a period of less than thirty (30) days.

8.1.2 No Owner may lease less than the entire Lot or Condominium.

8.1.3 Any lease agreement is required to provide that the terms of the lease shall be subject in all respects to the provisions of the Master Declaration, the Bylaws and any Rules and Regulations adopted by the Master Association and that any failure by the lessee to comply with the terms of such documents shall constitute a default under the lease.

8.1.4 All leases are required to be in writing and any Owner who enters into a lease of his Lot or Condominium shall, if requested by the Master Association, provide to the Master Association, on a form provided by the Master Association, such information regarding the lessees and/or the lease as the Board deems pertinent for purposes of notice and access into the Community (such as names, addresses, ages, types of vehicles and license plate numbers).

Section 8.2 Use Restrictions. In addition to all other covenants contained herein, the use and enjoyment of the Properties and each Residential Area Lot and Condominium therein shall be subject to the following use restrictions; provided, however, that (a) such restrictions shall not apply to Declarant or the Merchant Builders with respect to any of their development, construction, sales or marketing activities undertaken in connection with the development of the Community or any part thereof, and (b) Sub-Association Declarations and Notices of Annexation may impose supplementary, alternative and/or more restrictive use restrictions upon the particular real property encumbered by such instruments, so long as such restrictions

are consistent with the general scheme of governance established by this Master Declaration and are approved in writing by the Declarant:

8.2.1 No Lot or Condominium shall be occupied and used except for residential purposes by the Owners, their tenants, and social guests, and no trade or business shall be conducted therein, except that Declarant, its successors or assigns, may use any Lot(s) or Condominium(s) in the Community owned by Declarant or Merchant Builders for a model home site or sites and display and sales office, construction yard trailers, construction office, or placement of signs, until the last Lot or Condominium is sold by Declarant or a Merchant Builder. No tent, shack, trailer, garage, outbuilding or structure of a temporary character shall be used at any time as a residence, either temporarily or permanently.

8.2.2 No part of the Residential Area of the Community shall ever be used or caused to be used directly, or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending or other such non-residential purposes. However, the provisions of this Section shall not preclude professional and administrative occupations within the Community, or other reasonable business activity, which have no signs or other external evidence thereof, for so long as such occupations are in conformance with all applicable governmental ordinances, are merely incidental to the use of the Lot or Condominium as a residential home, do not cause any increase in the potential liability or casualty insurance premiums of the Master Association, and do not in any manner disturb other occupants or generate any pedestrian or vehicular traffic from clients, customers, employees, independent contractors, or deliveries or other form of nuisance.

8.2.3 Subject to California Civil Code Sections 712 and 713, no sign or billboard of any kind shall be displayed by any Owner on any portion of the Residential Area of the Community or Lot or Condominium, except one sign of reasonable size (not to exceed eighteen inches (18") by thirty inches (30")), advertising that the particular Lot or Condominium is for sale or rent, or except by Declarant or a Merchant Builder in connection with initial sales of the Lots or Condominiums, during the sales period set forth in Section 8.2.1, hereinabove, or except for one aesthetically acceptable (to the Architectural Control Committee) nameplate or similar Owner name identification, and one unobtrusive sign advertising the existence of a security service protecting the Lot or Condominium. The Architectural Control Committee shall have the power to grant exceptions to this restriction in appropriate cases.

8.2.4 No noxious, noisy or offensive activity shall be carried on in any Residential Area Lot or Condominium or any part of the Community, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective Lot or Condominium or which shall in any way increase the rate of insurance.

8.2.5 No trailer, camper, truck, boat, recreational vehicle, or similar equipment or inoperative automobile shall be permitted to remain within the Residential Area of the Community unless placed and maintained entirely within a Lot or Condominium and obscured

from the view of the adjoining Lots, Condominiums and streets, such as within a garage. No garage shall be used at any time for residential purposes or any purpose which would interfere in any manner with the availability and use of such garage for the purpose of automobile parking for the number of vehicles for which it was intended. The foregoing restriction shall not be deemed to prevent washing and polishing of such motor vehicle, boat, trailer, camper or motor-driven cycle, together with those activities normally incident and necessary to such washing and polishing.

8.2.6 No parking of vehicles, as defined by the California Vehicle Code, shall be permitted on any private streets within the Community except within areas designated for public parking by the Board, or, except within areas subject to a Sub-Association designated by the board of directors of such Sub-Association for public parking. Except as otherwise permitted by the Board or the board of a Sub-Association, residents of the Community shall park their motor vehicles only within their respective garages or carports. Temporary loading and unloading and guest parking within private driveways which are adequate for such purpose is permitted, except in common driveways where such use might obstruct access by others. Indefinite parking of any vehicle in any street or parking area, or on any driveway, shall be prohibited. "Indefinite parking" means the parking of a vehicle for a period in excess of seventy-two (72) hours. Parking of any vehicle in a driveway in such a manner as to encroach into or obstruct traffic along the sidewalk shall be prohibited.

8.2.7 An Owner may keep and maintain in his Residential Area Lot or Condominium domesticated pets such as dogs, cats or other usual and ordinary household pets, not to exceed two (2) in number and provided that such pets shall not be allowed in the Master Common Area or recreational areas except as may be permitted by the Rules and Regulations which may be promulgated from time to time by the Board. Except as hereinabove provided, no animals, livestock, birds or poultry shall be brought within the Community or kept in any Lot or Condominium thereof. Owners keeping pets shall be accountable to the other Owners for the acts of such pets, and should any Owner be unable to control barking or other noise or acts of his pets which disturb his neighbors, he shall be required to remove such pet from the Community. Each owner of a pet shall forthwith clean up and remove any animal waste such pet may deposit on the Master Common Area or the property of another Owner. No dog will be allowed on the Master Common Area or recreational areas without being restrained on a leash and being supervised. Any Owner (including such Owner's family, guests and invitees) who maintains any pet, animal, reptile, livestock or other living creature of any kind, within the Community, whether in compliance with this Master Declaration and the Rules and Regulations or otherwise, shall indemnify, defend and hold the Master Association harmless from and against any damages, claims, causes of action or losses of any kind or nature, including reasonable attorney's fees and costs, incurred by the Master Association as a result of any alleged damage or injury caused by such living creature to the Master Association, to its property, to the Master Common Area, or to the Members, their family, guests or invitees, or their property.

8.2.8 Dogs which are commonly referred to as "pit bulls" are subject to the following special requirements relating to handling, confinement and liability insurance:

8.2.8.1 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.

8.2.8.2 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. Any such pen shall not exceed eight feet (8') in height if it is to be located within fifteen feet (15') of a Lot or Condominium boundary line, and shall be posted with a conspicuous sign displaying the words "Dangerous Dog" that complies with the Architectural Guidelines of the Master Association.

8.2.8.3 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.

8.2.8.4 Each Owner of a pit bull shall maintain and provide to the Master Association evidence of a liability insurance policy of not less than \$300,000.00 for bodily injury 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 Master 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 Master Association may require, in place of such evidence of insurance, a surety bond or a personal bond secured by sufficient assets to be posted.

8.2.9 The erection of basketball standards or fixed sports apparatus is prohibited, except as provided in 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 feet (3') from the wall of a residence including an attached garage. In addition, with the written approval of the Architectural Control 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 residence including attached garage which is closest to the street. No basketball standard is permitted to 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 residences except when it is being used for play.

8.2.10 No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind, shall be permitted within the Community, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of or within five hundred (500) feet below the surface of the Community. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted within the Community.

8.2.11 All rubbish, trash and garbage shall be regularly removed from the Community, and shall not be allowed to accumulate thereon. All refuse containers shall be moved to an area from which they are not visible from the streets, Master Common Area or other Lots or Condominiums promptly after the refuse has been collected, and refuse containers shall under no circumstances be permitted to remain in view for more than a twenty-four (24) hour period. All clotheslines, refuse containers, wood-piles, storage areas, machinery and equipment shall be prohibited within the Community unless obscured from the view of adjoining Lots, Condominiums and streets. Basketball backboards and hoops shall not be permitted to be permanently installed upon any house, garage or other residential building in the Community, and only portable, temporary basketball backboards with hoops shall be permitted and the same shall be stored out of sight when not in use.

8.2.12 Each residence within a Lot or Condominium shall be initially constructed by Declarant and the Merchant Builders to include fiber optics cable infrastructure and wiring suitable for efficient internet use, provided by Strategic Technologies, Inc. No alteration to or modification of such fiber optics cable system as developed by Declarant and the Merchant Builders, shall be permitted without prior consent of the Board and the cable television operator. Owners are prohibited from installing any antenna on the exterior of a residence for any purpose, except for an "Authorized Antenna" which may be installed so long as the proposed location for such installation is reviewed and approved by the Architectural Control Committee prior to its installation in order to ensure that the visibility of the Authorized Antenna is minimized with respect to other Owners. The Architectural Control Committee may require that the location of the Authorized Antenna be moved, and the Board may impose additional restrictions on installation or use of an Authorized Antenna, so long as such review by the Architectural Control Committee, or such additional restrictions, do not (a) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (b) unreasonably increase the cost of installation, maintenance or use of an Authorized Antenna, or (c) preclude reception of an acceptable quality signal. The Board may prohibit the installation of an Authorized Antenna if the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of managers, agents or employees of the Master Association and other Owners, or for any other safety related reason established by the Board. The Board may also prohibit the installation of an Authorized Antenna on property to which an Owner does not hold fee title or is not entitled to exclusively use under this Master Declaration or a Sub-Association Declaration, or may allow an Owner to install an antenna other than an Authorized Antenna subject to the Architectural Guidelines and review and approval by the Architectural Control Committee. An "Authorized Antenna" means an antenna that is (a) designed to receive direct broadcast satellite service, including direct-to-home satellite service and that is one meter or less in diameter, and, (b) that is designed to receive video programming service, including multichannel multipoint distribution service, instructional television fixed service, and local multipoint distribution service, and that is one meter or less in diameter, or (c) an antenna that is designed to receive television broadcast signals. Each Owner may maintain individual radio or television antennae systems if located entirely within such Owner's dwelling and if such system is not visible from other Lots, Condominiums or the Master Common Area, and

provided that such system does not interfere with radio and television reception of other Owners within the Community.

8.2.13 The storm drainage system for the entire Community 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 Community so as to control the growth of organisms in the Lake and no fertilizer shall be applied within five (5) feet of the Lake erosion control barrier.

8.2.14 Easements for surface water drainage and for installation and maintenance of utilities, sewer pipelines and facilities and drainage facilities over, under and across each of the Lots and Condominiums, and all pipelines and other facilities located and to be located in said easements, are reserved for the benefit of the Declarant, the Master Association, and the other Lots and Condominiums within the Community, where such facilities are installed and as may be shown on the recorded Maps and Condominium Plans of the Community, or other appropriate recorded document. Within such easements, no structure, planting or other materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities or which may change the direction of the flow of drainage channels, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each Lot or Condominium, if any, and all improvements therein, if any, shall be maintained continuously by the Owner of the Lot or Condominium, except for those improvements for which a public authority or a utility is responsible. In addition, all sewer pipelines and other sewer facilities located or to be located within public roads, streets and highways abutting each of the Lots and Condominiums are reserved.

8.2.15 Each Owner of a Lot or Condominium has the responsibility and duty to maintain the appearance and integrity of all slope areas and drainage devices, if any, located within his Lot or Condominium.

8.2.16 Each grantee of a Lot or Condominium within the Community covenants for himself, his heirs, successors and assigns, that he will permit free access by Owners of adjacent or adjoining Lots and Condominiums and by the Master Association, its agents and employees, to all slope areas or drainageways, if any, located on his Lot or Condominium, which affect said adjacent or adjoining Lots or Condominiums, which access is essential for the maintenance or permanent stabilization of said slopes, or maintenance of the drainage facilities, if any, for Lots or Condominiums other than the Lot or Condominium on which the slope or drainageway is located.

8.2.17 Each grantee of a Lot or Condominium within the Community covenants for himself, his heirs, successors and assigns, that he will not in any way interfere with the established drainage patterns or create erosion or sliding problems over his Lot or Condominium from adjoining or other Lots or Condominiums within the Community, and that he will make adequate provisions for proper drainage in the event it is necessary to change the

established drainage over his Lot or Condominium. No changes in the established drainage patterns shall be permitted without the prior approval of the Architectural Control Committee. For the purposes hereof, "established drainage" is defined as the drainage which occurred at the time the overall grading of the Community was completed by Declarant or the applicable Merchant Builder.

8.2.18 Each grantee of a Lot or Condominium within the Community shall maintain the slopes within his Lot or Condominium at the slope and pitch fixed by the finished grading thereof, including watering and planting of the slopes. Within slope areas no structure, planting, or other material shall be placed or permitted to remain or other activities undertaken which may damage or interfere with established slope ratios, create erosion or sliding problems, or which may change the direction of flow of drainage channels or obstruct or retard the flow of water through drainage channels. The slope areas of each Lot or Condominium and all improvements thereto shall be maintained continuously by the Owner of the Lot or Condominium, except for those improvements for which a public authority or utility company is responsible. Declarant or the seller Merchant Builder shall, for a period of one (1) year following sale and deed of any particular Lot or Condominium have the right but not the obligation to enter upon the said Lot or Condominium and alter or maintain the slope areas. An easement of reasonable access for said purpose is reserved to Declarant and the Merchant Builders, and the purchaser, by the acceptance of a deed from Declarant or a Merchant Builder, shall take title subject to such easement for said period of one (1) year.

8.2.19 Conveyance of a substantial number of the Lots and Condominiums is essential to the establishment and welfare of said Community as a residential community. In order that all work necessary to complete the Community and establish a substantially occupied residential community be completed as rapidly as possible, no Owner shall and nothing in this Master Declaration shall be understood or construed to:

8.2.19.1 Prevent Declarant, the Merchant Builders, or their contractor or subcontractors, from doing work on said Community or any part thereof whenever it determines such work to be reasonably necessary or advisable in connection with the completion of the Community; or

8.2.19.2 Prevent Declarant, the Merchant Builders, or their representatives from erecting, constructing and maintaining on any part or parts of said property owned or controlled by Declarant or a Merchant Builder, their contractors, or subcontractors, such structures as may be reasonably necessary for the conduct of their business of completing said work and establishing the Community as a residential community and disposing of the same by sale, lease, or otherwise.

8.2.19.3 Declarant and the Merchant Builders, in exercising their rights hereunder, shall not unreasonably interfere with the Members' use of the Master Common Area.

8.2.20 All structures and improvements within the Community shall at all times be maintained by their respective Owners in a clean, first-class and properly painted condition.

8.2.21 No Owner or the Master Association shall permit trees, shrubs, hedges or any other vegetation to shade, block or interfere with the solar access of any solar collector or other solar absorption device on any Lot or Condominium, including the Lot or Condominium on which the vegetation is also located.

Section 8.3 Additional Restrictions Applicable to Lake and Lake Lots. The following additional easements, limitations, and restrictions are applicable to the Lake and Lake Lots. This Section shall apply only to the Lane and to property designated as a "Lake Lot" by this Master Declaration or a Notice of Annexation, which may specify different or additional limitations, easements, and restrictions applicable to such Lake Lots.

8.3.1 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 Notice of Annexation that annexes a Lake Lot to the Master 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.

8.3.1.1 Lake Lots. Not more than one (1) boat for each increment of fifty (50) feet of lake frontage of any Lake Lot may be moored, docked or launched from such Lake Lot, but not to exceed two (2) boats for any Lake Lot.

8.3.1.2 Off-Lake Boats. Owners and occupants of Lots that are not Lake Lots have no right to use the Lake, except through their membership in The Club and any right to use the dock(s) and boats of The Club.

8.3.1.3 Master Association Use. The Master Association may maintain other boats on the Lake for the purpose of maintaining and repairing the Lake and related improvements.

8.3.2 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 the Lake or moored to its shoreline.

8.3.3 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) boats, one shall not exceed sixteen (16) feet in length and the other boat shall not exceed eight (8) feet each in length. No engine powered boat shall be allowed. This Subsection shall not apply to boats operated by Declarant or by the Master Association for purposes of safety, maintenance, Lake Improvements, or promotion of the Community, including sales promotion.

8.3.4 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.

8.3.5 Fishing Restrictions. 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 Master Association, except fishing by use of hook and line.

8.3.6 Fish and Wildlife. No persons shall release any animal or fish into the Lake except under the direction of the Master Association. Under no circumstances shall any carp or any non-California native fish or wildlife be released into the Lake. No person, except with the permission of the Master Association or other person maintaining the Lake, shall feed any bird or fish inhabiting the Lake.

8.3.7 Foreign Objects Prohibited. 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 Section shall not prevent the use of chemicals and other products in the Lake by the Master Association in carrying out its responsibilities and exercising its rights pursuant to this Master 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 Section, but all such activities shall be carried out in a manner to minimize contamination of the Lake.

8.3.8 No Pumping. No water shall be pumped out of the Lake by any person for any reason, except by the Master Association or by a governmental entity having control over the Lake for storm drainage retention purposes.

8.3.9 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 approved by the City of Sacramento Utilities Department pursuant to Condition No. 40 of the Rezoning/Tentative Subdivision Map Conditions, its Resolution No. 99-616.

8.3.10 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 Master Association for safety purposes.

8.3.11 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, Master Common Areas, and from the view of any other Owner of any Lake Lot.

ARTICLE 9

SCOPE OF ENFORCEMENT

Section 9.1 Enforcement. The Declarant, the Merchant Builders, the Master Association and any Owner shall have the right, but not the obligation, to enforce by any proceeding at law or in equity, all restrictions, conditions, covenants and reservations now or hereafter imposed by the provisions of this Master Declaration. Failure by Declarant, the Merchant Builders, the Master Association or any Owner to enforce any covenants or restrictions herein contained shall, in no event, be deemed a waiver of the right to do so thereafter.

The limitations, restrictions, conditions and covenants set forth in this Master Declaration constitute a general scheme for (i) the maintenance, protection and enhancement of the integrity, beauty and aesthetic qualities of the Community and (ii) the benefit of all Owners. Said limitations, restrictions, conditions and covenants are and shall be covenants running with the land or equitable servitudes, as the case may be. Each remedy provided for in this Master Declaration shall be cumulative and not exclusive. The result of or condition caused by any violation of any of the provisions of this Master Declaration is and shall be a nuisance, and every remedy in law or equity now or hereafter available against public or private nuisance may be exercised by any person affected thereby. Any of the foregoing to the contrary notwithstanding, no action to enforce this Master Declaration shall be instituted unless and until a written notice of such breach setting forth the facts of such breach has been delivered by certified mail to the Owner of such Lot or Condominium. In the event the Master Association or any Owner(s), should commence litigation to enforce any of the provisions of this Master Declaration, that party, if he should prevail, shall be entitled to have judgment against and recover from any defendant in such litigation, such attorneys' fees (other than nominal) as the court may adjudge reasonable and proper. Each Owner shall have a right of action against the Master Association for any failure of the Master Association to comply with the provisions of the Master Declaration, Articles of Incorporation, Bylaws, or Rules and Regulations of the Master Association.

ARTICLE 10

MAINTENANCE AND REPAIR RESPONSIBILITIES

Section 10.1 Owner Maintenance of Lots. Except as otherwise provided in the Sub-Association Declaration encumbering such Lots, each Owner shall provide exterior maintenance upon the residence and other building structures within his or her Lot, as follows: paint, repair, replacement and care of front, rear and side yard landscaping, roofs, gutters, downspouts, chimney, walls, walkways, driveways, windows, doors, patio, exterior building surfaces and elements and other exterior improvements. Each Owner shall have the responsibility of maintaining and repairing all structural and other elements of the residence, including all utility valves and connections to the residence, any automatic fire control sprinkler system and control unit valve serving such Owner's Lot, and all utility lines within the Lot. Notwithstanding any other provision herein, each Owner will also be responsible for all maintenance and repair of internal

and external telephone and cable television wiring wherever located, which is designed to serve only such Owner's residence, and shall be entitled to reasonable access over the Master Common Area for such purposes, subject to reasonable limitations imposed by the Master Association. Each Owner shall also be responsible for the maintenance and repair of the walks and the private driveways within such Owner's Lot, including the periodic structural repair, resurfacing, sealing, caulking, replacement and/or painting thereof. Each Owner shall also be responsible for the maintenance and repair of the yard drains for surface water runoff within such Owner's Lot, and the drainage lines for the same, and shall keep same free and clear of debris. Each Owner whose Lot is separated from adjacent Master Common Area by a wall or fence along such boundary shall be responsible for the painting, maintenance, repair and replacement of the inside surface of such wall or fence, unless such wall or fence is designated by the Master Association as its sole responsibility to maintain.

Section 10.2 Common Driveway Easements And Maintenance. Each Owner whose Lot or Condominium is served by a common driveway or alleyway (referred to herein as a "driveway", and being a private driveway or alleyway providing access to more than one Lot or Condominium and which crosses or is located in whole or in part on one or more adjacent Lots or Condominiums) is hereby granted a non-exclusive perpetual easement for ingress, egress, and access on, over and across such common driveway. Each Owner whose Lot or Condominium is served by a common driveway shall share the use thereof with all Owners and occupants of the other Lot(s) or Condominium(s) served by such common driveway. Under no circumstances shall any vehicle or other item or thing be allowed to remain in such common driveway the effect of which would be to block or otherwise prevent its usage by persons entitled to use the same. The Board may adopt rules applicable to common driveways including the assessment of charges to Owners and occupants who violate, or whose invitees violate, such rules. The Owners of all Lots or Condominiums sharing a common driveway shall share equally the costs of maintenance, repair and replacement of that portion of such common driveway located upon private Lots or Condominiums, as opposed to Master Common Area. The Board shall determine when any such maintenance, repair or replacement is required, and the affected Owners shall thereupon cause the same promptly to be accomplished; provided, however, that if such Owners fail to complete such work within sixty (60) days after such determination by the Board, the Board may cause the same to be accomplished and may levy special assessments to pay the costs thereof pro rata against each Owner of a Lot or Condominium served by such driveway or collect such costs in any other manner it deems appropriate.

Section 10.3 Required Periodic Maintenance. Except as otherwise provided in the Sub-Association Declaration encumbering such Lot or Condominium, each Owner shall cause the exterior of such Owner's residence to be maintained, painted, repaired, and/or replaced on a periodic basis calculated to preserve the utility, integrity and attractive appearance of the exterior elements of the residence, as provided herein. Roof shingles shall be replaced no less frequently than recommended by the manufacturer. Exterior walls, doors, facia, trim and balcony railings shall be repainted no less frequently than once every four (4) years, or as determined by the Board. Decks shall be repainted per the manufacturer's recommendation. In the event an Owner intentionally or negligently fails to perform the periodic maintenance and/or repair of

the exterior of his or her residence in accordance with the foregoing schedule, the Master Association shall have the right, but not the obligation, to perform such maintenance and/or repair after notice as provided in Section 10.4 of this Master Declaration, and is hereby granted easements of access, ingress and egress for such purposes. The cost of such exterior maintenance shall be assessed as a special assessment to which such Lot or Condominium shall be subject.

Section 10.4 Maintenance of Lake Lot Bank Areas and Erosion Control Barriers. Except as provided in the Section entitled "Master Association Maintenance," 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 Master 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 Lake erosion control barrier caused by construction of improvements by such Owner and by root growth of trees planted in the Bank Area.

Section 10.5 Owner's Failure to Maintain. Notwithstanding anything to the contrary, if an Owner should fail to maintain or make the necessary repairs or replacements which are the responsibility of such Owner, the Master Association shall have the right, but not the obligation, upon a vote of a majority of the Board of Directors, after not less than three (3) days' written notice to the Owner, to enter the Lot or Condominium and provide such maintenance or make such repairs or replacements as are necessary, the cost thereof to be assessed as a special assessment chargeable to that Lot or Condominium.

Section 10.6 Master Association Maintenance. Except as otherwise provided in this Master Declaration, from and after the date of conveyance of fee title or an easement for such purposes thereto to the Master Association, the Master Association shall be responsible for the maintenance, repair, replacement, irrigation, brush clearance and preservation of the appearance of the Master Common Area, including, but not limited to, the hiking trails, the Lake, storm water retention basins and drainage lines and improvements, all recreational buildings, facilities and equipment, private streets, open space areas, lighting, guest parking areas, landscaping, landscape corridors, fences, irrigation systems, boundary walls, retaining walls, and other walls not part of a Lot or Condominium, all wires and other utility installations, gas, water and waste pipes, sewers, and the like, extending to the boundaries of a Lot or Condominium, and all drainage pipes and devices, buildings and other related features. The Master Association shall be responsible for the repair and payment for all centrally metered utilities, water charges, and mechanical and electrical equipment in the Master Common Area; the repair and maintenance of all the debris systems located in the Properties; and the repair and maintenance of all walks, portions of private driveways and alleyways and other means of ingress and egress within the Master Common Area. The Master Association shall also be responsible for the maintenance of certain off site areas and improvements, located outside of the boundaries of the Community, as provided in Section 17.2.2 below.

Section 10.7 Inspection of Community. It shall be the affirmative duty of the Board to require strict compliance with all provisions of this Master Declaration and to cause the

Community to be regularly inspected for any violations thereof. Declarant, with respect to its portion of the Community, and, in cooperation with Declarant, each Merchant Builder and each Sub-Association with respect to their portions of the Community, shall create and establish a maintenance program to be followed by the Master Association and the Sub-Associations to provide for and assure the continued integrity and aesthetics of the Community. The cost of any maintenance, repairs or replacement by the Master Association which is not the responsibility of the Master Association, or which arises out of, or is caused by, the act or negligence of an Owner, or such Owner's family, tenants, guests, invitees or agents shall, after notice and hearing, be levied by the Board as a Special Assessment against such Owner.

Section 10.8 Damage to Master Common Areas. In the event the need for repair of the Master Common Area is caused through the willful or negligent acts of a Member or his guests or invitees, the Master Association, or their agents or employees shall have the right, but not the obligation, to make such repairs and the liability of the Member and the cost of repair shall be assessed to that Member as a special assessment as set forth in this Master Declaration.

ARTICLE 11 **INSURANCE**

Section 11.1 Liability/Property Insurance. A master or blanket public liability and property damage insurance policy covering the Master Common Area shall be purchased by the Board of Directors as promptly as possible following its election and shall be maintained in force at all times, the premium thereon to be paid out of the monies collected from the assessments. The minimum amount of coverage shall be Three Million Dollars (\$3,000,000) combined single limit liability for bodily injury to any one person, or property damage for any one occurrence; if written on the new occurrence form, coverage shall be Three Million Dollars (\$3,000,000) in the aggregate and Three Million Dollars (\$3,000,000) per occurrence. The policy shall name the Master Association and all Owners as insureds, including Declarant and the Merchant Builders, during such time as Declarant or a Merchant Builder shall remain the Owner of one or more Lots or Condominiums. The Community Manager shall also be a named insured on such policy, during such time as his agency shall continue. The insurance shall also contain a cross-liability endorsement to cover negligent injury by one Owner to another, if reasonably available. The Master Association shall prepare and distribute to all Members a summary of the Master Association's property, general liability, and hazard insurance policies, which shall be distributed within sixty (60) days preceding the beginning of the Master Association's fiscal year, that includes all of the following information about each policy: (a) the name of the insurer, (b) the type of insurance, (c) the policy limits of the insurance, and (d) the amount of deductibles, if any. The Master Association shall, as soon as reasonably practical, notify the Members by first-class mail if any of the policies described in this paragraph have lapsed, been canceled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Master Association receives any notice of nonrenewal of a policy described in this paragraph, the Master Association shall immediately notify the Members if replacement coverage will not

be in effect by the date the existing coverage will lapse. To the extent that any of the information required to be disclosed pursuant to this paragraph is specified in the insurance policy declaration page, the Master Association may meet its obligation to disclose that information by making copies of that page and distributing it to all Members. The summary distributed pursuant to this paragraph shall contain in at least 10-point boldface type, the statement required by Civil Code Section 1365(e)(4).

Section 11.2 Hazard Insurance. The Board of Directors shall purchase a master or blanket policy of all-risk or named peril (fire, extended coverage, vandalism and malicious mischief) insurance issued by a Qualified Insurer, as defined herein, providing coverage equal to one hundred percent (100%) of the current replacement cost of all Master Common Area improvements to the Community then subject to assessments under Article 5 of the Master Declaration (including all service and mechanical equipment in the Master Common Area). "Qualified Insurer" means any insurance company having a Best's Insurance Reports rating of (a) a B general policyholder's rating and a III financial size category, or (b) an A general policyholder's rating and a II financial size category, and licensed in the State of California. Said insurance policy shall contain an earthquake damage endorsement if the Board determines that coverage is reasonably necessary and reasonably available at a cost deemed to be in the best interests of the Members. Replacement cost may exclude land, foundations, excavation, and other items normally excluded from coverage. All hazard insurance required to be maintained by the Board hereunder shall be maintained to meet or exceed the requirements of the provisions contained in the FHLMC Seller/Service Guide, as recommended by the insurance agent for the Master Association. The premiums for said insurance policy shall be paid by the Board out of the monies collected from the assessments. The policy may also contain an agreed amount endorsement, a special form endorsement, and a clause to permit cash settlement covering the full value of the improvements in the event of partial destruction and a decision not to rebuild. The policy shall name as insureds all Owners and Declarant and the Merchant Builders, so long as Declarant or a Merchant Builder is the Owner of any Lot or Condominium within the Community, and all Mortgagees of record, as their respective interests may appear. The proportionate interest of each Owner in any insurance proceeds in relation to the other Owners, shall be based upon a ratio of each Lot's or Condominium's "fair market value" to the "fair market value" of the entire Community. The "fair market value" in both instances, shall be determined by an independent appraiser. In the event that the insurer under said hazard insurance policy shall cease to be licensed in the State of California, or shall cease to be approved by the Federal Home Loan Mortgage Corporation (so long as insurers continue to be so approved), the Master Association shall exercise its best efforts to obtain from another Qualified Insurer, a replacement hazard policy comparable to the prior hazard policy, including all required endorsements.

11.2.1 Personal property of a Lot or Condominium Owner and additional fixtures added by a Lot or Condominium Owner should be insured separately by the Lot or Condominium Owner.

Section 11.3 Board as Trustee. All insurance proceeds payable pursuant to Section 11.2 of this Article and subject to the rights of Mortgagees under Section 11.6 hereof shall be paid to the lending institutions holding first Mortgages on Lots or Condominiums within the Community, to the extent of their interests therein, and shall be applied only to the repair and restoration of the damaged premises or to the reduction of the aggregate principal amounts of the mortgage loans secured by such damaged or destroyed premises. Insurance proceeds shall be paid out in accordance with Article 12. In the event repair or reconstruction is authorized, the Board shall have the duty to contract for such work, as provided in Article 12 hereof.

Section 11.4 Other Insurance. The Board may purchase and maintain in force at all times, demolition insurance in adequate amounts to cover demolition in the event of destruction and a decision not to rebuild. The premium therefor shall be paid out of the monies collected from the assessments. Such policy, if purchased, shall contain a determinable demolition clause or similar clause, to allow for the coverage of the cost of demolition in the event of destruction and a decision not to rebuild. The Board of Directors shall also purchase and maintain Worker's Compensation Insurance to the extent that the same shall be required by law for employees of the Master Association. The Board of Directors may also purchase and maintain insurance on commonly owned personal property and such other insurance as it deems necessary, the premium thereof to be paid out of the monies collected from the assessments, including, but not limited to, umbrella or excess liability coverage.

Section 11.5 Owners' Other Insurance. An Owner may carry such additional personal liability and property damage insurance respecting individual Lots or Condominiums as he may desire.

Section 11.6 Right of Mortgagees. With respect to insurance coverage under Section 11.2 hereof, any Mortgagee of record shall have the option to apply insurance proceeds payable to it to reduce the obligation secured by the Mortgage, but only in the event that the insured has determined not to rebuild.

Section 11.7 Annual Review. The Board shall review the insurance carried by the Master Association at least annually for the purpose of determining the amount of the casualty and property insurance referred to in Section 11.1 above. The Board shall obtain current appraisal of the full replacement value of the improvements in the Master Common Area, except for foundations and footings, without deduction for depreciation, by a qualified appraiser, prior to each such annual review.

ARTICLE 12 DESTRUCTION OF IMPROVEMENTS

Section 12.1 Proceeds Greater Than Eighty-Five Percent (85%) of Cost to Repair. In the event of total or partial destruction of the improvements in the Master Common Area and if the available proceeds of the insurance carried pursuant to Article 11 are sufficient to cover not less than eighty-five (85%) percent of the cost of repair or reconstruction thereof, the same shall

be promptly repaired and rebuilt, unless, within ninety (90) days from the date of such destruction, Delegates representing seventy-five (75%) percent of each class of membership present and entitled to vote in person or by proxy, at a duly constituted meeting, determine that such reconstruction shall not take place. If reconstruction is to take place, the Board of Directors shall be required to execute, acknowledge, file and record, not later than one hundred twenty (120) days from the date of said destruction, a certificate declaring the intention of the Master Association to rebuild.

Section 12.2 Proceeds Less Than Eighty-Five Percent (85%) of Cost to Repair. If the proceeds of such insurance are less than eighty-five (85%) percent of the cost of reconstruction, such reconstruction may, nevertheless, take place, if within ninety (90) days from the date of said destruction, Delegates representing at least sixty-six and two-thirds percent (66-2/3%) of each class of membership elect to rebuild.

Section 12.3 Additional Contributions From Owner. If the Master Association determines to rebuild, pursuant to either Sections 12.1 or 12.2, each Owner shall be obligated to contribute such funds as shall be necessary to pay his proportionate share of the cost of reconstruction over and above the insurance proceeds, and the proportionate share of each Owner shall be based upon the ratio of the fair market value of his Lot or Condominium to the fair market value of all the Lots and Condominiums. In the event of failure or refusal by any Owner to pay his proportionate share, after notice to him, should such failure or refusal continue for a period of sixty (60) days, the Board of Directors may levy a special assessment against such Owner, which may be enforced under the lien provisions, hereinbefore contained.

Section 12.4 Master Association to Contract for Rebuilding. If the Owners determine to rebuild, the Board of Directors shall obtain bids from at least two (2) reputable contractors and shall award construction work to the most qualified bidder. The Board of Directors shall have the authority to enter into a written contract with said contractor for such reconstruction and the insurance proceeds held by the Board shall be disbursed to said contractor according to the terms of the contract. It shall be the obligation of the Board to take all steps necessary to insure the commencement and completion of such reconstruction at the earliest possible date.

Section 12.5 Insufficient Vote to Rebuild. If the vote of the Owners shall be insufficient to authorize rebuilding, either pursuant to Sections 12.1 or 12.2 above, the following shall apply:

12.5.1 Any insurance proceeds available for such rebuilding shall be distributed among the Owners and their individual lenders by the Board, as their respective interests may appear. The proportionate interests of each Owner in said proceeds in relation to other Owners shall be based upon a ratio of each Lot's and Condominium's "fair market value," just prior to destruction. "Fair market value" shall be determined by an independent appraiser.

12.5.2 The Board shall have the duty, within one hundred twenty (120) days of the date of such loss, to execute, acknowledge and record a certificate setting forth the determination of the Master Association not to rebuild, and shall promptly cause to be prepared and filed, such

revised maps and other documents as may be necessary to show the conversion of the Master Common Area to the status of unimproved land.

Section 12.6 Revival of Right to Partition. Upon recordation of such certificate, referred to in Section 12.5.2, above, the right of any Owner to partition his Lot or Condominium through legal action, shall forthwith revive.

Section 12.7 Arbitration. In the event of a dispute among the Owners, with respect to the provisions of this Article, any Owner may cause the same to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association. In the event of arbitration, notice thereof shall be given to the Members of the Board and all Owners as promptly as possible after reference to arbitration is made, giving all Owners an opportunity to appear in such arbitration proceedings. The decision of such arbitrator in this matter shall be final and conclusive upon all Owners. The arbitrator may include in his decision an award for costs and/or attorneys' fees against any one or more of the parties to the arbitration.

ARTICLE 13 **MORTGAGEE PROTECTION**

Section 13.1 Mortgagee Protection. Notwithstanding any other provisions in this Master Declaration to the contrary, in order to induce lenders and investors to participate in the financing of the sale of Lots and Condominiums in the Community, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions in this Master Declaration, these added provisions shall control):

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

13.1.2 Each holder of a first Mortgage encumbering any Lot or Condominium is entitled upon request to timely written notification from the Master Association of any default by the Mortgagor of such Lot or Condominium in the performance of such Mortgagor's obligations under this Master Declaration, the Bylaws or Rules and Regulations of the Master Association which is not cured within sixty (60) days. Any Institutional Lender holding a first Mortgage on any Lot or Condominium within the Community shall be entitled to prior written notice of certain proposed actions of the Master Association as hereinafter set forth in Sections 13.1.5.1 through 13.1.5.7, inclusive, provided that such Institutional Lender furnishes the Master Association with a written request for notice which request sets forth the particular Institutional Lender's mailing address and identifies the Lot or Condominium on which it holds an encumbrance.

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

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

13.1.5 Unless at least two-thirds (2/3) of the Institutional Lenders holding a first Mortgage on a Lot or Condominium within the Community (based upon one vote for each first Mortgage owned), or Delegates representing at least two-thirds (2/3) of the Owners (other than the Declarant and the Merchant Builders) have given their prior written approval, the Master Association and its Members shall not be entitled to:

13.1.5.1 By act or omission, waive or abandon any scheme of regulations or enforcement thereof, pertaining to the architectural design or the exterior appearance of Lots or Condominiums, the exterior maintenance of Lots or Condominiums, the maintenance of the Master Common Area, party walks or common fences and driveways, or the upkeep of lawns and plantings in the Community;

13.1.5.2 Change the pro rata interest or obligations of any Lot or Condominium for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards;

13.1.5.3 Partition or subdivide any Lot or Condominium;

13.1.5.4 By act or omission, seek to abandon, subdivide, encumber, sell or transfer the Master Common Area or partition the Master Common Area except as provided for herein. The granting of easements for public utilities or for other public purposes consistent

with the intended uses of the Master Common Area and the Community shall not be deemed a transfer within the meaning of this clause;

13.1.5.5 Use hazard insurance proceeds for losses to any Master Common Area for other than repair, replacement or reconstruction of such Master Common Area, except as provided by statute in case of substantial damage to the Master Common Area of the Community;

13.1.5.6 Fail to maintain fire and extended coverage on insurable planned development common property within the Community on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost);

13.1.5.7 Effectuate any decision of the Master Association to terminate professional management by the Community Manager and assume self management of the Community; and

13.1.5.8 Amend any part of this Article 13.

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

13.1.7 The annual assessments shall include an adequate reserve fund for maintenance, repair and replacement of the improvements to the Master Common Area and those portions thereof that must be replaced on a periodic basis, and shall be payable in annual assessments rather than by special assessments.

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

13.1.9 In the event of substantial damage to or destruction of any Lot or Condominium or any element of the Master Common Area or possible condemnation or eminent domain procedure, the Institutional Lender under any first Mortgage on a Lot or Condominium is entitled to timely written notice of any such damage, destruction or proposed acquisition and no provision in the Bylaws, nor in this Master Declaration shall be interpreted to entitle any Owner or any other party to priority over any first Mortgagee with respect to the distribution to such Owner of any insurance proceeds or condemnation awards for losses to, or a taking of, Lots, Condominiums and/or Master Common Areas.

13.1.10 Any agreement for professional management of the Community, or any other contract providing for services by the Declarant or a Merchant Builder shall provide for termination by either party without cause or payment of a termination fee upon thirty (30) days'

written notice, and that the term of any such contract shall not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods.

13.1.11 The Master Association shall, upon the request of any Institutional Lender under a first Mortgage on a Lot or Condominium: (i) give written notice of all meetings of the Master Association and permit the Institutional Lender to designate a representative to attend all such meetings, and (ii) transmit to such Institutional Lender an annual audited financial statement of the Community within ninety (90) days following the end of any fiscal year of the Community at such Institutional Lender's cost.

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

13.1.13 First Mortgagees of Lots or Condominiums may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Master Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Master Common Area and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Master Association. This provision shall constitute an agreement by the Master Association for the express benefit of all first Mortgagees and upon request of any first Mortgagee the Master Association shall execute and deliver to such first Mortgagee a separate written Agreement embodying this provision.

ARTICLE 14

AMENDMENTS

Section 14.1 Amendments. During the period of time prior to conversion of the Class B membership to Class A membership, this Master Declaration may be amended by an instrument in writing signed by Delegates representing at least seventy-five percent (75%) of the voting power of each class of Members of the Master Association, which amendment shall become effective upon the recording thereof by the Office of the County Recorder of Sacramento County, California. After the conversion of Class B membership in the Master Association to Class A membership, the Master Declaration may be amended by an instrument in writing signed by Delegates representing (i) at least seventy-five percent (75%) of the total voting power of the Master Association, and (ii) at least seventy-five percent (75%) of the voting power of the Master Association other than Declarant and the Merchant Builders. In no event shall the

percentage of the voting power necessary to amend a specific provision of this Master Declaration be less than the percentage of affirmative votes prescribed for action to be taken under said provision. Any amendment of this Master Declaration which would defeat the obligation of the Master Association to maintain the Master Common Areas and facilities as described in Article 4 hereof, must receive the written approval of the California Department of Real Estate prior to the recordation thereof.

Section 14.2 Effectiveness of Amendment. From and after its effective date, each amendment made pursuant to the preceding paragraph shall be as effective as to all Lots and Condominiums within the Community, the Owners thereof and their successors in interest.

Section 14.3 Petition the Superior Court. Nothing in this Master Declaration shall restrict the ability of any Owner at any time to petition the Superior Court in the county in which the Community is located to amend this Master Declaration as provided under California Civil Code Section 1356.

ARTICLE 15 **ANNEXATION**

Section 15.1 Annexation of Additional Property by Declarant and Merchant Builders. All or portions of the additional real property described in Section 1.1.2 hereof may be annexed into the Community by the Declarant or, with the written consent of Declarant, by the Merchant Builder who owns such real property, without the consent of the Members of the Master Association for so long as Declarant or such Merchant Builder owns any portion of such additional real property, provided, however, that the Commissioner of the Department of Real Estate makes the following determinations as evidenced by the issuance of a Final Subdivision Public Report for such Phase of the Community:

(a) That the proposed annexation will not result in an overburdening of the Master Common Areas;

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

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

(d) That Declarant, or the Merchant Builder who owns such real property, executes a written commitment to pay to the Master Association concurrently with the closing of escrow for the first sale of a Lot or Condominium in the annexed property appropriate amounts for reserves for replacement or deferred maintenance of Master Common Area

improvements in the annexed property necessitated by, or arising out of the use and occupancy of Lots or Condominiums under a rental program conducted by Declarant or such Merchant Builder which has been in effect for a period of at least one (1) year as of the date of closing of the escrows for the first sale of a Lot or Condominium in the annexed property.

Section 15.2 Annexation of Additional Property by Master Association. Upon approval in writing by the Master Association, pursuant to the vote of Delegates representing at least two-thirds (2/3) of a majority of the voting power of its Members or the written assent of such Members, excluding the voting power or written assent of Declarant and the Merchant Builders, the Owner of any real property who desires to add such property to the scheme of this Master Declaration and to subject same to the jurisdiction of the Master Association, may file of record a Notice of Annexation which shall extend the scheme of this Master Declaration to such property.

Section 15.3 Land Classifications. The Properties and the Annexable Property shall be designated according to the following land classifications pursuant to this Master Declaration and any Notices of Annexation:

15.3.1 Residential Area. The Residential Area within the Properties and the Annexable Property consists of the single family residential Lots and Condominiums within the residential subdivisions in Parcel Nos. 4, 9, 17, 18, 22, 23, 26, 27 and 29 of Master Parcel Map of Westborough.

15.3.2 High Density Area. The High Density Area within the Annexable Property consists of Parcel Nos. 2 and 3 of Master Parcel Map of Westborough.

15.3.3 Commercial Area. The Commercial Area within the Annexable Property consists of Parcel No. 1 of Master Parcel Map of Westborough.

15.3.4 Industrial Area. The Industrial Area within the Annexable Property consists of Parcel Nos. 14 and 15 of Master Parcel Map of Westborough.

15.3.5 Institutional Area. The Institutional Area within the Annexable Property consists of Parcel Nos. 11 and 13 of Master Parcel Map of Westborough.

15.3.6 Employment Center Area. The Employment Center Area within the Annexable Property consists of Parcel No. 10 of Master Parcel Map of Westborough.

Section 15.4 Annexation Procedure. The annexation of additional real property authorized under Sections 15.1 and 15.2, 15.3 shall be made by filing of record a Notice of Annexation, or similar instrument, covering said additional real property, which Notice of Annexation shall expressly provide that the scheme of this Master Declaration shall extend to such additional real property. The Notice of Annexation may contain such complementary additions to and modifications of the covenants set forth in this Master Declaration as are necessary to reflect

the different character, if any, of the annexed property and which are not inconsistent with the general scheme of this Master Declaration. The provisions of any Notice of Annexation may impose on the additional property covered thereby such further or additional restrictions, land uses and limitations as may be appropriate or advisable, taking into consideration the nature or environmental sensitivity of such additional property. Except as set forth in this Section, no Notice of Annexation shall add, delete, revoke, modify or otherwise alter the covenants set forth in this Master Declaration. The Notice of Annexation shall include the following:

(a) A description of any part of the property being annexed that will be Master Common Area, including property located on public lands and right of way the Master Association shall maintain, if any;

(b) The designation of the Delegate District(s) in which the property being annexed will be included;

(c) A description of any part of the property being annexed that will constitute Commercial Area, Industrial Area, Employment Center Area, or Institutional Area, and

Section 15.5 Obligations of Annexed Property. The obligation of Owners in the annexed property to pay regular annual assessments levied by the Master Association and the right of such Owners to exercise voting rights in the Master Association in such annexed property shall not commence until the close of the first sale of a Lot or Condominium by Declarant or the applicable Merchant Builder in that particular Phase of development. The obligation of Owners in the annexed property to pay Club Charge assessments levied by the Master Association in such annexed property shall commence with respect to Lots and Condominiums in such annexed property upon the date such Lot or Condominium is annexed to the Community; provided, however, that Club Charge assessments shall not commence on any such Lot or Condominium until the date on which the Notice of Completion is filed for The Club.

Section 15.6 De-Annexation. Declarant, for itself and for the Merchant Builder(s) who then owns such real property, hereby reserves the right to de-annex any Lot(s) or Condominiums within the Community and to delete said Lot(s) or Condominiums from the scheme of this Master Declaration and from the jurisdiction of the Master Association, provided and on condition that the de-annexation shall be made prior to the closing date of the sale of the first Lot or Condominium in the annexed property within the Community by the recordation of an appropriate legal instrument executed by Declarant or by Declarant and the Merchant Builder who is the owner of the real property being de-annexed.

ARTICLE 16

PARTY WALLS

Section 16.1 Rights and Duties. The rights and duties of the Owners of Lots with respect to party walls shall be governed by the following:

16.1.1 Each wall which is constructed as a part of the original construction and located between separate Lots, shall constitute a party wall, and with respect to such wall, each of the adjoining Owners shall jointly assume the burdens and share the cost of reasonable maintenance and repair in proportion to such use. Each Lot shall be subject to an easement for that portion of the party wall which is necessary for support, and each such Owner shall be liable for all property damage due to negligence or willful acts or omissions in connection with such wall.

16.1.2 If any such party wall is damaged or destroyed through the act of one of the adjoining Owners, any member of his family, a guest, agent (whether or not such act is negligent or otherwise culpable) so as to deprive the other adjoining Owner of the full use and enjoyment of such wall, the Owner responsible for the damage or destruction thereon shall be required to make any and all necessary repairs thereto, without cost to the adjoining Owner.

16.1.3 If any such party wall is damaged or destroyed by some cause other than the act of one of the adjoining Owners, his agents, or family (including, but not limited to, earthquake damage), each adjoining Owner shall be required to make any and all necessary repairs thereto at their joint and equal expense.

16.1.4 Any Owner proposing to modify, make additions to, or rebuild his Lot in any manner which requires the extension or alteration of any party wall, shall be required to first obtain the written consent of the adjoining Owner. He must also comply with all dictates of this Master Declaration which may be relevant.

16.1.5 The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

16.1.6 In the event of a dispute between Owners with respect to the repair of a party wall or with respect to the sharing of the cost thereof, the matter shall be submitted to the Board for resolution upon the written request of either Owner. Any decision of the Board of Directors shall be final and conclusive upon the parties.

ARTICLE 17

COVENANTS IN FAVOR OF LOCAL JURISDICTION

Section 17.1 Local Jurisdiction. The local governmental entity with primary jurisdiction over this residential planned development is the City of Sacramento, a municipal corporation in the

State of California. The Master Association shall, at all times, abide by all City ordinances and resolutions as well as the laws of the State of California.

Section 17.2 Special Covenants. The following covenants shall be binding upon the Master Association and all Members in favor of the City of Sacramento:

17.2.1 The Master Association shall at all times provide for the maintenance of all open areas, parkway areas, and landscaping, sidewalks, courtyards and private streets and drives within the Master Common Area.

17.2.2 The Master Association shall be responsible for the maintenance, repair and replacement of landscaping improvements located in certain areas, including, but not limited to, landscaped right of way, medians and such other improvements as the City approves for maintenance by the Master Association, and as depicted on an Exhibit to a future recorded Notice of Annexation (collectively, "Off-Site Maintenance Areas") located outside of the geographical boundaries of the Community, in accordance with the Conditions of Approval for the Community. Subject to any applicable Maintenance Agreement entered into with Declarant or a Merchant Builder, the Master Association shall assume responsibility for maintenance of the Off-Site Maintenance Areas on a phase by phase basis. The locations and descriptions of the Off-Site Maintenance Areas, and the time for commencement of Master Association responsibility therefor, are described in Exhibit "D" attached hereto and incorporated herein by this reference. The Off-Site Maintenance Areas shall be maintained in accordance with the applicable City standards for such maintenance.

17.2.3 The Master Association hereby requests that the City of Sacramento enforce traffic and parking regulations on the streets within the Community pursuant to California Vehicle Code Section 21107.5.

Section 17.3 Water, Sewer and Storm Drain Facilities. Declarant shall fulfill all of the requirements set forth for the City of Sacramento Utilities Department to accept the underground water, sewer and storm drainage facilities located within the street public utility easement for maintenance, pursuant to the provisions governing Water Related Utilities in New Residential Subdivisions With Private Streets, in the City of Sacramento's Maintenance and Ownership Policy for Utilities in Private Streets, City Council Resolution No. 93-110 (hereafter referred to as the "Maintenance and Ownership Policy"). City of Sacramento maintenance of said facilities shall commence 60 days after City acceptance of these facilities, or after approval and recordation of this provision, whichever occurs last. The City of Sacramento shall be entitled to access the accepted underground water, sewer and storm drainage facilities located within the street public utility easement, for both routine and emergency maintenance, on a 24-hour basis.

Section 17.4 Street Lighting. Declarant shall fulfill all of the requirements set forth for the City of Sacramento to accept street lighting facilities located within the street public utility easement for maintenance, pursuant to the provisions governing Street Lighting in New Residential Subdivisions With Private Streets, in the Maintenance and Ownership Policy. City of Sacra-

mento maintenance of these facilities shall commence 60 days after City acceptance of these facilities, or after approval and recordation of this provision, whichever occurs last. The City of Sacramento shall be entitled to access the accepted street lighting facilities located within the street public utility easement, for both routine and emergency maintenance, on a 24-hour basis.

ARTICLE 18

APPLICATION OF MASTER DECLARATION TO NON-MEMBER AREAS

Section 18.1 Application. The provisions of this Article apply only to the High Density Area, the Commercial Area, the Industrial Area, the Institutional Area and the Employment Center Area (collectively referred to herein and to herein as the "Non-Member Areas"), and the Owners and occupants of Lots in the Non-Member Areas. 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 Non-Member Area.

Section 18.2 Other Provisions Not Applicable. The real property that is part of the Non-Member Areas and the Owners and Occupants of such property are subject to this Master Declaration only for the purpose of the enforcement of the provisions of this Article and for the purposes of the Non-Member Area Payments as set out in the Section entitled "Non-Member Area Payments." The Owners of Lots in the Non-Member Areas are not Members of the Master Association and the provisions of Articles 2, 3, 4 (except Section 4.1), 6 (except Section 6.2.7) 7 through 14, 16 and 17, do not apply to the Non-Member Areas and do not apply to the Owners and Occupants of Lots in the Non-Member Areas.

Section 18.3 Landscaping and Improvements. The landscaping and improvements in the Non-Member Areas shall be maintained by the respective Owners thereof 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 18.4 Lake Quality Expenses. The Lake acts as a storm drainage retention area for water drawing from the entire Community, including the Non-Member Areas. The Master 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 Non-Member Areas, including Declarant, covenants and agrees to pay to the Master Association for each Lot owned that Owner's share of the Lake quality expenses, as required by Section 5.9 hereof.

Section 18.5 Non-Member Area Restrictions.

18.5.1 General. The Non-Member Area and the adjoining streets whether public or private shall be subject to the use restrictions set forth in the following paragraphs of this Section.

18.5.2 Lake Protection. The storm drainage system for the entire Community 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 Community so as to control the growth of organisms in the Lake.

18.5.3 Violations of Law. Any activity that violates any governmental rule, regulation, ordinance, statute, or law now or hereafter applying to the Non-Member Areas and the use of the Non-Member Area property is prohibited.

18.5.4 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.

18.5.5 Shortwave or other Electronic Interference. The operation of any shortwave or any other kind of electronic device within the Community that in any way interferes with radio, television, or other electronic signal reception within the Community is prohibited.

ARTICLE 19 GENERAL PROVISIONS

Section 19.1 Extension of Master Declaration. The provisions of this Master Declaration shall run with the land and bind the Community, and shall inure to the benefit of and shall be enforceable by the Master Association or the Owner of any Lot or Condominium subject to this Master Declaration, their respective legal representatives, heirs, successors and assigns, for a term of sixty (60) years from the date this Master Declaration is recorded, after which time the provisions of this Master Declaration shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by Delegates representing at least sixty-six and two-thirds percent (66-2/3%) of the then Owners of Lots and Condominiums, has been recorded within six (6) months of the anticipated termination date. The contents of such instrument shall contain the agreement to terminate this Master Declaration as it may be supplemented in whole or in part.

Section 19.2 Encroachment Easement. In the event any improvement to a Lot or Condominium encroaches upon the Master Common Area as a result of the initial construction, or as the result of repair, shifting, settlement or movement of any portion thereof, an easement for the encroachment and for the maintenance of same, shall exist so long as the encroachment exists. Further, each Owner within the Properties is hereby granted an easement over all adjoining Lots or Condominiums for the purpose of accommodating any minor encroachment, due to engineering errors, errors in original construction, settlement or shifting of the building, roof overhand, architectural or other appendants for so long as any such encroachment continues to exist.

Section 19.3 Ownership Interest. An ownership interest in a Lot or Condominium within the Community may pass from the estate of a deceased person to more than one person; provided, however, that only one living individual shall be entitled to have membership privileges in the Master Association derived from such ownership with the power to delegate use of Master Common Area and facilities to family members, tenants, and contract purchasers who are occupants, as provided in Section 2.3.

Section 19.4 Severability. In the event any limitation, restriction, condition, covenant or provision contained in this Master Declaration is to be held invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Master Declaration shall, nevertheless, be and remain in full force and effect.

Section 19.5 Liberal Construction. The provisions of this Master Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community.

Section 19.6 Termination of Declarant's Obligations. In the event Declarant shall convey all of its right, title and interest in and to the Community to any partnership, individual or individuals, corporation or corporations, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant.

Section 19.7 Number, Gender. The singular shall include the plural and the plural the singular unless the context requires to the contrary, and the masculine, feminine and neuter shall each include the masculine, feminine or neuter, as the context requires.

Section 19.8 Non-Liability of Declarant and Merchant Builders. Each Owner, by acceptance of a deed, shall be deemed to have agreed that Declarant and the Merchant Builders shall have no liability whatsoever resulting from any term or provision thereof having been held to be unenforceable in whole or in part. Declarant and the Merchant Builders shall have the right but not the obligation to enforce the provisions of this Master Declaration

Section 19.9 Grantees Subject to this Master Declaration. Each grantee of a conveyance or purchaser under a contract or agreement of sale, by accepting the deed or contract of sale or agreement of purchase, accepts the same subject to all of the limitations, restrictions, conditions and covenants, and agreements set forth in this Master Declaration, and agrees to be bound by the same.

Section 19.10 Bonded Obligations. In the event that improvements to the Community have not been completed prior to the issuance of the Final Subdivision Public Report for the Community, and the Master Association is obligee under a bond or other security (hereinafter "Bond") to secure performance of the commitment of the Declarant or any Merchant Builder to complete such improvements, the following provisions shall apply:

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

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

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

19.10.4 The Master Association shall act in a reasonably prompt manner to exonerate Declarant or the applicable Merchant Builder and its surety under any Bond in favor of the Master Association upon completion of the improvements.

ARTICLE 20

DISPUTE MECHANISM

Section 20.1 Disputes Re Damage To Property. Not later than thirty (30) days prior to the filing of any civil action by the Master Association against the Declarant, a Merchant Builder, or other developer of the Community for alleged damage to the Master Common Area, alleged damage to the Lots or Condominiums that the Master Association is obligated to maintain or repair, or alleged damage to the Lots that arises out of, or is integrally related, to damage to the Master Common Area or Lots that the Master Association is obligated to maintain or repair, the Board shall provide written notice to each Member who appears on the records of the Master Association at the time notice is given, specifying (a) that a meeting of Members will be held to discuss problems that may lead to the filing of a civil action, (b) the options, including civil actions, that are available to address the problems, and (c) the time and place of the

meeting. All references to "Declarant" in this Article shall be deemed to refer equally to any Merchant Builder who is alleged to be responsible for any such alleged damage. If the Master Association has reason to believe that the applicable statute of limitations will expire before the Master Association files the civil action, the Master Association may give the foregoing notice not later than thirty (30) days after the filing of the action.

Section 20.2 Disputes Resolution. Any disputes between all or any of the Master Association, a Sub-Association, Owner(s), the Declarant, Merchant Builder(s), or any director, officer, partner, employer, contractor, design professional, consultant, subcontractor or agent of the Declarant or Merchant Builder(s) (collectively "Declarant Parties"), arising under this Master Declaration or relating to the Properties (but excluding disputes between Declarant and Merchant Builder(s)), shall be subject to the following provisions of this Section 20.2 and the following Section 20.3.

20.2.1 Construction Defect Disputes. Prior to the commencement of any legal action by the Master Association, any Sub-Association or any Owner against the Master Association, Declarant or any Declarant Party based upon a claim for defects in the design or construction of any Lot or Condominium, Master Common Area, or any Improvements thereon, the Master Association, Sub-Association or such Owner must first comply with all of the applicable requirements of Civil Code Section 1375, as the same may be amended from time to time, or any successor statute thereto (notwithstanding the fact that said Section 1375 does not by its terms apply to Owners). If the parties to such dispute are unable to resolve their dispute in accordance with the procedures established under Civil Code Section 1375, as the same may be amended from time to time, or any successor statute, the dispute shall be resolved in accordance with the judicial reference provisions of Section 20.3 below and the parties to the dispute shall each be responsible for their own attorneys' fees.

20.2.2 Other Disputes. Any other disputes arising under this Master Declaration, or otherwise, between the Master Association, any Sub-Association, or any Owner and any Declarant Party (except for any action taken by the Master Association against Declarant or a Merchant Builder for delinquent assessments, and any action involving enforcement of any completion bonds) (but excluding disputes between Merchant Builder(s) and Declarant) shall be resolved in accordance with the judicial reference provisions of Section 20.3 below. The dispute resolution procedure in Section 20.3, as it applies solely to disputes under this Section 20.2.2, shall be deemed to satisfy the alternative dispute requirements of Civil Code Section 1354, or any successor statute, as applicable.

Section 20.3 Judicial Reference. It is the intention of Declarant that, except as otherwise expressly provided herein, any and all disputes arising under this Master Declaration, based upon which litigation is filed, shall be resolved by judicial reference under California law. Accordingly, except as otherwise expressly provided in this Master Declaration (such as with respect to collection of delinquent assessments), any dispute between the Master Association or any Owner(s) and the Declarant, or Merchant Builder(s), or other developer of the Community, or between the Master Association and any Owner, with respect to the interpretation of

any of the provisions of this Master Declaration, or with respect to any alleged breach hereof, or with respect to any other claim related to the Properties, including, without limitation, any unresolved claim arising out of any alleged latent or patent construction or design defect in the Community or any part thereof, any judicial determination to be made under California Civil Code Section 1375(h), or for alleged damage to the Master Common Area, alleged damage to the Lots or Condominiums that the Master Association is obligated to maintain or repair, or any alleged damage to the Lots or Condominiums that arises out of, or is integrally related, to damage to the Master Common Area or Lots or Condominiums that the Master Association is obligated to maintain or repair, shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure Sections 638.1 and 641 through 645.1. Notwithstanding any other provision of this Master Declaration, this Section shall not be amended without the written consent of Declarant. In the event litigation is filed based upon any such dispute, the following shall apply:

20.3.1 The proceeding shall be brought and held in the County in which the Properties are located, unless the parties agree to an alternative venue.

20.3.2 The parties shall use the procedures adopted by JAMS/ENDISPUTE ("JAMS") for judicial reference and selection of a referee (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties).

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

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

20.3.5 The referee shall be authorized to provide all remedies available in law or equity appropriate under the circumstances of the controversy, other than punitive damages.

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

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

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

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

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

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

20.3.12 The costs of such proceeding, including the fees of a referee, shall be borne equally by the parties to the dispute.

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

Section 20.4 Use of Damage Award Amounts. Any and all amounts awarded to a claimant on account of a claimed construction or design defect, or damage suffered as a result thereof, shall be expended by such claimant for the attorney fees and costs of the proceeding and the repair, rehabilitation, or remediation of the claimed defect or damage.

Section 20.5 Disputes Relating To Enforcement Of Governing Documents. In the event of a dispute between the Master Association and an Owner, or between an Owner and another Owner, relating to the enforcement of the governing documents of the Master Association, the parties shall comply with the provisions of California Civil Code Section 1354(b) through (j), prior to filing of any civil action.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned hereunto executed this Master Declaration
this 9th day of MARCH, 2001.

"DECLARANT":

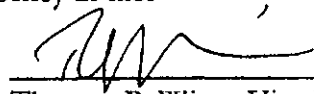
WINNCREST NATOMAS, LLC;

a Nevada limited liability company,

By: Lennar Winncrest, LLC,
a Delaware limited liability company

By: Lennar Land Partners, II
a Florida general partnership
Its Managing Member

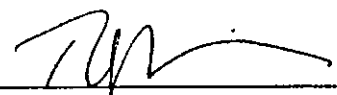
By: Lennar Homes of California, Inc.
a California corporation
Its attorney in fact

By: 
Thomas P. Winn, Vice President

"LW1, LLC"

LW1, LLC,
a Delaware limited liability company

By: Lennar Homes of California, Inc.,
a California corporation
Manager

By: 
Thomas P. Winn, Vice President

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Placer } ss.

On March 9, 2001, before me, Donna Ross, Notary Public,
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Thomas P. Winn,
Name(s) of Signer(s)

- ☒ personally known to me
☐ 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.



Place Notary Seal Above

WITNESS my hand and official seal.

Donna Ross
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Amended / Restated Master Declaration of Establishment of CC & RS for Westlake

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: Thomas P. Winn

☐ Individual

☒ Corporate Officer — Title(s): Vice President

☐ Partner — ☐ Limited ☐ General

☐ Attorney in Fact

☐ Trustee

☐ Guardian or Conservator

☐ Other: _____

Signer Is Representing: Winncrest Natomais, LLC
by: Linnar Homes of California, Inc.

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Placer

SS.

On March 9, 2001

Date

before me, Donna Ross, Notary Public

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Thomas P. Winn

Name(s) of Signer(s)

☒ personally known to me

☐ 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.



Place Notary Seal Above

WITNESS my hand and official seal.

Donna Ross

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

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Signer's Name: Thomas P. Winn

☐ Individual

☒ Corporate Officer — Title(s): Vice President

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☐ Attorney in Fact

☐ Trustee

☐ Guardian or Conservator

☐ Other: _____

Signer Is Representing: LWI, LLC - by: Lennar Homes of California, Inc.

RIGHT THUMBPRINT OF SIGNER

Top of thumb here

EXHIBIT "A"

THE PROPERTIES

Village 5, Phase 1

In the City of Sacramento, County of Sacramento, State of California:

LOTS 1 THROUGH 66, INCLUSIVE, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 5, PHASE 1", RECORDED ON OCTOBER 27, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 278 OF MAPS, AT PAGE 9.

The Master Common Area within the Properties is as follows:

LOTS A, B, C, E, F AND G, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 5, PHASE 1", RECORDED ON OCTOBER 27, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 278 OF MAPS, AT PAGE 9.

EXHIBIT "B"

ANNEXABLE PROPERTY

In the City of Sacramento, County of Sacramento, State of California:

VILLAGE 1

Residential Lots, Phase 1:

LOTS 1 THROUGH 81, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 1, PHASE 1", RECORDED ON OCTOBER 16, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 277 OF MAPS, AT PAGE 7.

Master Common Area Lot, Phase 1:

LOT A AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 1, PHASE 1", RECORDED ON OCTOBER 16, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 277 OF MAPS, AT PAGE 7.

Village 1, Phase 2:

THE REMAINDER OF LANDS, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 1, PHASE 1", RECORDED ON OCTOBER 16, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 277 OF MAPS, AT PAGE 7.

VILLAGE 2

Residential Lots, Phase 1:

LOTS 1 THROUGH 68, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 2, PHASE 1", RECORDED ON SEPTEMBER 28, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 276 OF MAPS, AT PAGE 6.

Master Common Area Lots, Phase 1:

LOTS A, B, C, and D, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 2, PHASE 1", RECORDED ON SEPTEMBER 28, 2000, IN THE

OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 276 OF MAPS, AT PAGE 6.

Village 2, Phase 2:

THE REMAINDER OF LANDS, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 2, PHASE 1", RECORDED ON SEPTEMBER 28, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 276 OF MAPS, AT PAGE 6.

VILLAGE 3

Residential Lots, Phase 1:

LOTS 1 THROUGH 60, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 3, PHASE 1", RECORDED ON OCTOBER 16, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 277 OF MAPS, AT PAGE 8.

Master Common Area Lot, Phase 1:

LOT A, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 3, PHASE 1", RECORDED ON OCTOBER 16, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 277 OF MAPS, AT PAGE 8.

Village 3, Phase 2:

THE REMAINDER OF LANDS, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 3, PHASE 1", RECORDED ON OCTOBER 16, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 277 OF MAPS, AT PAGE 8.

VILLAGE 4

Residential Lots, Phase 1:

LOTS 1 THROUGH 65, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 4, PHASE 1", RECORDED ON NOVEMBER 3, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 279 OF MAPS, AT PAGE 8.

Master Common Area Lots, Phase 1:

LOTS A AND B, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 4, PHASE 1", RECORDED ON NOVEMBER 3, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 279 OF MAPS, AT PAGE 8.

Residential Lots, Phase 2:

LOTS 1 THROUGH 92, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 4, PHASE 2", RECORDED ON OCTOBER 27, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 278 OF MAPS, AT PAGE 8.

Master Common Area Lots, Phase 2:

LOTS A, B, C, AND D, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 4, PHASE 2", RECORDED ON OCTOBER 27, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 278 OF MAPS, AT PAGE 8.

VILLAGE 5, Phase 2

THE REMAINDER OF LANDS AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 5, PHASE 1", RECORDED ON OCTOBER 27, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 278 OF MAPS, AT PAGE 9.

VILLAGE 6

Residential Lots:

LOTS 1 THROUGH 84, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 6", RECORDED ON NOVEMBER 28, 2000, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 280 OF MAPS, AT PAGE 3.

Master Common Area Lots:

LOTS A, B, C, D, E, F, H, J, AND L, AS SHOWN ON THE FINAL MAP OF "WESTBOROUGH VILLAGE 6", RECORDED ON NOVEMBER 28, 2000, IN

THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, IN BOOK 280
OF MAPS, AT PAGE 3.

OTHER ANNEXABLE PROPERTY:

PARCELS 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 19, 20, 21, 24, 25, 28, 30, 31,
32, A, B, C, D, E, F, G, H, AND I, AS SHOWN ON THE MASTER PARCEL MAP
OF "WESTBOROUGH" FILED FOR RECORD IN THE OFFICE OF THE
SACRAMENTO COUNTY RECORDER ON JUNE 14, 2000, IN BOOK 158 OF
MAPS, AT MAP NO. 1.

EXHIBIT "C"
DOCK SPECIFICATIONS

6\LENNAR\WESTLAKE\CC&RS-5.WPD\5
3-6-01

C-1

LEGEND

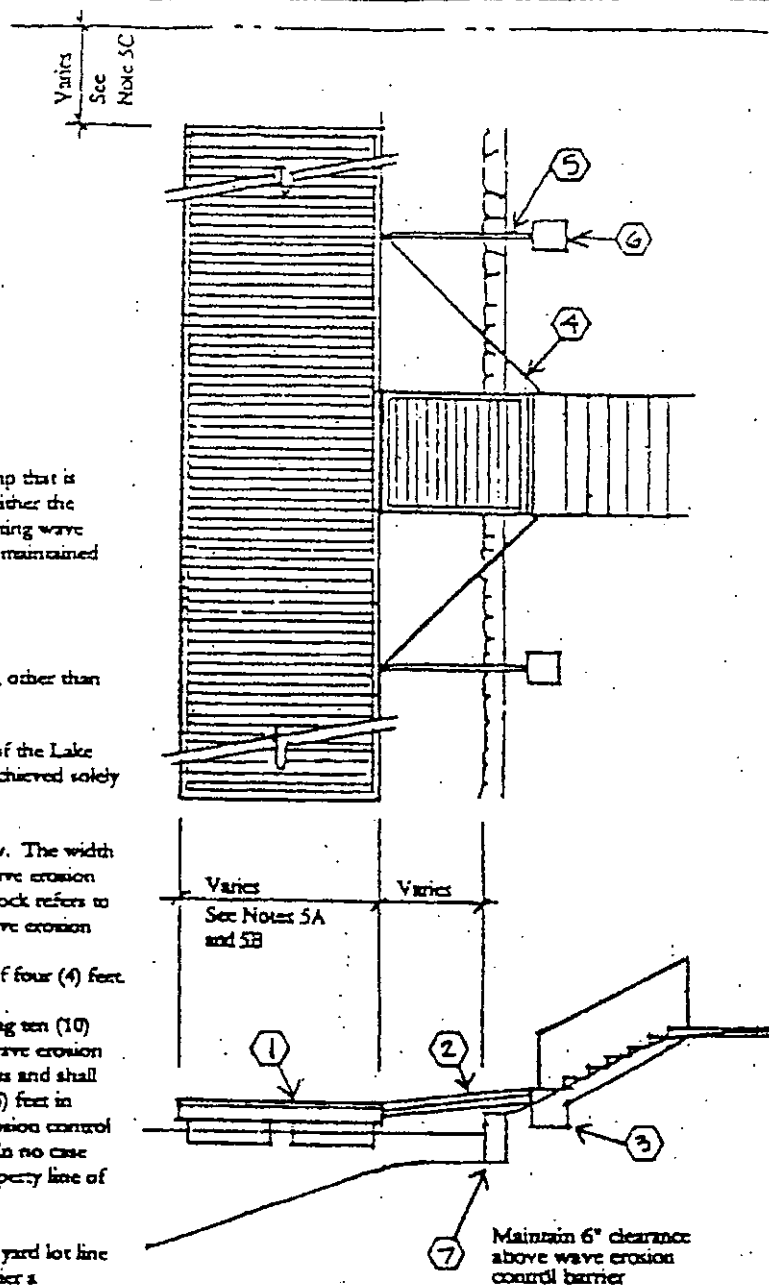
- ① FLOATING DOCK
- ② ACCESS RAMP
- ③ CONCRETE ABUTMENT
- ④ CABLE/GUY WIRES
- ⑤ RIGID GALV. PIPE
- ⑥ "DEADMAN"
- ⑦ WAVE EROSION CONTROL BARRIER

NOTES:

1. Docks are to be floating type accessible by a ramp that is hinged at a concrete abutment on the slope. Neither the ramps nor the abutment may bear upon the existing wave erosion control barrier. A 6" clearance must be maintained above the wave erosion control barrier.
2. Plastic lumber is acceptable for decking.
3. Metal and reflective materials are not acceptable, other than marine hardware.
4. No pylons or posts are permitted. Penetration of the Lake bottom is not permitted. Stabilization must be achieved solely through the use of cables and rigid pipe.
5. Docks shall be no greater size than set out below. The width of the Dock refers to its length parallel to the wave erosion control barrier of the Lake. The depth of the Dock refers to its length measured perpendicularly from the wave erosion control barrier of the Lake.
 - A. Docks must have a minimum depth of four (4) feet.
 - B. Docks shall have a depth not exceeding ten (10) feet in depth on Lots having a Lake wave erosion control barrier of thirty (30) feet or less and shall have a depth not exceeding fifteen (15) feet in depth on Lots having a Lake wave erosion control barrier of more than thirty (30) feet. In no case shall any dock extend beyond the property line of the Lot to which it attaches.
 - C. Docks shall be set back from the side yard lot line of the Lake wave erosion control barrier a minimum distance of ten (10) feet on Lots having a Lake wave erosion control barrier of more than thirty (30) feet. In Lots having a Lake wave erosion control barrier 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.
6. Owner is required to obtain written approval from the Westlake Architectural Review Committee and building permits as required from the County of Sacramento.

DOCK DIAGRAM

WESTLAKE COMMUNITY



LAYOUT PLAN
SCALE: 1/8" = 1'-0"

DISCLAIMER NOTE:

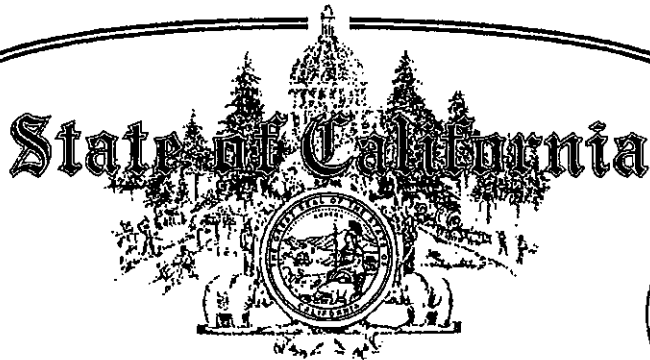
THESE DRAWINGS AND DETAILS ARE FOR DESIGN INTENT ONLY AND BASIC CONFORMANCE BY THE GENERAL CONTRACTOR. IT SHALL BE THE GENERAL CONTRACTOR'S RESPONSIBILITY TO FIELD VERIFY ALL CONDITIONS, COORDINATE CONSTRUCTION, AND VERIFY STRUCTURAL INTEGRITY OF ALL IMPROVEMENTS. ALL IMPROVEMENTS ARE TO CONFORM TO APPLICABLE BUILDING AND ZONING CODES OF THE COUNTY OF SACRAMENTO.

EXHIBIT "D"

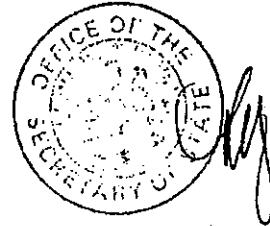
OFF-SITE MAINTENANCE AREAS

The Off-Site Maintenance Areas consist of the Median Islands shown on the attached diagram.





SECRETARY OF STATE



I, *Kevin Shelley*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 1 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

JUL 3 0 2004



Kevin Shelley
Secretary of State

2667807

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

JUL 26 2004

ARTICLES OF INCORPORATION
OF
WESTLAKE VILLAS COMMUNITY ASSOCIATION

KEVIN SHELLEY
Secretary of State

ONE: The name of this corporation is WESTLAKE VILLAS COMMUNITY ASSOCIATION ("Corporation" herein).

TWO: This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such law.

THREE: The Corporation's initial agent for service of process is Ronald Meer, whose business address is 4100 Newport Place, Suite 840, Newport Beach, California 92660.

FOUR: The Corporation shall have and exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Mutual Benefit Corporation Law may now or hereafter have or exercise, provided that the Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of the Corporation, which is to operate a homeowners association within the meaning of Section 23701t of the California Revenue and Taxation Code and Section 528 of the Internal Revenue Code and to manage a common interest development under the Davis-Stirling Common Interest Development Act. The Corporation does not have a corporate office. The common interest development is located at the intersection of Westlake Parkway and Del Paso Road, in the City of Sacramento, California 95835-2071.

FIVE: The classes of Membership and the voting and other rights and privileges of Members shall be as set forth in the Bylaws. So long as there are two classes of Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, and (ii) Members representing a bare majority of the voting power of each class of Members. After conversion of the Class B Membership to Class A Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, (ii) a bare majority of the total voting power of the Members, and (iii) Members representing a bare majority of the voting power of the Members other than the Subdivider of the Project ("Declarant").

SIX: The Corporation has no managing agent.

The undersigned, who is the incorporator of the Corporation, has executed these Articles of Incorporation on ~~June~~ July 22, 2004.


Ronald Meer, Incorporator





State of California

N

Kevin Shelley
Secretary of State

STATEMENT OF INFORMATION (Domestic Nonprofit Corporation)

Filing Fee \$20.00. If amendment, see instructions.

IMPORTANT — READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

1. **CORPORATE NAME** (Please do not alter if name is preprinted.)

WESTLAKE VILLAS COMMUNITY ASSOCIATION

This Space For Filing Use Only

COMPLETE PRINCIPAL OFFICE ADDRESS (Do not abbreviate the name of the city. Item 2 cannot be a P.O. Box.)

2. **STREET ADDRESS OF PRINCIPAL OFFICE IN CALIFORNIA, IF ANY**

CITY

STATE

ZIP CODE

4100 Newport Place, Suite 840

Newport Beach

CA

92660

NAMES AND COMPLETE ADDRESSES OF THE FOLLOWING OFFICERS (The corporation must have these three officers. A comparable title for the specific officer may be added; however, the preprinted titles on this form must not be altered.)

3. **CHIEF EXECUTIVE OFFICER/**

ADDRESS

CITY AND STATE

ZIP CODE

Ronald L. Meer

4100 Newport Place, Suite 840

Newport Beach, CA

92660

4. **SECRETARY/**

ADDRESS

CITY AND STATE

ZIP CODE

Ronald L. Meer

4100 Newport Place, Suite 840

Newport Beach, CA

92660

5. **CHIEF FINANCIAL OFFICER/**

ADDRESS

CITY AND STATE

ZIP CODE

Ronald L. Meer

4100 Newport Place, Suite 840

Newport Beach, CA

92660

AGENT FOR SERVICE OF PROCESS (If the agent is an individual, the agent must reside in California and Item 7 must be completed with a California address. If the agent is another corporation, the agent must have on file with the California Secretary of State a certificate pursuant to Corporations Code section 1505 and Item 7 must be left blank.)

6. **NAME OF AGENT FOR SERVICE OF PROCESS**

Ronald L. Meer

7. **ADDRESS OF AGENT FOR SERVICE OF PROCESS IN CALIFORNIA, IF AN INDIVIDUAL**

CITY

STATE

ZIP CODE

4100 Newport Place, Suite 840

Newport Beach

CA

92660

DAVIS-STIRLING COMMON INTEREST DEVELOPMENT ACT (California Civil Code section 1350, et seq.)

8. ☒ Check here if the corporation is an association formed to manage a common interest development under the Davis-Stirling Common Interest Development Act and proceed to items 9, 10 and 11.

NOTE: Corporations formed to manage a common interest development must also file a Statement by Common Interest Development Association (Form SI-CID) as required by California Civil Code section 1363.8. Please see instructions on the reverse side of this form.

9. **ADDRESS OF BUSINESS OR CORPORATE OFFICE OF THE ASSOCIATION, IF ANY**

CITY

STATE

ZIP CODE

4100 Newport Place, Suite 840

Newport Beach

CA

92660

10. **FRONT STREET AND NEAREST CROSS STREET FOR THE PHYSICAL LOCATION OF THE COMMON INTEREST DEVELOPMENT**
(Complete if the business or corporate office is not on the site of the common interest development.)

9-DIGIT ZIP CODE

Westlake Parkway and Del Paso Road, Sacramento, CA 95835-2071

11. **NAME AND ADDRESS OF ASSOCIATION'S MANAGING AGENT IF ANY**

CITY

STATE

ZIP CODE

None yet

12. **THE INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.**

Ronald L. Meer

President

TYPE OR PRINT NAME OF PERSON COMPLETING THE FORM

SIGNATURE

TITLE

DATE



State of California
Kevin Shelley
Secretary of State

**STATEMENT BY COMMON INTEREST
 DEVELOPMENT ASSOCIATION**

Filing Fee \$15.00. If amendment, see Instructions.

IMPORTANT — READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

1 NAME OF ASSOCIATION

WESTLAKE VILLAS COMMUNITY ASSOCIATION

This Space For Filing Use Only

2 The above named association is formed to manage a common interest development under the Davis-Stirling Common Interest Development Act. (This statement is required by Civil Code section 1363.6(a)(1) and must not be altered.)

3. THIS ASSOCIATION IS: ☒ INCORPORATED ☐ UNINCORPORATED

STREET ADDRESS OF ASSOCIATION'S ONSITE OFFICE OR, IF NONE, THE ADDRESS OF THE ASSOCIATION'S RESPONSIBLE OFFICER OR MANAGING AGENT (Please do not abbreviate the name of the city. Item 4 cannot be a P.O. Box.)

4. STREET ADDRESS 4100 Newport Place, Suite 840	CITY Newport Beach	STATE CA	ZIP CODE 92660

NAME, ADDRESS AND EITHER THE DAYTIME TELEPHONE NUMBER OR E-MAIL ADDRESS OF THE PRESIDENT OF THE ASSOCIATION (The address and telephone number must be different from the address and telephone number of the association's onsite office or managing agent. Please do not abbreviate the name of the city.)

5. NAME Ronald L. Meer	PHONE NUMBER OR E-MAIL ADDRESS (949) 442-0900
ADDRESS 4100 Newport Place, Suite 840	CITY Newport Beach
STATE CA	ZIP CODE 92660

NAME, COMPLETE STREET ADDRESS, AND DAYTIME TELEPHONE NUMBER OF THE ASSOCIATION'S MANAGING AGENT, IF ANY (The address and telephone number must be different from the address and telephone number of the president of the association. Please do not abbreviate the name of the city. Item 6 cannot be a P.O. Box.)

6. NAME None yet	PHONE NUMBER
STREET ADDRESS	CITY
STATE	ZIP CODE

PHYSICAL LOCATION OF THE DEVELOPMENT

7A. COUNTY OR COUNTIES
Sacramento

7B. CITY (If in an unincorporated area, enter the city closest in proximity.)
Sacramento

8A. FRONT STREET Westlake Parkway	8B. NEAREST CROSS STREET Del Paso Road	8C. NINE-DIGIT ZIP CODE 95835-2071

TYPE OF COMMON INTEREST DEVELOPMENT MANAGED BY THE ASSOCIATION (At least one of the types listed must be checked. Refer to Civil Code section 1351 for definitions.)

- 9. CHECK THE APPLICABLE BOX:**
- ☐ A COMMUNITY APARTMENT PROJECT
- ☒ A CONDOMINIUM PROJECT
- ☐ A PLANNED DEVELOPMENT
- ☐ A STOCK COOPERATIVE

SEPARATE INTERESTS (Please note, "Zero" or "none" is not acceptable.)

10. THE NUMBER OF SEPARATE INTERESTS IN THE DEVELOPMENT
285

11 THE INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

Ronald L. Meer

President

TYPE OR PRINT NAME OF PERSON COMPLETING THE FORM

SIGNATURE

TITLE

DATE

CONSENT OF DIRECTORS
IN LIEU OF FIRST MEETING OF
WESTLAKE VILLAS COMMUNITY ASSOCIATION

The undersigned, being all of the members of the Board of Directors, do hereby dispense with the formality of the first meeting of Directors pursuant to Section 2.12 of the Bylaws and Section 7211(b) of the California Corporations Code, and do, by signing their names below, consent to the actions, hereinafter set forth, taken or to be taken by WESTLAKE VILLAS COMMUNITY ASSOCIATION (the "Association"):

1. Appointment of Officers.

RESOLVED, that the following persons be, and they hereby are, duly appointed to the offices set opposite their name:

President	Ronald L. Meer
Vice President	Ronald L. Meer
Secretary	Ronald L. Meer
Treasurer	Ronald L. Meer

2. Appointment of Design Review Committee

RESOLVED, that pursuant to the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements governing the Association, the Design Review Committee shall consist of three (3) members approved by the Declarant under the Declaration, for a term not to exceed that provided for in the Declaration. The members are:

Ronald L. Meer
Bradley S. Meer
Bruce Haniford

3. Agent for Service of Process.

RESOLVED, that the Agent for Service of Process on behalf of the Association is Ronald L. Meer.

4. Accounting Year.

RESOLVED, that the Association adopt an accounting year as follows:

Date Accounting Year Ends: December 31

5. Bylaws.

RESOLVED, that the form of Bylaws presented to and reviewed by this Board of Directors be, and the same hereby are, adopted as the Bylaws for the Association.

6. Declaration.

RESOLVED, that the Board of Directors, on behalf of the Association, adopts and accepts the obligations of the Association as set forth in the Declaration.

7. Corporate Seal.

RESOLVED, that the Association adopt, and there is hereby adopted, a Seal of the Association bearing the name of the Association and the date of its incorporation.

8. Principal Office Location.

RESOLVED, that Sacramento County be, and the same hereby is, designated and fixed as the County in which the principal office for the transaction of business of the Association shall be located, until changed by a subsequent resolution of this Board of Directors; and

RESOLVED FURTHER, that the mailing address for the transaction of the business of the Association, until changed by a subsequent resolution of this Board of Directors, shall be 4100 Newport Place, Suite 840, Newport Beach, California 92660.

9. Department of Real Estate.

RESOLVED, that any officer, acting alone, be and hereby is, authorized to execute the Instructions to Escrow Depositary and other documents, on behalf of the Association, as required by the California Department of Real Estate in connection with the issuance of any Final Subdivision Public Report covering the property administered by the Association.

10. Insurance.

RESOLVED, that the officers be, and they hereby are, authorized, on behalf of the Association, to obtain from an insurance agency such insurance and fidelity bonds as are required by the Declaration.

11. Certified Public Accountant.

RESOLVED, that the officers be, and they hereby are, on behalf of the Association, authorized to designate a Certified Public Accountant as the accountant for the Association.

12. Committees.

RESOLVED, that the officers be, and hereby are, on behalf of the Association, authorized to designate Committees as necessary to carry out the obligations of the Association.

13. Membership Book.

RESOLVED, that the officers be, and hereby are, on behalf of the Association, authorized and directed to maintain a Membership Book of the names of owners and mortgagees.

14. Record of Affairs.

RESOLVED, that the officers be, and hereby are, on behalf of the Association, authorized and directed to keep, or cause to be kept, a complete record of all acts and corporate affairs of the Association.

15. Budget.

RESOLVED, that the Board of Directors, on behalf of the Association, adopts and accepts the budget of the Association as on file with the California Department of Real Estate; and

RESOLVED FURTHER, that the Board of Directors, on behalf of the Association, establishes the annual assessment against each home in the amount as set forth in the Budget; and

RESOLVED FURTHER, that the officers be, and hereby are, on behalf of the Association, authorized and directed to collect annual assessments on a monthly basis.

16. Exemption from Taxes.

RESOLVED, that the Board of Directors be, and hereby are, on behalf of the Association, authorized to consult with legal counsel and a certified public accountant to ascertain the availability and desirability of exemptions from taxation under the federal and state tax codes, and if such are available and deemed desirable by the officers, the officers are authorized and directed to execute and file all necessary applications for exemptions from such tax with the appropriate state and federal tax authorities, and to pay necessary filing fees.

17. Rules and Regulations.

RESOLVED, that the Board of Directors be, and hereby are, on behalf of the Association, authorized to adopt such Rules and Regulations as the Board may deem necessary for the management of the Association's affairs.

18. Maintenance.

RESOLVED, that the officers be, and hereby are, on behalf of the Association, authorized to contract for and pay for maintenance, gardening, and common utilities services, and for materials and supplies and other Common Expenses relating to the Common Property.

19. Managing Agent.

RESOLVED, that the Board of Directors be, and hereby are, on behalf of the Association, authorized to engage a professional Manager for the Association at a compensation established by the Board to perform such duties and services as the Board shall authorize.

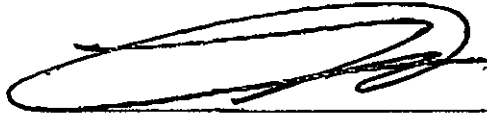
20. Bank Accounts.

RESOLVED, that the officers be, and hereby are, on behalf of the Association, authorized to open, keep and close general and special bank accounts, including general deposit accounts, payroll accounts, working fund accounts, and safe deposit boxes with any such depository.

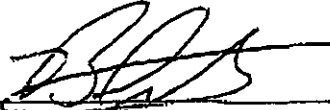
This Consent shall be filed with the Secretary of WESTLAKE VILLAS COMMUNITY ASSOCIATION, who is hereby instructed to post a copy in the Common Area within three (3) days hereof and to insert the original in the Minute Book of the Association.

DATED: July 26, 2004

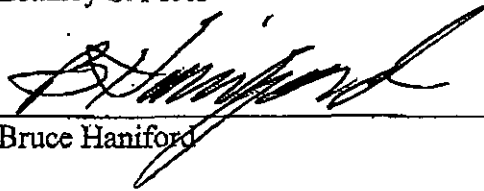
DIRECTORS:



Ronald L. Meier



Bradley S. Meer



Bruce Haniford

ACTION TAKEN BY INCORPORATOR
OF
WESTLAKE VILLAS COMMUNITY ASSOCIATION

Ronald L. Meer, the incorporator of Westlake Villas Community Association (the "Association"), hereby takes the following action pursuant to Section 7134 of the California Corporations Code.

ELECTION OF DIRECTORS

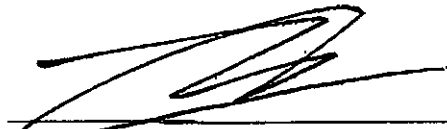
The following persons are hereby elected to serve as Directors of the Association:

Ronald L. Meer

Bradley S. Meer

Bruce Haniford

The undersigned incorporator of the Association takes the foregoing action this 26th day of July, 2004.



Ronald L. Meer, Incorporator

**WESTLAKE VILLAS
SUBSIDY AGREEMENT
(Phases 1 through 3)**

This Subsidy Agreement ("**Agreement**") is entered into by and between Westlake Villas, LLC, a California limited liability company ("**Declarant**") and Westlake Villas Community Association, a California mutual benefit corporation ("**Association**"). Declarant and Association are collectively referred to herein as the "**Parties**." Declarant and Association are entering into this Agreement with reference to the following facts:

RECITALS:

A. Declarant is developing a multi-phase, condominium conversion project known as Westlake Villas, located in the City of Sacramento, State of California (the "**Project**").

B. Declarant has prepared a Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Westlake Villas ("**Declaration**"), to be recorded in the Office of the Sacramento County Recorder. The Declaration provides that the Association is or will be responsible for maintaining the Common Property in the Project.

C. According to the Budget of the Association, Annual Assessments levied to defray the Association's Common Expenses in the initial Phases of the Project will be greater than Annual Assessments levied after later Phases are added to the Project.

D. To minimize this disparity, Declarant wishes to subsidize a portion of the Annual Assessments until enough Units become subject to assessment to alleviate the burden upon the Owners of Units in the initial Phases of the Project.

AGREEMENT

Therefore, in consideration of the mutual covenants and conditions contained herein, the Parties agree as follows:

1. **Definitions.** Unless otherwise stated herein, all capitalized terms used in this Agreement have the meanings given to them in the Declaration.

2. **Cancellation Prior to First Close of Escrow.** The term of this Agreement ("**Term**") will not commence and Declarant will not be required to pay any subsidy to Association, if Declarant serves written notice of cancellation of this Agreement upon the Association and the California Department of Real Estate ("**DRE**") at any time prior to the first Close of Escrow for the sale of a residential Unit in Phase 1 of the Project.

3. **Term of Agreement.** Subject to Paragraph 2 of this Agreement, the Term shall commence on the first day of the first calendar month following the first Close of Escrow for the

sale of a Unit in Phase 1 of the Project, and shall continue until terminated in accordance with Paragraph 4 of this Agreement.

4. **Termination of Agreement.** Unless extended as provided in Paragraph 5 of this Agreement, the Term shall expire upon the earlier of the following dates (each, an **"Expiration Date"**):

(a) The date which is twelve (12) months after the date of the first Close of Escrow for the sale of a Unit in Phase 1; or

(b) The date on which the first Close of Escrow occurs for a sale of a Unit in Phase 4.

5. **Extension of Term.** To prevent expiration of the Term on the Expiration Date, Declarant may extend the Term in twelve (12) month increments by performing the following on or before the Expiration Date:

(a) delivering a written notice of extension of the Term (**"Notice of Extension"**) to the Association, with a copy to the DRE and ~~Chicago Title Company~~, located at ~~255 East Rincon, Suite 119, Corona, CA 92879~~ (**"Escrow Holder"**), which shall set forth the date to which the Term is extended;

(b) delivering to Escrow Holder any Additional Security (defined in Paragraph 8(c) of this Agreement); and

(c) delivering copies of any Additional Security to Association and the DRE.

6. **Declarant's Obligations.**

(a) **Payment of Subsidy.** During the Term, Declarant shall pay directly to the Association each month a subsidy (**"Subsidy"**) for every Unit which is not owned by Declarant and is located in a Phase in which at least one Close of Escrow for the sale of a Unit has occurred.

(b) **Phase 1 Subsidy.** The amount of the Subsidy for each Unit Declarant does not own in Phase 1 each month will be the difference between the monthly installment of the Annual Assessment listed in the Budget for Phase 1 (\$397), plus any increase or less any decrease in Annual Assessments established by the Association's Board of Directors (the **"Board"**), and \$189 (the **"Subsidized Assessment"**). The amount of the Subsidy in Phase 1 will be \$208 per Unit.

(c) **Phase 2 Subsidy.** The amount each month of the Subsidy for each Unit Declarant does not own in Phases 1 and 2 will be the difference between the monthly installment of the Annual Assessment listed in the Budget for Phase 2 (\$247), plus any increase or less any decrease in Annual Assessments established by the Board, and the Subsidized Assessment. The amount of the Subsidy in Phase 2 will be \$58 per Unit.

(d) *Phase 3 Subsidy.* The amount each month of the Subsidy for each Unit Declarant does not own in Phase 3 will be the difference between the monthly installment of the Annual Assessments listed in the Budget for Phase 3 (\$207), plus any increases or less any decreased in Annual Assessments established by the Board, and the Subsidized Assessment. The amount of the Subsidy in Phase 3 will be \$18 per Unit.

(e) *Payment of Assessments.* During the Term, Declarant shall continue to pay to the Association the regular monthly installments of Annual Assessments levied against Units owned by Declarant in accordance with the terms of the Declaration.

(f) *Delivery of Agreement.* Declarant shall provide the Association with an executed copy of this Agreement, together with a copy of the Security described in Paragraph 8(a) of this Agreement, within ten (10) days of the first Close of Escrow for the sale of a Unit in Phase 1.

7. *Association's Obligations.* During the Term, Association may not increase Annual Assessments above the maximum Annual Assessments which may be levied by the Board of Directors without the approval of Association's Membership. Immediately upon the Association's receipt of the final subsidy payment required hereunder, the Association shall give written notice to Escrow Holder advising Escrow Holder of Declarant's satisfaction of its subsidy obligations hereunder.

8. Security.

(a) *Establishment of Security.* Declarant shall furnish a cash deposit, letter of credit or surety bond in favor of the Association ("*Security*") and an executed copy of this Agreement to Escrow Holder, a neutral escrow depository, in accordance with Section 2792.10 of Title 10 of the California Code of Regulations and Paragraph 8 of this Agreement.

(b) *Amount of Security.* The initial amount of the Security under this Agreement shall be at least One Hundred Sixty Two Thousand Two Hundred Forty Dollars (\$162,240), which is equal to the number of months set forth in Paragraph 4(a) of this Agreement (12) multiplied first by the number of Units in Phase 1 (65) and then multiplied by the Subsidy (\$208) for each Unit in Phase 1. This bond shall be exonerated by the Association upon the termination of this Agreement under Paragraph 4 of this Agreement.

(c) *Additional Security.* If Declarant extends the Term pursuant to Paragraph 5 of this Agreement and prior to the issuance of a Final Subdivision Public Report by DRE for any Phase of Development subsequent to Phase 1, Declarant shall post Additional Security if and only if Declarant's Subsidy obligation under this Agreement increases pursuant to this Paragraph 8. If Declarant's subsidy obligation does not increase pursuant to this Paragraph 8, then Declarant is not required to provide Additional Security.

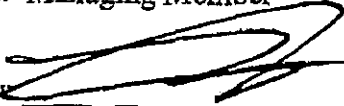
9. *Miscellaneous.* Time is of the essence in this Agreement. This Agreement is binding upon and inures to the benefit of the respective successors and assigns of the Parties. Nothing herein may be construed to make the Association a joint venturer or partner with Declarant for any purpose whatsoever.

This Agreement has been executed by the Parties on 9/1, 2004.

WESTLAKE VILLAS, LLC,
a California limited liability company

By: MMM Westlake Villas, LLC, a
California limited liability company
Its: Managing Member

By: Meer Westlake Villas, LLC,
a California limited liability
company
Its: Managing Member

By: 
Ronald L. Meer, Member

"Declarant"

WESTLAKE VILLAS COMMUNITY
ASSOCIATION, a California nonprofit
mutual benefit corporation

By: 

Print Name: Ronald Meer

Title: President

By: _____

Print Name: _____

Title: _____

"Association"

BUDGET WORKSHEET

RE 623 (Rev. 2/00), DRE Approved Form ID # 62300200B002

GENERAL INFORMATION

This budget is a good faith estimate from plans prior to construction and/or completion (for new projects) or from a combination of plans and/or site inspections (for existing projects.) For existing projects, there may have been historical data as support for some line items, but changes to the project may make historical data not applicable or reliable. This budget was prepared for the purpose of obtaining a public report.

California Civil Code. If that budget is less than 10% or greater than 20% from this budget, you should contact the Department of Real Estate. The association may increase or decrease its budget. It is typical for costs to increase as the project ages. The association should conduct a reserve study after its first year of operation to adjust the reserve funding plan for any changes which may have taken place during construction.

The association must adopt a budget in accordance with

DRE FILE NUMBER (IF KNOWN)

Master DRE File #

DEPUTY ASSIGNED (IF KNOWN)

SUBDIVISION IDENTIFICATION AND LOCATION

NAME AND/OR TRACT NUMBER

Westlake Villas

NAME TO BE USED IN ADVERTISING (IF DIFFERENT THAN NAME OR TRACT NUMBER)

LEGAL DESCRIPTION		Landscape:	Port.Parcel	2 & 3	
Tract 225-1480:	Bldgs 1,8, 9,10,	& Rec:			Rec Complex
Parcel 2 & 3	11,22 & 23	Streets:	Streets &	Parking	Drives
					Walkways
STREET ADDRESS (IF ANY)		CITY		COUNTY	
MAIN ACCESS ROAD(S)		NEAREST TOWN/CITY		MILES/DIRECTION FROM CITY	

TYPE OF SUBDIVISION

☐	Condominium	☐	Planned Development Land Project
☒	Condominium Conversion	☐	Planned Development Mobile Home
☐	Stock Cooperative	☐	Community Apartment
☐	Stock Cooperative Conversion	☐	Out-of-State
☐	Limited Equity Housing Corp.	☐	Undivided Interest
☐	Planned Development	☐	Undivided Interest Land

NO. OF LOTS/UNITS	PHASE #	TOTAL # IN PROJECT	PREVIOUS DRE FILE#	# OF ACRES
65	1	5		3.74

BUDGET PREPARER

NAME	ATTENTION	TELEPHONE
DGW Budget Preparation	Barbara Walder	(949) 234-1899
ADDRESS	CITY	ZIP CODE
30230 Rancho Viejo Rd., Ste 206	San Juan Capistrano	92675

Certification

I declare under penalty of perjury that the representations and answers to questions in this document and all documents submitted part of the homeowner's budget are true and complete to the best of my knowledge and belief. The undersign also certifies that this electronic recreation of DRE form 623 contains at least the same information as the DRE approved form ID# 62300200B002

SIGNATURE OF BUDGET PREPARER

DATE

04-Jul-15

IMPROVEMENTS WORKSHEET

If this phase will have any line items shown on pages 3, 4 and 5 hereof exempted from payment of assessments under Regulation 2792.16(c), asterisk those items on pages 3, 4 and 5 and list any partially deferred costs on a separate sheet showing calculations and attach. All exempted improvements must be covered by reasonable arrangements for completion. Include Planned Construction Statement (RE 611A) for review.

1. Number of buildings containing residential units
2. Estimated completion date for the residential units included in this phase
3. Estimated completion date for the common area and facilities included in this phase
4. Type of residential building for this project (i.e., high-rise, cluster, garden, etc.)
5. Type of construction for these buildings (i.e., steel, concrete, wood frame, etc.)
6. Type of roof (i.e., shake, etc.)
7. Type of paving used in the project
8. Type of exterior wall for residential buildings
9. Number of residential units per building
10. Number of floors per building
11. Number of bedrooms per unit
12. Square footage of units (list number and size of each unit type)

7

10/03 to 02/04

10/03 to 02/04

Condo

Wood

Tile

asphalt & concrete

stucco

8, 9 & 10

Three

1,2 or 3

14 Plan 1 @ 840 s.f.

14 Plan 2 @ 1064 s.f.

14 Plan 3 @ 1285 s.f.

14 Plan 4 @ 1260 s.f.

9 Plan 5 @ 1382 s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

13. Type of parking facilities and number of spaces (i.e., detached garage, tuck-under, subterranean, carport, open, etc.)

Attached 1 & 2-car garages

Complete 14 and 15 for Phased Condominium Projects Only

14. Have you submitted budgets for all phases to be completed within the next three calendar years and a built-out budget? ☒ Yes ☐ No
15. If this condominium project involves phasing with a single lot, submit a budget for each phase plus a budget which will be used if future phases are not completed. (Commonly referred to as a worst case budget.)

BUDGET SUMMARY

PHASE NUMBER 1	DATE OF BUDGET 04-Jul-15	DRE FILE NUMBER

NUMBER OF UNITS 65	TRACT NUMBER/NAME OF PROJECT Westlake Villas

		Per Unit Per Month	Total Monthly	Total Annual
100 FIXED COSTS				
	101. Property Taxes			
	102. Corporation Franchise Taxes	0.03	2	25
	103. Insurance (attach proposal)	24.06	1,564	18,770
	104. Local License & Inspection Fees	0.77	50	600
	105. Estimated Income Taxes			
	100 - SUBTOTAL	24.87	1,616	19,395
200 OPERATING COSTS				
	201. Electricity (attach work sheet)	44.83	2,914	34,965
	202. Gas (attach work sheet)	35.54	2,310	27,720
	203. Water (attach work sheet)	1.95	127	1,523
	204. Sewer/Septic Tanks (include if not in 203)			
	205. Cable TV/Master Antenna			
	207. Custodial Area: 6600	25.38	1,650	19,800
	# of Restrooms: 2	7.69	500	6,000
Rates:	208. Landscape Area: FLAT SF: 51,872	23.28	1,513	18,155
\$0.35	SLOPE			
\$0.15	FUEL MOD.			
\$0.07	DRY F.M.			
\$0.03	NATURAL			
\$0.01	EXTRAS	1.33	86	1,035
	209. Refuse Disposal			
	Vendor Name & Telephone Number			
	☒ NOT ASSOCIATION EXPENSE			
	210. Elevators			
	Number & Type			
	211. Private Streets, Driveways, Parking Areas			
	Area: 0.86	0.77	50	600
	212. Heating & Air Conditioning Maintenance			
	Area: 6600	0.15	10	120
No. Pools: 1	213. Pool Size: 1898			
No. Spas: 1	Spa Size: 175	13.60	884	10,610
	Months Heated: 8			
	214. Tennis Courts: Number			
	215. Access Control: Guard hrs./day			
	# of Motorized Gates:			
	Type of Gate:			
	# of Intercom/Phones:			

	Per Unit Per Month	Total Monthly	Total Annual
216. Reserve Study	1.92	125	1,500
Maintenance Inspections	7.69	500	6,000
217. Miscellaneous			
Minor Repairs	2.00	130	1,560
Pest Control	3.00	195	2,340
Snow Removal			
Other: Sewer & Drain Lines			
Other:			
Other: Lighting Maintenance	3.85	250	3,000
Other: Firesprinkler Maintenance & Monitoring	7.38	480	5,760
100-SUBTOTAL	180.37	11,724	140,688
300 RESERVES			
301-313 (attach work sheet)	136.22	8,854	106,252
300-SUBTOTAL	136.22	8,854	106,252
400 ADMINISTRATION			
401. Management ①	30.77	2,000	24,000
402. Legal Services	0.83	54	650
403. Accounting	1.00	65	780
404. Education	1.54	100	1,200
405. Miscellaneous, office expense	2.50	163	1,950
400-SUBTOTAL	36.64	2,382	28,580
TOTAL (100-400)	378.10	24,576	294,915
500 CONTINGENCY			
501. New Construction 3%			
502. Conversions 5%	18.90	1,229	14,746
503. Revenue Offsets (attach documentation)			
TOTAL BUDGET	397.00	25,805	309,661

➔ DRE regulations allow the use of variable assessments against units only if one unit will derive as much as 10 percent more than another unit in the value of common goods and services supplied by the association.

After determining the percent of benefit derived from services provided (page 15) by the association, an easy chart to follow would be:

- Less than 10% - equal assessments
- From 10% - 20% - variable or equal
- Over 20% - variable assessments

The budget and management documents indicate:

(Check appropriate box):

☒	Use equal assessments
☐	Use variable assessments

➔ The inventory and quantities used in the preparation of this budget are normally derived from plans complete prior to construction and may vary slightly from actual field conditions. The calculated budget is a good faith estimate of the projected costs and should be deemed accurate for one year. The Board of Directors should conduct an annual review of the Association's actual costs and revise the budget accordingly.

① Depending upon the level of service selected by the Association, the amount shown may be insufficient to cover the cost and may be higher.

RESERVES WORKSHEET

DRE FILE NUMBER

TRACT NUMBER/NAME

Westlake Villas

Item	① Sq. Feet or number	② Unit Cost HOA Manual	③ Replacement Cost	④ Remaining Life	Yearly Reserve Columns 1 x 2 or 3 / 4	Cost Per Unit Per Month
Paint	97,930		82,261	6	13,710	17.58
Wood Siding (paint/stain)						
Roof - type: Shingle						
Roof - type: tile	52,146	0.03			1,564	2.01
Water Heaters	2		2,800	7	400	0.51
Exterior Lights	240				4,923	6.31
Floors - type:	6,600		16,632	6	2,772	3.55
Carpet						
Elevators						
Streets & Drives	20,960		8,384	4	2,096	2.69
Heating & Cooling	1		4,500	14	321	0.41
Pool Re-plaster	1		8,400	11	764	0.98
Pool Heater	1		2,160	11	196	0.25
Pool Filter	1		1,000	9	111	0.14
Spa Re-plaster	1		1,500	9	167	0.21
Spa Heater	1		2,000	9	222	0.28
Spa Filter	1		1,000	9	111	0.14
Pool/Spa Pumps - No.	3		2,700	5	540	0.69
Tennis Courts						
Furnishings/Equipment			150,000	5	30,000	38.46
Fences (paint/stain)						
Fences (repair/replace)-Type						
Walls (Paint)						
Walls (repair/replace)	1,200	0.10			120	0.15
Wrought Iron (paint) SF	14,150		38,205	2	19,103	24.49
Wrought Iron (repair/rpl.) LF	2,784		81,432	14	5,817	7.46
Pumps/Motors - type:						
Motorized Gates						
Decks/Overheads/Pool Decking	8,329		37,481	5	7,496	9.61
Septic Tank						
Raigutters LF	5,534	0.10			553	0.71
Front doors replace	65		17,875	15	1,192	1.53
Garage doors replace	65		22,750	20	1,138	1.46
Utility doors replace	35		7,000	7	1,000	1.28
Shutters	24		3,600	10	360	0.46
Sliding Patio Doors	42		14,700	10	1,470	1.88
Other: Entry Monument					1,000	1.28
Other: Tree Trimming					3,631	4.66
Other: Mailbox Structures					975	1.25
Other: Termite Control	7		70,000	20	3,500	4.49
Other: Landscape/Irrigation	51,872				1,000	1.28
TOTAL RESERVE					106,252	136.22

Note: For space purposes, we have included only the components most frequently found in common-interest subdivisions. Reserve items should not be limited to the list above, but be tailored to your particular project.

PHASE: 1

①

Use either Columns 1 and 2 or 3 and 4, but not both for a particular line item.

04-Jul-15

BUDGET WORKSHEET

RE 623 (Rev. 2/00), DRE Approved Form ID # 62300200B002

GENERAL INFORMATION

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California Civil Code. If that budget is less than 10% or greater than 20% from this budget, you should contact the Department of Real Estate. The association may increase or decrease its budget. It is typical for costs to increase as the project ages. The association should conduct a reserve study after its first year of operation to adjust the reserve funding plan for any changes which may have taken place during construction.

The association must adopt a budget in accordance with

DRE FILE NUMBER (IF KNOWN)	Master DRE File #	DEPUTY ASSIGNED (IF KNOWN)

SUBDIVISION IDENTIFICATION AND LOCATION

NAME AND/OR TRACT NUMBER

Westlake Villas

NAME TO BE USED IN ADVERTISING (IF DIFFERENT THAN NAME OR TRACT NUMBER)

LEGAL DESCRIPTION	Landscape:	Port.Parcel	2 & 3
Tract 225-1480:	& Rec:		
Parcel 2 & 3	Streets:	Streets &	Parking Drives Walkways
STREET ADDRESS (IF ANY)		CITY	COUNTY
MAIN ACCESS ROAD(S)		NEAREST TOWN/CITY	MILES/DIRECTION FROM CITY

TYPE OF SUBDIVISION

☐	Condominium	☐	Planned Development Land Project
☒	Condominium Conversion	☐	Planned Development Mobile Home
☐	Stock Cooperative	☐	Community Apartment
☐	Stock Cooperative Conversion	☐	Out-of-State
☐	Limited Equity Housing Corp.	☐	Undivided Interest
☐	Planned Development	☐	Undivided Interest Land

NO. OF LOTS/UNITS	PHASE #	TOTAL # IN PROJECT	PREVIOUS DRE FILE#	# OF ACRES
133	2	5		5.96

BUDGET PREPARER

NAME	ATTENTION	TELEPHONE
DGW Budget Preparation	Barbara Walder	(949) 234-1899
ADDRESS	CITY	ZIP CODE
30230 Rancho Viejo Rd., Ste 206	San Juan Capistrano	92675

Certification

I declare under penalty of perjury that the representations and answers to questions in this document and all documents submitted part of the homeowner's budget are true and complete to the best of my knowledge and belief. The undersign also certifies that this electronic reproduction of DRE form 623 contains at least the same information as the DRE approved form ID# 62300200B002

SIGNATURE OF BUDGET PREPARER

DATE

04-Jul-15

IMPROVEMENTS WORKSHEET

If this phase will have any-line items shown on pages 3, 4 and 5 hereof exempted from payment of assessments under Regulation 2792.16(c), asterisk those items on pages 3, 4 and 5 and list any partially deferred costs on a separate sheet showing calculations and attach. All exempted improvements must be covered by reasonable arrangements for completion. Include Planned Construction Statement (RE 611A) for review.

1. Number of buildings containing residential units
2. Estimated completion date for the residential units included in this phase
3. Estimated completion date for the common area and facilities included in this phase
4. Type of residential building for this project (i.e., high-rise, cluster, garden, etc.)
5. Type of construction for these buildings (i.e., steel, concrete, wood frame, etc.)
6. Type of roof (i.e., shake, etc.)
7. Type of paving used in the project
8. Type of exterior wall for residential buildings
9. Number of residential units per building
10. Number of floors per building
11. Number of bedrooms per unit
12. Square footage of units (list number and size of each unit type)

7

08/03 to 02/04

08/03 to 02/04

Condo

Wood

Tile

asphalt & concrete

stucco

8, 9 & 10

Three

1, 2 or 3

14 Plan 1 @ 840 s.f.

14 Plan 2 @ 1064 s.f.

14 Plan 3 @ 1285 s.f.

14 Plan 4 @ 1260 s.f.

12 Plan 5 @ 1382 s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

13. Type of parking facilities and number of spaces (i.e., detached garage, tuck-under, subterranean, carport, open, etc.)

Attached 1 & 2-car garages

Complete 14 and 15 for Phased Condominium Projects Only

14. Have you submitted budgets for all phases to be completed within the next three calendar years and a built-out budget? ☒ Yes ☐ No
15. If this condominium project involves phasing with a single lot, submit a budget for each phase plus a budget which will be used if future phases are not completed. (Commonly referred to as a worst case budget.)

BUDGET SUMMARY

PHASE NUMBER 2	DATE OF BUDGET 04-Jul-15	DRE FILE NUMBER
NUMBER OF UNITS 133	TRACT NUMBER/NAME OF PROJECT Westlake Villas	

		Per Unit Per Month	Total Monthly	Total Annual
100 FIXED COSTS				
101. Property Taxes				
102. Corporation Franchise Taxes		0.02	2	25
103. Insurance (attach proposal)		23.36	3,107	37,281
104. Local License & Inspection Fees		0.38	50	600
105. Estimated Income Taxes				
100 - SUBTOTAL		23.75	3,159	37,906
200 OPERATING COSTS				
201. Electricity (attach work sheet)		24.45	3,252	39,019
202. Gas (attach work sheet)		17.37	2,310	27,720
203. Water (attach work sheet)		1.18	158	1,890
204. Sewer/Septic Tanks (include if not in 203)				
205. Cable TV/Master Antenna				
207. Custodial Area: 6600		12.41	1,650	19,800
# of Restrooms: 2		3.76	500	6,000
Rates: \$0.35 208. Landscape Area: FLAT SF: 67,611		14.83	1,972	23,664
\$0.15 SLOPE				
\$0.07 FUEL MOD.				
\$0.03 DRY F.M.				
\$0.01 NATURAL				
EXTRAS		1.98	263	3,159
209. Refuse Disposal				
Vendor Name & Telephone N				
☒ NOT ASSOCIATION EXPENSE				
210. Elevators				
Number & Type				
211. Private Streets, Driveways, Parking Areas				
Area: 1.39		0.52	70	835
212. Heating & Air Conditioning Maintenance				
Area: 6600		0.08	10	120
No. Pools: 1 213. Pool Size: 1898				
No. Spas: 1 Spa Size: 175		6.65	884	10,610
Months Heated: 8.5				
214. Tennis Courts: Number				
215. Access Control: Guard hrs./day				
# of Motorized Gates:				
Type of Gate:				
# of Intercom/Phones:				

	Per Unit Per Month	Total Monthly	Total Annual
216. Reserve Study	0.94	125	1,500
Maintenance Inspections	6.27	833	10,000
217. Miscellaneous			
Minor Repairs	2.00	266	3,192
Pest Control	3.00	399	4,788
Snow Removal			
Other: Sewer & Drain Lines			
Other:			
Other: Lighting Maintenance	2.63	350	4,200
Other: Firesprinkler Maintenance & Monitoring	7.03	935	11,220
100-SUBTOTAL	105.09	13,976	167,718
300 RESERVES			
301-313 (attach work sheet)	86.52	11,508	138,091
300-SUBTOTAL	86.52	11,508	138,091
400 ADMINISTRATION			
401. Management 1	15.04	2,000	24,000
402. Legal Services	0.83	111	1,330
403. Accounting	0.75	100	1,200
404. Education	0.75	100	1,200
405. Miscellaneous, office expense	2.50	333	3,990
400-SUBTOTAL	19.87	2,643	31,720
TOTAL (100-400)	235.23	31,286	375,435
500 CONTINGENCY			
501. New Construction 3%			
502. Conversions 5%	11.76	1,564	18,772
503. Revenue Offsets (attach documentation)			
TOTAL BUDGET	247.00	32,851	394,207

➔ DRE regulations allow the use of variable assessments against units only if one unit will derive as much as 10 percent more than another unit in the value of common goods and services supplied by the association.

After determining the percent of benefit derived from services provided (page 15) by the association, an easy chart to follow would be:

Less than 10% - equal assessments

From 10% - 20% - variable or eq

Over 20% - variable assessments

The budget and management documents indicate:

(Check appropriate box):

☒
☐

Use equal assessments

Use variable assessments

➔ The inventory and quantities used in the preparation of this budget are normally derived from plans complete prior to construction and may vary slightly from actual field conditions. The calculated budget is a good faith estimate of the projected costs and should be deemed than one year. The Board of Directors should conduct an annual review of the Association's actual costs and revise the budget accordingly.

1 Depending upon the level of service selected by the Association, the amount shown may be insufficient to cover the cost and may be higher.

RESERVES WORKSHEET

DRE FILE NUMBER

TRACT NUMBER/NAME

Westlake Villas

Item	① Sq. Feet or number	② Unit Cost HOA Manual	③ Replacement Cost	④ Remaining Life	Yearly Reserve Columns 1 x 2 or 3 / 4	Cost Per Unit Per Month
Paint	184,630		155,089	6	25,848	16.20
Wood Siding (paint/stain)						
Roof - type: Shingle						
Roof - type: tile	99,996	0.03			3,000	1.88
Water Heaters	2		2,800	7	400	0.25
Exterior Lights	339				7,241	4.54
Floors- type:	6,600		16,632	6	2,772	1.74
Carpet						
Elevators						
Streets & Drives	29,360		11,744	4	2,936	1.84
Heating & Cooling	1		4,500	14	321	0.20
Pool Re-plaster	1		8,400	11	764	0.48
Pool Heater	1		2,160	11	196	0.12
Pool Filter	1		1,000	9	111	0.07
Spa Re-plaster	1		1,500	9	167	0.10
Spa Heater	1		2,000	9	222	0.14
Spa Filter	1		1,000	9	111	0.07
Pool/Spa Pumps - No.	3		2,700	5	540	0.34
Tennis Courts						
Furnishings/Equipment			150,000	5	30,000	18.80
Fences (paint/stain)						
Fences (repair/replace)-Type						
Walls (Paint)						
Walls (repair/replace)	1,200	0.10			120	0.08
Wrought Iron (paint) SF	15,100		40,770	2	20,385	12.77
Wrought Iron (repair/rpl.) LF	2,974		86,990	14	6,214	3.89
Pumps/Motors - type:						
Motorized Gates						
Decks/Overheads/Pool Decking	9,687		43,592	5	8,718	5.46
Septic Tank						
Rain gutters LF	11,314	0.10			1,131	0.71
Front doors replace	133		36,575	15	2,438	1.53
Garage doors replace	133		46,550	20	2,328	1.46
Utility doors replace	70		14,000	7	2,000	1.25
Shutters	64		9,600	10	960	0.60
Sliding Patio Doors	84		29,400	10	2,940	1.84
Other: Entry Monument					1,000	0.63
Other: Tree Trimming					4,733	2.97
Other: Mailbox Structures					1,995	1.25
Other: Termite Control	14		140,000	20	7,000	4.39
Other: Landscape/Irrigation	67,611				1,500	0.94
TOTAL RESERVE					138,091	86.52

Note: For space purposes, we have included only the components most frequently found in common-interest subdivisions. Reserve items should not be limited to the list above, but be tailored to your particular project.

PHASE: 2 Use either Columns 1 and 2 or 3 and 4, but not both for a particular line item. 04-Jul-15

BUDGET WORKSHEET

RE 623 (Rev. 2/00), DRE Approved Form ID # 62300200B002

GENERAL INFORMATION

This budget is a good faith estimate from plans prior to construction and/or completion (for new projects) or from a combination of plans and/or site inspections (for existing projects.) For existing projects, there may have been historical data as support for some line items, but changes to the project may make historical data not applicable or reliable. This budget was prepared for the purpose of obtaining a public report.

California Civil Code. If that budget is less than 10% or greater than 20% from this budget, you should contact the Department of Real Estate. The association may increase or decrease its budget. It is typical for costs to increase as the project ages. The association should conduct a reserve study after its first year of operation to adjust the reserve funding plan for any changes which may have taken place during construction.

The association must adopt a budget in accordance with

DRE FILE NUMBER (IF KNOWN)	Master DRE File #	DEPUTY ASSIGNED (IF KNOWN)

SUBDIVISION IDENTIFICATION AND LOCATION

NAME AND/OR TRACT NUMBER

Westlake Villas

NAME TO BE USED IN ADVERTISING (IF DIFFERENT THAN NAME OR TRACT NUMBER)

LEGAL DESCRIPTION	Landscape:	Port.Parcel	2 & 3
Tract 225-1480:	& Rec:		
Parcel 2 & 3	Streets:	Streets &	Parking
		Drives	Walkways
Bldgs. 2,6,13,			
18,19,26 & 27			
STREET ADDRESS (IF ANY)	CITY	COUNTY	
MAIN ACCESS ROAD(S)	NEAREST TOWN/CITY	MILES/DIRECTION FROM CITY	

TYPE OF SUBDIVISION

☐	Condominium	☐	Planned Development Land Project
☒	Condominium Conversion	☐	Planned Development Mobile Home
☐	Stock Cooperative	☐	Community Apartment
☐	Stock Cooperative Conversion	☐	Out-of-State
☐	Limited Equity Housing Corp.	☐	Undivided Interest
☐	Planned Development	☐	Undivided Interest Land

NO. OF LOTS/UNITS	PHASE #	TOTAL # IN PROJECT	PREVIOUS DRE FILE#	# OF ACRES
201	3	5		8.61

BUDGET PREPARER

NAME	ATTENTION	TELEPHONE
DGW Budget Preparation	Barbara Walder	(949) 234-1899
ADDRESS	CITY	ZIP CODE
30230 Rancho Viejo Rd., Ste 206	San Juan Capistrano	92675

Certification

I declare under penalty of perjury that the representations and answers to questions in this document and all documents submitted as a part of the homeowner's budget are true and complete to the best of my knowledge and belief. The undersign also certifies that this electronic recreation of DRE form 623 contains at least the same information as the DRE approved form ID# 62300200B002

SIGNATURE OF BUDGET PREPARER	DATE
<i>Barbara Walder</i>	04-Jul-15

IMPROVEMENTS WORKSHEET

If this phase will have any line items shown on pages 3, 4 and 5 hereof exempted from payment of assessments under Regulation 2792.16(c), asterisk those items on pages 3, 4 and 5 and list any partially deferred costs on a separate sheet showing calculations and attach. All exempted improvements must be covered by reasonable arrangements for completion. Include Planned Construction Statement (RE 611A) for review.

1. Number of buildings containing residential units
2. Estimated completion date for the residential units included in this phase
3. Estimated completion date for the common area and facilities included in this phase
4. Type of residential building for this project (i.e., high-rise, cluster, garden, etc.)
5. Type of construction for these buildings (i.e., steel, concrete, wood frame, etc.)
6. Type of roof (i.e., shake, etc.)
7. Type of paving used in the project
8. Type of exterior wall for residential buildings
9. Number of residential units per building
10. Number of floors per building
11. Number of bedrooms per unit
12. Square footage of units (list number and size of each unit type)

7

10/03 to 02/04

10/03 to 02/04

Condo

Wood

Tile

asphalt & concrete

stucco

8, 9 & 10

Three

1,2 or 3

14 Plan 1 @ 840 s.f.

14 Plan 2 @ 1064 s.f.

14 Plan 3 @ 1285 s.f.

14 Plan 4 @ 1260 s.f.

12 Plan 5 @ 1382 s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

13. Type of parking facilities and number of spaces (i.e., detached garage, tuck-under, subterranean, carport, open, etc.)

Attached 1 & 2-car garages

Complete 14 and 15 for Phased Condominium Projects Only

14. Have you submitted budgets for all phases to be completed within the next three calendar years and a built-out budget? ☒ Yes ☐ No
15. If this condominium project involves phasing with a single lot, submit a budget for each phase plus a budget which will be used if future phases are not completed. (Commonly referred to as a worst case budget.)

BUDGET SUMMARY

PHASE NUMBER 3	DATE OF BUDGET 04-Jul-15	DRE FILE NUMBER
NUMBER OF UNITS 201	TRACT NUMBER/NAME OF PROJECT Westlake Villas	

		Per Unit Per Month	Total Monthly	Total Annual
100 FIXED COSTS				
101. Property Taxes				
102. Corporation Franchise Taxes		0.01	2	25
103. Insurance (attach proposal)		23.36	4,695	56,341
104. Local License & Inspection Fees		0.25	50	600
105. Estimated Income Taxes				
100 - SUBTOTAL		23.62	4,747	56,966
200 OPERATING COSTS				
201. Electricity (attach work sheet)		18.16	3,650	43,803
202. Gas (attach work sheet)		11.49	2,310	27,720
203. Water (attach work sheet)		1.20	242	2,902
204. Sewer/Septic Tanks (include if not in 203)				
205. Cable TV/Master Antenna				
207. Custodial Area: 6600		8.21	1,650	19,800
# of Restrooms: 2		2.49	500	6,000
Rates: \$0.35 208. Landscape Area: FLAT SF: 100,639		14.60	2,935	35,224
\$0.15 SLOPE				
\$0.07 FUEL MOD.				
\$0.03 DRY F.M.				
\$0.01 NATURAL				
EXTRAS		1.39	279	3,346
209. Refuse Disposal				
Vendor Name & Telephone N				
☒ NOT ASSOCIATION EXPENSE				
210. Elevators				
Number & Type				
211. Private Streets, Driveways, Parking Areas				
Area: 1.95		0.48	97	1,169
212. Heating & Air Conditioning Maintenance				
Area: 6600		0.05	10	120
No. Pools: 1 213. Pool Size: 1898				
No. Spas: 1 Spa Size: 175		4.40	884	10,610
Months Heated: 8.5				
214. Tennis Courts: Number				
215. Access Control: Guard hrs./day				
# of Motorized Gates:				
Type of Gate:				
# of Intercom/Phones:				

	Per Unit Per Month	Total Monthly	Total Annual
216. Reserve Study	1.04	208	2,500
Maintenance Inspections	5.80	1,167	14,000
217. Miscellaneous			
Minor Repairs	2.00	402	4,824
Pest Control	3.00	603	7,236
Snow Removal			
Other: Sewer & Drain Lines			
Other:			
Other: Lighting Maintenance	1.99	400	4,800
Other: Firesprinkler Maintenance & Monitoring	6.92	1,390	16,680
100-SUBTOTAL	83.22	16,728	200,734
300 RESERVES			
301-313 (attach work sheet)	70.97	14,265	171,180
300-SUBTOTAL	70.97	14,265	171,180
400 ADMINISTRATION			
401. Management 1	15.00	3,015	36,180
402. Legal Services	0.83	168	2,010
403. Accounting	0.50	100	1,200
404. Education	0.50	100	1,200
405. Miscellaneous, office expense	2.50	503	6,030
400-SUBTOTAL	19.33	3,885	46,620
TOTAL (100-400)	197.14	39,625	475,501
500 CONTINGENCY			
501. New Construction 3%			
502. Conversions 5%	9.86	1,981	23,775
503. Revenue Offsets (attach documentation)			
TOTAL BUDGET	207.00	41,606	499,276

DRE regulations allow the use of variable assessments against units only if one unit will derive as much as 10 percent more than another unit in the value of common goods and services supplied by the association.

After determining the percent of benefit derived from services provided (page 15) by the association, an easy chart to follow would be:

- Less than 10% - equal assessments
- From 10% - 20% - variable or equal
- Over 20% - variable assessments

The budget and management documents indicate:

(Check appropriate box):

☒	Use equal assessments
☐	Use variable assessments

The inventory and quantities used in the preparation of this budget are normally derived from plans complete prior to construction and may vary slightly from actual field conditions. The calculated budget is a good faith estimate of the projected costs and should be deemed accurate for one year. The Board of Directors should conduct an annual review of the Association's actual costs and revise the budget accordingly.

Depending upon the level of service selected by the Association, the amount shown may be insufficient to cover the cost and may be higher.

RESERVES WORKSHEET

DRE FILE NUMBER

TRACT NUMBER/NAME

Westlake Villas

Item	① Sq. Feet or number	② Unit Cost HOA Manual	③ Replacement Cost	④ Remaining Life	Yearly Reserve Columns 1 x 2 or 3 / 4	Cost Per Unit Per Month
Paint	271,330		227,917	6	37,986	15.75
Wood Siding (paint/stain)						
Roof - type: Shingle						
Roof - type: tile	147,847	0.03			4,435	1.84
Water Heaters	2		2,800	7	400	0.17
Exterior Lights	451				9,793	4.06
Floors- type:	6,600		16,632	6	2,772	1.15
Carpet						
Elevators						
Streets & Drives	35,810		14,324	4	3,581	1.48
Heating & Cooling	1		4,500	14	321	0.13
Pool Re-plaster	1		8,400	11	764	0.32
Pool Heater	1		2,160	11	196	0.08
Pool Filter	1		1,000	9	111	0.05
Spa Re-plaster	1		1,500	9	167	0.07
Spa Heater	1		2,000	9	222	0.09
Spa Filter	1		1,000	9	111	0.05
Pool/Spa Pumps - No.	3		2,700	5	540	0.22
Tennis Courts						
Furnishings/Equipment			150,000	5	30,000	12.44
Fences (paint/stain)						
Fences (repair/replace)-Type						
Walls (Paint)						
Walls (repair/replace)	1,200	0.10			120	0.05
Wrought Iron (paint) SF	16,050		43,335	2	21,668	8.98
Wrought Iron (repair/rpl.) LF	3,164		92,547	14	6,611	2.74
Pumps/Motors - type:						
Motorized Gates						
Decks/Overheads/Pool Decking	11,045		49,703	5	9,941	4.12
Septic Tank						
Rain gutters LF	17,094	0.10			1,709	0.71
Front doors replace	201		55,275	15	3,685	1.53
Garage doors replace	201		70,350	20	3,518	1.46
Utility doors replace	105		21,000	7	3,000	1.24
Shutters	104		15,600	10	1,560	0.65
Sliding Patio Doors	126		44,100	10	4,410	1.83
Other: Entry Monument					1,000	0.41
Other: Tree Trimming					7,045	2.92
Other: Mailbox Structures					3,015	1.25
Other: Termite Control	21		210,000	20	10,500	4.35
Other: Landscape/Irrigation	100,639				2,000	0.83
TOTAL RESERVE					171,180	70.97

Note: For space purposes, we have included only the components most frequently found in common-interest subdivisions. Reserve items should not be limited to the list above, but be tailored to your particular project.

BUDGET WORKSHEET

RE 623 (Rev. 2/00), DRE Approved Form ID # 62300200B002

GENERAL INFORMATION

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The association must adopt a budget in accordance with

DRE FILE NUMBER (IF KNOWN)

Master DRE File #

DEPUTY ASSIGNED (IF KNOWN)

SUBDIVISION IDENTIFICATION AND LOCATION

NAME AND/OR TRACT NUMBER

Westlake Villas

NAME TO BE USED IN ADVERTISING (IF DIFFERENT THAN NAME OR TRACT NUMBER)

LEGAL DESCRIPTION		Landscape:	Port.Parcel	2 & 3
Tract 225-1480:	Bldgs. 4,5,14,	& Rec:		
Parcel 2 & 3	15,28 & 30	Streets:	Streets &	Parking
STREET ADDRESS (IF ANY)		CITY	COUNTY	
MAIN ACCESS ROAD(S)		NEAREST TOWN/CITY	MILES/DIRECTION FROM CITY	

TYPE OF SUBDIVISION

☐	Condominium	☐	Planned Development Land Project
☒	Condominium Conversion	☐	Planned Development Mobile Home
☐	Stock Cooperative	☐	Community Apartment
☐	Stock Cooperative Conversion	☐	Out-of-State
☐	Limited Equity Housing Corp.	☐	Undivided Interest
☐	Planned Development	☐	Undivided Interest Land

NO. OF LOTS/UNITS	PHASE #	TOTAL # IN PROJECT	PREVIOUS DRE FILE#	# OF ACRES
258	4	5		11.02

BUDGET PREPARER

NAME	ATTENTION	TELEPHONE
DGW Budget Preparation	Barbara Walder	(949) 234-1899
ADDRESS	CITY	ZIP CODE
30230 Rancho Viejo Rd., Ste 206	San Juan Capistrano	92675

Certification

I declare under penalty of perjury that the representations and answers to questions in this document and all documents submitted as a part of the homeowner's budget are true and complete to the best of my knowledge and belief. The undersign also certifies that this electronic recreation of DRE form 623 contains at least the same information as the DRE approved form ID# 62300200B002

SIGNATURE OF BUDGET PREPARER

DATE

04-Jul-15

IMPROVEMENTS WORKSHEET

If this phase will have any line items shown on pages 3, 4 and 5 hereof exempted from payment of assessments under Regulation 2792.16(c), asterisk those items on pages 3, 4 and 5 and list any partially deferred costs on a separate sheet showing calculations and attach. All exempted improvements must be covered by reasonable arrangements for completion. Include Planned Construction Statement (RE 611A) for review.

1. Number of buildings containing residential units
2. Estimated completion date for the residential units included in this phase
3. Estimated completion date for the common area and facilities included in this phase
4. Type of residential building for this project (i.e., high-rise, cluster, garden, etc.)
5. Type of construction for these buildings (i.e., steel, concrete, wood frame, etc.)
6. Type of roof (i.e., shake, etc.)
7. Type of paving used in the project
8. Type of exterior wall for residential buildings
9. Number of residential units per building
10. Number of floors per building
11. Number of bedrooms per unit
12. Square footage of units (list number and size of each unit type)

6

08/03 to 02/04

08/03 to 02/04

Condo

Wood

Tile

asphalt & concrete

stucco

8, 9 & 10

Three

1,2 or 3

12 Plan 1 @ 840 s.f.

12 Plan 2 @ 1064 s.f.

12 Plan 3 @ 1285 s.f.

12 Plan 4 @ 1260 s.f.

9 Plan 5 @ 1382 s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

13. Type of parking facilities and number of spaces (i.e., detached garage, tuck-under, subterranean, carport, open, etc.)

Attached 1 & 2-car garages

Complete 14 and 15 for Phased Condominium Projects Only

14. Have you submitted budgets for all phases to be completed within the next three calendar years and a built-out budget? ☒ Yes ☐ No
15. If this condominium project involves phasing with a single lot, submit a budget for each phase plus a budget which will be used if future phases are not completed. (Commonly referred to as a worst case budget.)

BUDGET SUMMARY

PHASE NUMBER	DATE OF BUDGET	DRE FILE NUMBER
4	04-Jul-15	
NUMBER OF UNITS	TRACT NUMBER/NAME OF PROJECT	
258	Westlake Villas	

		Per Unit Per Month	Total Monthly	Total Annual
100 FIXED COSTS				
101. Property Taxes				
102. Corporation Franchise Taxes		0.01	2	25
103. Insurance (attach proposal)		23.36	6,027	72,319
104. Local License & Inspection Fees		0.19	50	600
105. Estimated Income Taxes				
100 - SUBTOTAL		23.56	6,079	72,944
200 OPERATING COSTS				
201. Electricity (attach work sheet)		15.30	3,948	47,376
202. Gas (attach work sheet)		8.95	2,310	27,720
203. Water (attach work sheet)		1.16	298	3,576
204. Sewer/Septic Tanks (include if not in 203)				
205. Cable TV/Master Antenna				
207. Custodial Area: 6600		6.40	1,650	19,800
# of Restrooms: 2		1.94	500	6,000
Rates: \$0.35 208. Landscape Area: FLAT SF : 129,487		14.64	3,777	45,320
\$0.15 SLOPE				
\$0.07 FUEL MOD.				
\$0.03 DRY F.M.				
\$0.01 NATURAL				
EXTRAS		0.84	217	2,606
209. Refuse Disposal				
Vendor Name & Telephone N				
☒ NOT ASSOCIATION EXPENSE				
210. Elevators				
Number & Type				
211. Private Streets, Driveways, Parking Areas				
Area: 2.59		0.50	130	1,556
212. Heating & Air Conditioning Maintenance				
Area: 6600		0.04	10	120
No. Pools: 1 213. Pool Size: 1898				
No. Spas: 1 Spa Size: 175		3.43	884	10,610
Months Heated: 8.5				
214. Tennis Courts: Number				
215. Access Control: Guard hrs./day				
# of Motorized Gates:				
Type of Gate:				
# of Intercom/Phones:				

	Per Unit Per Month	Total Monthly	Total Annual
216. Reserve Study	0.81	208	2,500
Maintenance Inspections	5.81	1,500	18,000
217. Miscellaneous			
Minor Repairs	2.00	516	6,192
Pest Control	3.00	774	9,288
Snow Removal			
Other: Sewer & Drain Lines			
Other:			
Other: Lighting Maintenance	1.94	500	6,000
Other: Firesprinkler Maintenance & Monitoring	6.90	1,780	21,360
100-SUBTOTAL	73.65	19,002	228,025
300 RESERVES			
301-313 (attach work sheet)	63.68	16,428	197,141
300-SUBTOTAL	63.68	16,428	197,141
400 ADMINISTRATION			
401. Management ①	15.00	3,870	46,440
402. Legal Services	0.83	215	2,580
403. Accounting	0.39	100	1,200
404. Education	0.39	100	1,200
405. Miscellaneous, office expense	2.50	645	7,740
400-SUBTOTAL	19.11	4,930	59,160
TOTAL (100-400)	180.00	46,439	557,270
500 CONTINGENCY			
501. New Construction 3%			
502. Conversions 5%	9.00	2,322	27,864
503. Revenue Offsets (attach documentation)			
TOTAL BUDGET	189.00	48,761	585,134

➡ DRE regulations allow the use of variable assessments against units only if one unit will derive as much as 10 percent more than another unit in the value of common goods and services supplied by the association.

After determining the percent of benefit derived from services provided (page 15) by the association, an easy chart to follow would be:

Less than 10% - equal assessments

From 10% - 20% - variable or equal

Over 20% - variable assessments

The budget and management documents indicate:

(Check appropriate box):

☒
☐

Use equal assessments

Use variable assessments

➡ The inventory and quantities used in the preparation of this budget are normally derived from plans complete prior to construction and may vary slightly from actual field conditions. The calculated budget is a good faith estimate of the projected costs and should be deemed less than one year. The Board of Directors should conduct an annual review of the Association's actual costs and revise the budget accordingly.

① Depending upon the level of service selected by the Association, the amount shown may be insufficient to cover the cost and may be higher.

RESERVES WORKSHEET

DRE FILE NUMBER

TRACT NUMBER/NAME

Westlake Villas

Item	① Sq. Feet or number	② Unit Cost HOA Manual	③ Replacement Cost	④ Remaining Life	Yearly Reserve Columns 1 x 2 or 3 / 4	Cost Per Unit Per Month
Paint	344,140		289,078	6	48,180	15.56
Wood Siding (paint/stain)						
Roof - type: Shingle						
Roof - type: tile	187,478	0.03			5,624	1.82
Water Heaters	2		2,800	7	400	0.13
Exterior Lights	537				11,877	3.84
Floors- type:	6,600		16,632	6	2,772	0.90
Carpet						
Elevators						
Streets & Drives	39,410		15,764	4	3,941	1.27
Heating & Cooling	1		4,500	14	321	0.10
Pool Re-plaster	1		8,400	11	764	0.25
Pool Heater	1		2,160	11	196	0.06
Pool Filter	1		1,000	9	111	0.04
Spa Re-plaster	1		1,500	9	167	0.05
Spa Heater	1		2,000	9	222	0.07
Spa Filter	1		1,000	9	111	0.04
Pool/Spa Pumps - No.	3		2,700	5	540	0.17
Tennis Courts						
Furnishings/Equipment			150,000	5	30,000	9.69
Fences (paint/stain)						
Fences (repair/replace)-Type						
Walls (Paint)						
Walls (repair/replace)	1,200	0.10			120	0.04
Wrought Iron (paint) SF	16,620		44,874	2	22,437	7.25
Wrought Iron (repair/rpl.) LF	3,278		95,882	14	6,849	2.21
Pumps/Motors - type:						
Motorized Gates						
Decks/Overheads/Pool Decking	12,209		54,941	5	10,988	3.55
Septic Tank						
Raingutters LF	21,948	0.10			2,195	0.71
Front doors replace	258		70,950	15	4,730	1.53
Garage doors replace	258		90,300	20	4,515	1.46
Utility doors replace	135		27,000	7	3,857	1.25
Shutters	128		19,200	10	1,920	0.62
Sliding Patio Doors	162		56,700	10	5,670	1.83
Other: Entry Monument					1,000	0.32
Other: Tree Trimming					8,264	2.67
Other: Mailbox Structures					3,870	1.25
her: Termite Control	27		270,000	20	13,500	4.36
Other:Landscape/Irrigation	129,487				2,000	0.65
TOTAL RESERVE					197,141	63.68

Note: For space purposes, we have included only the components most frequently found in common-interest subdivisions. Reserve items should not be limited to the list above, but be tailored to your particular project.

PHASE:

4

①

Use either Columns 1 and 2 or 3 and 4, but not both for a particular line item.

04-Jul-15

BUDGET WORKSHEET

RE 623 (Rev. 2/00), DRE Approved Form ID # 62300200B002

GENERAL INFORMATION

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California Civil Code. If that budget is less than 10% or greater than 20% from this budget, you should contact the Department of Real Estate. The association may increase or decrease its budget. It is typical for costs to increase as the project ages. The association should conduct a reserve study after its first year of operation to adjust the reserve funding plan for any changes which may have taken place during construction.

The association must adopt a budget in accordance with

DRE FILE NUMBER (IF KNOWN)

Master DRE File #

DEPUTY ASSIGNED (IF KNOWN)

SUBDIVISION IDENTIFICATION AND LOCATION

NAME AND/OR TRACT NUMBER

Westlake Villas

NAME TO BE USED IN ADVERTISING (IF DIFFERENT THAN NAME OR TRACT NUMBER)

LEGAL DESCRIPTION		Landscape:	Rem. Parcel	2 & 3
Tract 225-1480:	Bldgs 3, 16 & 17	& Rec:		
Parcel 2 & 3		Streets:	Streets & Parking	Drives Walkways
STREET ADDRESS (IF ANY)		CITY		COUNTY
MAIN ACCESS ROAD(S)		NEAREST TOWN/CITY		MILES/DIRECTION FROM CITY

TYPE OF SUBDIVISION

☐	Condominium	☐	Planned Development Land Project
☒	Condominium Conversion	☐	Planned Development Mobile Home
☐	Stock Cooperative	☐	Community Apartment
☐	Stock Cooperative Conversion	☐	Out-of-State
☐	Limited Equity Housing Corp.	☐	Undivided Interest
☐	Planned Development	☐	Undivided Interest Land

NO. OF LOTS/UNITS	PHASE #	TOTAL # IN PROJECT	PREVIOUS DRE FILE#	# OF ACRES
285	5	5		12.29

BUDGET PREPARER

NAME	ATTENTION	TELEPHONE
DGW Budget Preparation	Barbara Walder	(949) 234-1899
ADDRESS	CITY	ZIP CODE
30230 Rancho Viejo Rd., Ste 206	San Juan Capistrano	92675

Certification

I declare under penalty of perjury that the representations and answers to questions in this document and all documents submitted as a part of the homeowner's budget are true and complete to the best of my knowledge and belief. The undersign also certifies that this electronic recreation of DRE form 623 contains at least the same information as the DRE approved form ID# 62300200B002

SIGNATURE OF BUDGET PREPARER

DATE

04-Jul-15

IMPROVEMENTS WORKSHEET

If this phase will have any line items shown on pages 3, 4 and 5 hereof exempted from payment of assessments under Regulation 2792.16(c), asterisk those items on pages 3, 4 and 5 and list any partially deferred costs on a separate sheet showing calculations and attach. All exempted improvements must be covered by reasonable arrangements for completion. Include Planned Construction Statement (RE 611A) for review.

1. Number of buildings containing residential units
2. Estimated completion date for the residential units included in this phase
3. Estimated completion date for the common area and facilities included in this phase
4. Type of residential building for this project (i.e., high-rise, cluster, garden, etc.)
5. Type of construction for these buildings (i.e., steel, concrete, wood frame, etc.)
6. Type of roof (i.e., shake, etc.)
7. Type of paving used in the project
8. Type of exterior wall for residential buildings
9. Number of residential units per building
10. Number of floors per building
11. Number of bedrooms per unit
12. Square footage of units (list number and size of each unit type)

3

08/03 to 10/03

08/03 to 10/03

Condo

Wood

Tile

asphalt & concrete

stucco

8, 9 & 10

Three

1,2 or 3

6 Plan 1 @ 840 s.f.

6 Plan 2 @ 1064 s.f.

6 Plan 3 @ 1285 s.f.

6 Plan 4 @ 1260 s.f.

3 Plan 5 @ 1382 s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

@ s.f.

13. Type of parking facilities and number of spaces (i.e., detached garage, tuck-under, subterranean, carport, open, etc.)

Attached 1 & 2-car garages

Complete 14 and 15 for Phased Condominium Projects Only

14. Have you submitted budgets for all phases to be completed within the next three calendar years and a built-out budget? ☒ Yes ☐ No
15. If this condominium project involves phasing with a single lot, submit a budget for each phase plus a budget which will be used if future phases are not completed. (Commonly referred to as a worst case budget.)

BUDGET SUMMARY

PHASE NUMBER 5	DATE OF BUDGET 04-Jul-15	DRE FILE NUMBER
NUMBER OF UNITS 285	TRACT NUMBER/NAME OF PROJECT Westlake Villas	

		Per Unit Per Month	Total Monthly	Total Annual
100 FIXED COSTS				
101. Property Taxes				
102. Corporation Franchise Taxes		0.01	2	25
103. Insurance (attach proposal)		23.36	6,657	79,887
104. Local License & Inspection Fees		0.18	50	600
105. Estimated Income Taxes				
100 - SUBTOTAL		23.54	6,709	80,512
200 OPERATING COSTS				
201. Electricity (attach work sheet)		14.80	4,219	50,632
202. Gas (attach work sheet)		8.11	2,310	27,720
203. Water (attach work sheet)		1.15	326	3,916
204. Sewer/Septic Tanks (include if not in 203)				
205. Cable TV/Master Antenna				
207. Custodial Area: 6600		5.79	1,650	19,800
# of Restrooms: 2		1.75	500	6,000
Rates: \$0.35, \$0.15, \$0.07, \$0.03, \$0.01	208. Landscape Area: FLAT SF: 144,030	14.74	4,201	50,411
	SLOPE			
	FUEL MOD.			
	DRY F.M.			
	NATURAL			
	EXTRAS	1.34	382	4,587
209. Refuse Disposal				
Vendor Name & Telephone N				
☒ NOT ASSOCIATION EXPENSE				
210. Elevators				
Number & Type				
211. Private Streets, Driveways, Parking Areas				
Area: 2.98		0.52	149	1,789
212. Heating & Air Conditioning Maintenance				
Area: 6600		0.04	10	120
No. Pools: 1	213. Pool Size: 1898			
No. Spas: 1	Spa Size: 175	3.10	884	10,610
	Months Heated: 8.5			
214. Tennis Courts: Number				
215. Access Control: Guard hrs./day				
# of Motorized Gates:				
Type of Gate:				
# of Intercom/Phones:				

	Per Unit Per Month	Total Monthly	Total Annual
216. Reserve Study	1.02	292	3,500
Maintenance Inspections	7.02	2,000	24,000
217. Miscellaneous			
Minor Repairs	2.00	570	6,840
Pest Control	3.00	855	10,260
Snow Removal			
Other: Sewer & Drain Lines			
Other:			
Other: Lighting Maintenance	2.11	600	7,200
Other: Firesprinkler Maintenance & Monitoring	6.93	1,975	23,700
100-SUBTOTAL	73.42	20,924	251,085
300 RESERVES			
301-313 (attach work sheet)	64.01	18,243	218,919
300-SUBTOTAL	64.01	18,243	218,919
400 ADMINISTRATION			
401. Management ①	15.00	4,275	51,300
402. Legal Services	0.83	238	2,850
403. Accounting	0.35	100	1,200
404. Education	0.35	100	1,200
405. Miscellaneous, office expense	2.50	713	8,550
400-SUBTOTAL	19.04	5,425	65,100
TOTAL (100-400)	180.00	51,301	615,615
500 CONTINGENCY			
501. New Construction 3%			
502. Conversions 5%	9.00	2,565	30,781
503. Revenue Offsets (attach documentation)			
TOTAL BUDGET	189.00	53,866	646,396

➡ DRE regulations allow the use of variable assessments against units only if one unit will derive as much as 10 percent more than another unit in the value of common goods and services supplied by the association.

After determining the percent of benefit derived from services provided (page 15) by the association, an easy chart to follow would be:

Less than 10% - equal assessments

From 10% - 20% - variable or eq

Over 20% - variable assessments

The budget and management documents indicate:

(Check appropriate box):

☒	Use equal assessments
☐	Use variable assessments

Use equal assessments
Use variable assessments

➡ The inventory and quantities used in the preparation of this budget are normally derived from plans complete prior to construction and may vary slightly from actual field conditions. The calculated budget is a good faith estimate of the projected costs and should be deemed less than one year. The Board of Directors should conduct an annual review of the Association's actual costs and revise the budget accordingly.

Depending upon the level of service selected by the Association, the amount shown may be insufficient to cover the cost and may be higher.

RESERVES WORKSHEET

DRE FILE NUMBER

TRACT NUMBER/NAME

Westlake Villas

Item	① Sq. Feet or number	② Unit Cost HOA Manual	③ Replacement Cost	④ Remaining Life	Yearly Reserve Columns 1 x 2 or 3 / 4	Cost Per Unit Per Month
Paint	378,610		318,032	6	53,005	15.50
Wood Siding (paint/stain)						
Roof - type: Shingle						
Roof - type: tile	205,679	0.03			6,170	1.80
Water Heaters	2		2,800	7	400	0.12
Exterior Lights	604				13,619	3.98
Floors- type:	6,600		16,632	6	2,772	0.81
Carpet						
Elevators						
Streets & Drives	46,460		18,584	4	4,646	1.36
Heating & Cooling	1		4,500	14	321	0.09
Pool Re-plaster	1		8,400	11	764	0.22
Pool Heater	1		2,160	11	196	0.06
Pool Filter	1		1,000	9	111	0.03
Spa Re-plaster	1		1,500	9	167	0.05
Spa Heater	1		2,000	9	222	0.06
Spa Filter	1		1,000	9	111	0.03
Pool/Spa Pumps - No.	3		2,700	5	540	0.16
Tennis Courts						
Furnishings/Equipment			150,000	5	30,000	8.77
Fences (paint/stain)						
Fences (repair/replace)-Type						
Walls (Paint)						
Walls (repair/replace)	1,200	0.10			120	0.04
Wrought Iron (paint) SF	16,810		45,387	2	22,694	6.64
Wrought Iron (repair/rpl.) LF	3,316		96,993	14	6,928	2.03
Pumps/Motors - type:						
Motorized Gates						
Decks/Overheads/Pool Decking	12,791		57,560	5	11,512	3.37
Septic Tank						
Raingutters LF	24,246	0.10			2,425	0.71
Front doors replace	285		78,375	15	5,225	1.53
Garage doors replace	285		99,750	20	4,988	1.46
Utility doors replace	150		30,000	7	4,286	1.25
Shutters	136		20,400	10	2,040	0.60
Sliding Patio Doors	180		63,000	10	6,300	1.84
Other: Entry Monument					1,000	0.29
Other: Tree Trimming					10,082	2.95
Other: Mailbox Structures					4,275	1.25
er: Termite Control	30		300,000	20	15,000	4.39
er:Landscape/Irrigation	144,030				9,000	2.63
TOTAL RESERVE					218,919	64.01

Note: For space purposes, we have included only the components most frequently found in common-interest subdivisions. Reserve items should not be limited to the list above, but be tailored to your particular project.

PHASE: 5 ① Use either Columns 1 and 2 or 3 and 4, but not both for a particular line item. 04-Jul-15

*Department of Real Estate
of the
State of California*

**FINAL SUBDIVISION PUBLIC REPORT
CONDOMINIUM**

In the matter of the application of

WESTLAKE VILLAS, LLC,
A CALIFORNIA LIMITED LIABILITY COMPANY

FILE NO.: 110537SA-A01

ISSUED: MAY 20, 2003

AMENDED: OCTOBER 14, 2004

EXPIRES: MAY 19, 2008

for a Final Subdivision Public Report on

WESTLAKE VILLAS – LOT 1
PHASE 1

“WESTLAKE VILLAS”

SACRAMENTO COUNTY, CALIFORNIA

JEFFERY M. DAVI
Real Estate Commissioner

By: *Ty Matt*
Deputy Commissioner

CONSUMER INFORMATION

- ❖ **THIS REPORT IS NOT A RECOMMENDATION OR ENDORSEMENT OF THE SUBDIVISION; IT IS INFORMATIVE ONLY.**
- ❖ **BUYER OR LESSEE MUST SIGN THAT (S)HE HAS RECEIVED AND READ THIS REPORT.**
- ❖ A copy of this subdivision public report along with a statement advising that a copy of the public report may be obtained from the owner, subdivider, or agent at any time, upon oral or written request, *must* be posted in a conspicuous place at any office where sales or leases or offers to sell or lease interests in this subdivision are regularly made. [Reference Business and Professions (B&P) Code Section 11018.1(b)]

This report expires on the date shown above. All material changes must be reported to the Department of Real Estate. (Refer to Section 11012 of the B&P Code; and Chapter 6, Title 10 of the California Administrative Code, Regulation 2800.) Some material changes may require amendment of the Public Report; which Amendment must be obtained and used in lieu of this report.

Section 12920 of the California Government Code provides that the practice of discrimination in housing accommodations on the basis of race, color, religion, sex, marital status, domestic partnership, national origin, physical handicap or ancestry, is against public policy.

Under Section 125.6 of the B&P Code, California real estate licensees are subject to disciplinary action by the Real Estate Commissioner if they discriminate or make any distinction or restriction in negotiating the sale or lease of real property because of the race, color, sex, religion, ancestry, national origin, or physical handicap of the client. If any prospective buyer or lessee believes that a licensee is guilty of such conduct, (s)he should contact the Department of Real Estate.

READ THE ENTIRE REPORT ON THE FOLLOWING PAGES BEFORE CONTRACTING TO BUY OR LEASE AN INTEREST IN THIS SUBDIVISION.

COMMON INTEREST DEVELOPMENT GENERAL INFORMATION

Common Interest Development

The project described in the attached Subdivision Public Report is known as a common-interest development. Read the Public Report carefully for more information about the type of development. The development includes common areas and facilities which will be owned and/or operated by an owners' association. Purchase of a lot or unit automatically entitles and obligates you as a member of the association and, in most cases, includes a beneficial interest in the areas and facilities. Since membership in the association is mandatory, you should be aware of the following information before you purchase:

Governing Instruments

Your ownership in this development and your rights and remedies as a member of its association will be controlled by governing instruments which generally include a Declaration of Restrictions (also known as CC&R's), Articles of Incorporation (or association) and bylaws. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law. Study these documents carefully before entering into a contract to purchase a subdivision interest.

Assessments

In order to provide funds for operation and maintenance of the common facilities, the association will levy assessments against your lot or unit. If you are delinquent in the payment of assessments, the association may enforce payment through court proceedings or your lot or unit may be liened and sold through the exercise of a power of sale. The anticipated income and expenses of the association, including the amount that you may expect to pay through assessments, are outlined in the proposed budget. Ask to see a copy of the budget if the subdivider has not already made it available for your examination.

Common Facilities

A homeowner association provides a vehicle for the ownership and use of recreational and other common facilities which were designed to attract you to buy in this development. The association also provides a means to accomplish architectural control and to provide a base for homeowner interaction on a variety of issues. The purchaser of an interest in a common-interest development should contemplate active participation in the affairs of the association. He or she should be willing to serve on the board of directors or on committees created by the board. In short, "they" in a common interest development is "you". Unless you serve as a member of the

governing board or on a committee appointed by the board, your control of the operation of the common areas and facilities is limited to your vote as a member of the association. There are actions that can be taken by the governing body without a vote of the members of the association which can have a significant impact upon the quality of life for association members.

Subdivider Control

Until there is a sufficient number of purchasers of lots or units in a common interest development to elect a majority of the governing body, it is likely that the subdivider will effectively control the affairs of the association. It is frequently necessary and equitable that the subdivider do so during the early stages of development. It is vitally important to the owners of individual subdivision interests that the transition from subdivider to resident-owner control be accomplished in an orderly manner and in a spirit of cooperation.

Cooperative Living

When contemplating the purchase of a dwelling in a common interest development, you should consider factors beyond the attractiveness of the dwelling units themselves. Study the governing instruments and give careful thought to whether you will be able to exist happily in an atmosphere of cooperative living where the interests of the group must be taken into account as well as the interests of the individual. Remember that managing a common interest development is very much like governing a small community ... the management can serve you well, but you will have to work for its success. [B&P Code Section 11018.1(c)]

Informational Brochure

The Department of Real Estate publishes the *Common Interest Development Brochure*. The information contained in this brochure provides a brief overview of the rights, duties and responsibilities of both associations and individual owners in common interest developments. To obtain a free copy of this brochure, please send your request to:

Book Orders
Department of Real Estate
P.O. Box 187006
Sacramento, CA 95818-7006

SPECIAL NOTES

THIS AMENDED SUBDIVISION PUBLIC REPORT COVERS ONLY UNITS 1 THROUGH 9; UNITS 67 THROUGH 104, UNITS 200 THROUGH 217 WITHIN WESTLAKE VILLAS TRACT.

THIS PROJECT IS A COMMON-INTEREST SUBDIVISION OF THE TYPE REFERRED TO AS A CONDOMINIUM. IT WILL BE OPERATED BY AN INCORPORATED OWNERS ASSOCIATION.

THE ASSOCIATION HAS THE RIGHT TO LEVY ASSESSMENTS AGAINST YOU FOR MAINTENANCE OF THE COMMON AREAS, AMENITIES AND FACILITIES AND OTHER PURPOSES. YOUR CONTROL OF OPERATIONS AND EXPENSES IS LIMITED TO THE RIGHT OF YOUR ELECTED REPRESENTATIVES TO VOTE ON CERTAIN PROVISIONS AT MEETINGS.

SINCE THE COMMON PROPERTY AND FACILITIES WILL BE MAINTAINED BY AN ASSOCIATION OF HOMEOWNERS, IT IS ESSENTIAL THAT THIS ASSOCIATION BE FORMED EARLY AND PROPERLY. THE HOMEOWNERS ASSOCIATION MUST HOLD THE FIRST MEMBERSHIP MEETING AND ELECTION OF THE ASSOCIATION'S GOVERNING BODY WITHIN 45 DAYS AFTER 51% SELL OUT OF THE INTERESTS AUTHORIZED FOR SALE UNDER THE FIRST PUBLIC REPORT FOR THE SUBDIVISION. HOWEVER, IN NO EVENT SHALL THE MEETING BE HELD LATER THAN SIX MONTHS AFTER CLOSING OF THE SALE OF THE FIRST SUBDIVISION INTEREST. (REGULATIONS 2792.17 AND 2792.19). THE ASSOCIATION MUST ALSO PREPARE AND DISTRIBUTE TO ALL HOMEOWNERS A BALANCE SHEET AND INCOME STATEMENT.

THE SUBDIVIDER MUST PAY ASSESSMENTS TO THE HOMEOWNERS ASSOCIATION FOR ALL UNSOLD UNITS. THE PAYMENTS MUST COMMENCE ON THE FIRST DAY OF THE MONTH AFTER SUBDIVIDER CONVEYS THE FIRST SUBDIVISION INTEREST IN THIS PROJECT. (REGULATIONS 2792.9 AND 2792.16)

THE SUBDIVIDER MUST MAINTAIN AND DELIVER TO THE HOMEOWNERS ASSOCIATION THE SPECIFIC RECORDS AND MATERIALS LISTED IN REAL ESTATE COMMISSIONER'S REGULATION 2792.23 WITHIN THE STATED TIME PERIOD. THESE RECORDS AND MATERIALS DIRECTLY AFFECT THE ABILITY OF THE HOMEOWNERS ASSOCIATION TO PERFORM ITS DUTIES AND RESPONSIBILITIES. (REFER TO SECTION 11018.5 OF THE BUSINESS AND PROFESSIONS CODE AND SECTION 1363 OF THE CIVIL CODE.)

SPECIAL NOTES (Continued)

THE SUBDIVIDER MUST PROVIDE YOU WITH A COPY OF THE ARTICLES OF INCORPORATION, BYLAWS AND DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND PRIOR TO CLOSE OF ESCROW. THESE DOCUMENTS CONTAIN NUMEROUS MATERIAL PROVISIONS THAT SUBSTANTIALLY AFFECT AND CONTROL YOUR RIGHTS, PRIVILEGES, USE, OBLIGATIONS AND COSTS OF MAINTENANCE AND OPERATION. YOU SHOULD READ AND UNDERSTAND THESE DOCUMENTS BEFORE YOU OBLIGATE YOURSELF TO PURCHASE A UNIT. (SECTION 11018.6 BUSINESS AND PROFESSIONS CODE.)

THE SUBDIVIDER STATED HE WILL FURNISH THE CURRENT BOARD OF DIRECTORS OF THE HOMEOWNERS ASSOCIATION AND EACH INDIVIDUAL PURCHASER WITH THE DEPARTMENT OF REAL ESTATE REVIEWED ASSOCIATION BUDGET.

NO ESCROWS WILL CLOSE UNTIL ALL COMMON FACILITIES, IMPROVEMENTS, LANDSCAPING, AND ALL STRUCTURES HAVE BEEN COMPLETED; A NOTICE OF COMPLETION HAS BEEN FILED AND ALL CLAIM OF LIENS HAS EXPIRED OR A TITLE POLICY ISSUED TO EACH PURCHASER CONTAINING AN ENDORSEMENT AGAINST ALL CLAIM OF LIENS. (SECTION 11018.5 OF THE BUSINESS AND PROFESSIONS CODE).

THE SUBDIVIDER INDICATED THAT HE INTENDS TO SELL ALL OF THE UNITS IN THIS PROJECT; HOWEVER, ANY OWNER, INCLUDING THE SUBDIVIDER, HAS A LEGAL RIGHT TO RENT OR LEASE THE UNITS.

IF YOU PURCHASE FIVE OR MORE SUBDIVISION INTERESTS (UNITS) FROM THE SUBDIVIDER, THE SUBDIVIDER IS REQUIRED TO NOTIFY THE REAL ESTATE COMMISSIONER OF THE SALE. IF YOU INTEND TO SELL YOUR INTERESTS OR LEASE THEM FOR TERMS LONGER THAN ONE YEAR, YOU ARE REQUIRED TO OBTAIN AN AMENDED SUBDIVISION PUBLIC REPORT BEFORE YOU CAN OFFER THEM FOR SALE OR LEASE.

WARNING: WHEN YOU SELL YOUR CONDOMINIUM UNIT TO SOME ONE ELSE, YOU MUST GIVE THAT PERSON A COPY OF THE DECLARATION OF RESTRICTIONS, ARTICLES OF ASSOCIATION, THE BYLAWS AND A TRUE STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS, PENALTIES, ATTORNEYS' FEES OR OTHER CHARGES, PROVIDED BY THE RESTRICTIONS OR OTHER MANAGEMENT DOCUMENTS ON THE UNIT AS OF THE DATE THE STATEMENT WAS ISSUED.

NOTE: IF YOU FORGET TO DO THIS, IT MAY COST YOU A PENALTY OF \$500.00-- PLUS ATTORNEY'S FEES AND DAMAGES (SEE CIVIL CODE SECTION 1368).

SPECIAL NOTES (Continued)

THE SUBDIVIDER MUST MAKE AVAILABLE TO YOU, COPIES OF THE ASSOCIATION GOVERNING INSTRUMENTS, A STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS AND RELATED CHARGES AS PROVIDED BY THE GOVERNING INSTRUMENTS AND, IF AVAILABLE, CURRENT FINANCIAL AND RELATED STATEMENTS (SEE BUSINESS AND PROFESSIONS CODE SECTION 11018.6).

LIMITED WARRANTY: THE SUBDIVIDER FOR THE UNIT YOU ARE PURCHASING MAY INCLUDE A WRITTEN LIMITED WARRANTY IN THE PURCHASE AGREEMENT OR ESCROW INSTRUCTIONS. THE WARRANTY GENERALLY RUNS FROM THE CLOSE OF ESCROW AND MAY STATE A LIMITED PERIOD OF TIME FOR FILING A NOTICE OF A CLAIM. TO CONFIRM WHAT, IF ANY, WARRANTY WILL BE GIVEN AND FOR A COMPLETE UNDERSTANDING OF ALL OF THE PROVISIONS OF SUCH WARRANTY, YOU SHOULD READ IT CAREFULLY. YOU MAY WISH TO CONSULT YOUR ATTORNEY PRIOR TO ENTERING INTO A PURCHASE CONTRACT.

NOTWITHSTANDING ANY PROVISION IN THE PURCHASE CONTRACT TO THE CONTRARY, A PROSPECTIVE BUYER HAS THE RIGHT TO NEGOTIATE WITH THE SELLER TO ALLOW AN INSPECTION OF THE PROPERTY BY THE BUYER OR THE BUYER'S DESIGNEE UNDER TERMS MUTUALLY AGREEABLE TO THE PROSPECTIVE BUYER AND SELLER.

INTERESTS TO BE CONVEYED: You will receive an undivided fractional fee interest, together with a membership in the Westlake Villas Community Association and rights to use the common area.

LOCATION AND SIZE: This subdivision is located at Broadgate Drive and Westlake Parkway within the city limits of Sacramento. Prospective purchasers should acquaint themselves with the kinds of city services available.

This is the first phase which consists of approximately 3.8 acres on which 7 buildings containing 65 units and 65 garages have been constructed.

Common amenities and/or facilities consisting of landscaping; recreation area consisting of pool, spa, decking, fencing and walls, have been constructed.

This phase is part of a total project which, if developed as proposed, will consist of a total of 5 phases and 285 units.

MANAGEMENT AND OPERATION: The Westlake Villas Community Association, of which you become a member at time of purchase, manages, maintains, and operates the common area in accordance with the Declaration of Covenants, Conditions and Restrictions, Articles of Association, and the Bylaws.

MAINTENANCE AND OPERATIONAL EXPENSES: The subdivider has submitted budgets for the maintenance and operation of the common areas and for long-term reserves when the subdivision is substantially completed (built-out budget) and an interim budget applicable to this phase. These budgets were reviewed by the Department of Real Estate in August, 2004. You should obtain copies of these budgets from the subdivider.

Under the built-out budget, the monthly assessment against each subdivision interest will be \$ 189.00. The association may or may not elect to use this budget when additional phases are annexed. Under the interim budget the monthly assessment per interest will be \$397.00. Of these amounts, the monthly contribution toward long-term reserves, which are not to be used to pay for current management maintenance and operating expenses are \$64.01 and \$136.22 respectively.

According to the subdivider, assessments under the interim budget should be sufficient for proper management, maintenance and operation of the common areas until the development is completed at which time it may be anticipated that assessments will be adjusted.

IF THE BUDGET FURNISHED TO YOU BY THE SUBDIVIDER SHOWS A MONTHLY ASSESSMENT FIGURE WHICH IS AT LEAST 20% MORE OR AT LEAST 10% LESS THAN THE ASSESSMENT AMOUNT SHOWN IN THIS PUBLIC REPORT, YOU SHOULD CONTACT THE DEPARTMENT OF REAL ESTATE BEFORE ENTERING INTO AN AGREEMENT TO PURCHASE.

THE BUDGET INFORMATION INCLUDED IN THIS PUBLIC REPORT IS APPLICABLE AS OF THE DATE OF BUDGET REVIEW AS SHOWN ABOVE. EXPENSES OF OPERATION ARE DIFFICULT TO PREDICT AND EVEN IF ACCURATELY ESTIMATED INITIALLY, MOST EXPENSES INCREASE WITH THE AGE OF FACILITIES AND WITH INCREASES IN THE COST OF LIVING.

The utility rates used for the calculations within this budget are based on information available at the time of the budget review date (as shown above). Increases in regular assessments or special assessments may be required as a temporary measure to provide adequate funds to compensate for potential utility rate increases. Purchasers should be aware of the possible affect these increases may have on their homeowner assessments.

MAINTENANCE AND OPERATIONAL EXPENSES: (Continued)

Monthly assessments will commence on units, on the first day of the month immediately following the conveyance of the first subdivision interest.

The remedies available to the association against owners who are delinquent in the payment of assessments are set forth in the Restrictions. These remedies are available against the subdivider as well as against other owners.

The subdivider has posted a bond in escrow as partial security for the obligation to pay these assessments. The governing body of the association should assure itself that the subdivider has satisfied these obligations to the association with respect to the payment of assessments before agreeing to a release or exoneration of the security.

SUBSIDY AGREEMENT: Subdivider has entered into a Subsidy Agreement with the Association to subsidize a portion of the Association's Common Expenses. This subsidy arrangement has been created to help mitigate the disproportionate costs to owners in the first three (3) phases of development.

The subsidy commences on the first day following the first close of escrow of a Unit in Phase 1, and terminates on the earlier to occur of the following: (a) the date which is twelve (12) months after the date of the first close of escrow for the sale of a unit in Phase 1, or (b) the date on which the first close of escrow occurs for the sale of a Unit in Phase 4, unless the term is extended by Subdivider. The Subdivider has posted a bond in escrow to cover its obligations under the Subsidy Agreement.

EASEMENTS: Easements for utilities, road right of way, landscape, public utility, planting, rights of way, and other purposes are shown on the Title Report and Subdivision Map recorded in the Office of the Sacramento County Recorder, Book 315 of Maps at Page 6 and on the recorded condominium plan.

Amendments to the original condominium plan may also be recorded. You may ask the subdivider about such changes. If you purchase a unit, this information will be included in your title policy.

RESTRICTIONS: This subdivision is subject to Condominium Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Westlake Villas recorded September 28, 2004, in Book 20040928, Page 2284 in the Office of the Sacramento County Recorder, Official Records.

RESTRICTIONS: (Continued)

Also subject to Amended & Restated Covenants, Conditions and Restrictions for Westlake Master Planned Community recorded March 14, 2001, Book 20010314, Page 1532, Official Records for the Westlake Property. The Purchasers only duties are set forth in Article 18 of these Master Restrictions. Purchasers of Condominiums in the project have no right to use the lake by virtue of their ownership in the project. Subdivider has no control over the use or maintenance of the lake.

FOR INFORMATION AS TO YOUR OBLIGATIONS AND RIGHTS, YOU SHOULD READ THE RESTRICTIONS. THE SUBDIVIDER MUST MAKE THEM AVAILABLE TO YOU.

MINERAL RIGHTS: You will not own the mineral, oil and gas rights under your land below a depth of 500 feet. These have been reserved as per your grant deed. The right to surface entry has been waived.

USES, ZONING AND NATURAL HAZARDS: There is an existing Middle School Southwest of the project within 500 yards.

LAKE: Westlake is a private lake located on approximately twenty-two (22) acres of land northwest of the project.

COMMERCIAL AREA: Property located south of the project is zoned for commercial purposes. Commercial uses may result in increased noise and traffic in and around the project. Also, businesses within the commercial area may operate at early morning and/or late night hours. Subdivider has no control over the operation of any businesses in the commercial area.

ARCO ARENA: ARCO Arena ("Arena") is located approximately two (2) miles southeast of the project. The Arena is an indoor arena; however, Owners may hear noise from events held at the Arena. In addition, there will be increased traffic in and around the project when events are held at the Arena.

SACRAMENTO INTERNATIONAL AIRPORT: The Sacramento International Airport ("Airport") is located approximately three (3) miles northwest of the project. Purchasers of the Condominiums in the project may experience noise and vibrations from general aviation and cargo flights at all times of the day and night.

The Airport operates seven (7) days a week, three hundred sixty-five (365) days a year. The Airport presently serves over eight (8) million passengers per year.

POST CONCRETE TENSION SLABS: DUE TO CERTAIN UNDERLYING EXPANSIVE SOIL CONDITIONS, THE CONCRETE SLABS FOR THE BUILDINGS CONTAINING THE UNITS IN THIS PHASE HAS BEEN BUILT USING A POST-TENSION CONCRETE SYSTEM ("SYSTEM"). THE SYSTEM INVOLVES PLACING STEEL CABLES UNDER HIGH TENSION IN THE CONCRETE SLAB FOUNDATION LOCATED BENEATH THE BUILDINGS. ANY ATTEMPT TO ALTER OR PIERCE THE FOUNDATION AND/OR SLAB (FOR EXAMPLE, SAW CUTTING DRILLING, OR INSTALLATION OF SUBTERRANEAN IMPROVEMENTS SUCH AS NEW PLUMBING OR A FLOOR SAFE) COULD DAMAGE THE INTEGRITY OF THE SYSTEM AND/OR CAUSE SERIOUS PERSONAL INJURY OR PROPERTY DAMAGE. EACH OWNER, BY ACCEPTANCE OF THE DEED TO A UNIT, AGREES TO DISCLOSE THE EXISTENCE OF THE POST TENSION SLAB TO ANY OF THE OWNER'S TENANTS OR LESSEES OF THE DWELLING UNIT AND TO ANY FUTURE PURCHASER OF THE UNIT FROM OWNER.

Adjacent Land Uses: The real property in the vicinity of the Project includes, but is not limited to the following uses:

- (a) North: Future residential
- (b) South: Future residential and commercial school
- (c) East: 1-5 Freeway and future commercial
- (d) West: Future commercial center/park and schools

HAZARDS: The Subdivider has advised that all or portions of the subdivision subject to this Public Report are located within an *Area of Potential Flooding* as shown on an inundation map. Additionally, the Subdivider has advised that prospective purchasers within this Area will be provided a separate disclosure required under Government Code Section 8589.4.

If any disclosure, or any material amendment to any disclosure, required to be made by the Subdivider regarding this natural hazard is delivered after the execution of an offer to purchase, the purchaser shall have three days after delivery in person or five days after delivery by deposit in the mail to terminate the offer by delivery of a written notice of termination to the subdivider or the subdivider's agent.

Since all or portions of the subdivision subject to this Public Report are located within one or more natural hazard areas, your homeowner's insurance and/or insurance coverage for any association or commonly owned areas may be affected.

HAZARDS: (Continued)

You should contact your lender and insurance carrier for more information regarding types of insurance and costs to cover your property, as well as the owners association or Subdivider regarding any assessment increases due to additional insurance costs.

At the time this public report was issued, information regarding whether all or portions of this subdivision are located within certain other natural hazard areas was not yet available to the Subdivider. You should ask the Subdivider for updated information before obligating yourself to purchase.

TAXES: The maximum amount of any tax on real property that can be collected annually by counties is 1% of the full cash value of the property. With the addition of interest and redemption charges on any indebtedness, approved by voters prior to July 1, 1978, the total property tax rate in most counties is approximately 1.25% of the full cash value. In some counties, the total tax rate could be well above 1.25% of the full cash value. For example, an issue of general obligation bonds previously approved by the voters and sold by a county water district, a sanitation district or other such district could increase the tax rate.

For the purchaser of a unit in this subdivision, the full cash value of the unit will be the valuation, as reflected on the tax roll, determined by the county assessor as of the date of close of escrow of the unit or as of the date of completion of an improvement on the unit if that occurs after the date of purchase.

ASSESSMENTS: This subdivision lies within the boundaries of the City of Sacramento North Natomas Drainage CFD 97-01; City of Sacramento North Natomas CFD No. 3; City of Sacramento North Natomas Transportation Management Association CFD 99-01; City of Sacramento North Natomas Neighborhood Lighting and Landscaping Community Facility District No. 99-02 Annexation No. 1; City of Sacramento North Natomas Westlake Community Facilities District No. 2000-01; SAFCA Assessment District No. 1; SAFCA Assessment District No. 2; City of Sacramento Landscaping and Lighting District No. 2; City of Sacramento Additional Library Services Assessment District No. 96-02; Reclamation District #1000 Operations and Maintenance District and are subject to any taxes, assessments and obligations thereof.

This subdivision lies within the boundaries of the: **SAFCA Assessment District No. 1:** Provides for the funding of the administrative, legal and operational expenses of the sacramento area flood control authority and levies an annual special assessment of approximately \$27.00 per lot. The annual assessment will remain constant and is anticipated to be levied in perpetuity.

SAFCA Assessment District No. 2: Provides for the funding of flood control facilities and improvements to be constructed, known as the "North Area Local Project," and includes flood control improvements to the North East main drainage canal ("NEMDC") arcade creek, dry creek, a pumping station, improvements to the Natomas Cross Canal, Sankey Road and the main avenue bridge, and for the repayment of loans from the City of Sacramento and SAFCA operations maintenance fund which were used to finance construction of the Sacramento River levee stabilization, portion of the NEMDC West Levee and a portion of the arcade creek improvements. This district is expected to levy an annual assessment of approximately \$99.00 per lot through the 2025-2026 fiscal year. For further information on SAFCA Assessment Districts, contact the SAFCA by calling (916) 552-8455.

City of Sacramento Landscaping and Lighting District No. 2: Which provides funding for the installation, maintenance and servicing of public lighting, landscaping and parks on a citywide basis. The current annual assessment levied by this assessment district is approximately \$58.00 per lot and an increase annually by an amount of up to 3% compounded annually, based upon the consumer price index.

For further information about the City of Sacramento's Assessment Districts, contact the city's bonds and assessments dept. by calling (916) 264-5681.

City of Sacramento Additional Library Services Assessment District No. 96-02: Which provides funding in order to keep public libraries open longer hours, to restore book and library material budgets and to update technology in neighborhood, community and regional libraries. The current assessment levied by this assessment district is approximately \$23.00 per lot and an increase annually by an amount of up to 3% compounded annually, based upon the consumer price index. For further information about the City of Sacramento additional library services assessment district no. 96-02, contact the city's bonds and assessments dept. by calling (916) 264-5681.

Reclamation District #1000 Operations and Maintenance District: Which provides funding for drainage runoff, flood and weir control, within the boundaries of "reclamation district #1000." The current assessment levied by this assessment district is approximately \$25.00 per lot and be increased annually by the reclamation district and is anticipated to be levied in perpetuity.

The current annual amount of such assessments is not an indication of the amount of such assessments in the future. For further information about this district, contact the reclamation district, by calling (916) 922-1449.

ASSESSMENTS: (Continued)

This subdivision lies within the City of Sacramento North Natomas Drainage Facilities District No. 97-01; and City of Sacramento North CFD No. 3; City of Sacramento North Natomas Transportation Management Association CFD 99-01; City of Sacramento North Neighborhood Lighting and Landscaping CFD No. 99-02; City of Sacramento North Natomas Westlake CFD No. 2000-01, are subject to any taxes, assessments and obligations thereof. The Subdivider must provide purchasers with disclosures entitled, "Notice of Special Tax" prior to a purchaser entering into a contract to purchase. These Notices contain important information about district functions, purchaser's obligations, right of the districts, and information on how to contact the districts for additional materials. Purchasers should thoroughly understand the information contained in the Notices prior to entering into a contract to purchase. These special taxes appear on the yearly property tax bill, and are in addition to the tax rate affecting the property described above in the section entitled "TAXES".

The buyer has five days after delivery of these Notices by deposit in the mail, or three days after delivery of any notice in person, to terminate the purchase agreement/contract by giving written notice of that termination to the owner, subdivider, or agent selling the property.

CONDITIONS OF SALE: Pursuant to Civil Code Sections 2956 through 2967, inclusive, subdividers and purchasers must make certain written disclosures regarding financing terms and related information. The subdivider will advise purchasers of disclosures needed from them, if any.

If your purchase involves financing, a form of deed of trust and note will be used. The provisions of these documents may vary depending upon the lender selected. These documents may contain the following provisions:

Acceleration Clause. This is a clause in a mortgage or deed of trust which provides that if the borrower (trustor) defaults in repaying the loan, the lender may declare the unpaid balance of the loan immediately due and payable.

Due-on-Sale Clause. If the loan instrument for financing your purchase of an interest in this subdivision includes a due-on-sale clause, the clause will be automatically enforceable by the lender when you sell the property. This means that the loan will not be assumable by a purchaser without the approval of the lender.

If the lender does not declare the loan to be all due and payable on transfer of the property by you, the lender is nevertheless likely to insist upon modification of the terms of the instrument as a condition to permitting assumption by your buyer. The lender will almost certainly insist upon an increase in the interest rate if the prevailing interest rate at the time of the proposed sale of the property is higher than the interest rate of the promissory note.

CONDITIONS OF SALE: (Continued)

Balloon Payment. This means that your monthly payments are not large enough to pay off the loan, with interest, during the period for which the loan is written and that at the end of the loan period, you must pay the entire remaining balance in one payment. If you are unable to pay the balance and the remaining balance is a sizeable one, you should be concerned with possible difficulty in refinancing the balance. If you cannot refinance or sell your property, or pay off the balloon payment, you will lose your property.

A Prepayment Penalty. This means that if you wish to pay off your loan in whole or in part before it is due, you must, in addition, pay a penalty.

Late Charge. This means that if you fail to make your installment payment on or before the due date or within a specified number of days after the due date, in addition, you must pay a penalty.

BEFORE SIGNING, YOU SHOULD READ AND THOROUGHLY UNDERSTAND ALL LOAN DOCUMENTS.

PURCHASE MONEY HANDLING: The subdivider must impound all funds (purchase money) received from you in an escrow depository until legal title is delivered to you. [Refer to Business and Professions Code Sections 11013 and 11013.2(a).]

If the escrow has not closed on your unit within one (1) year of the date of your purchase agreement/contract, escrow opening, you may request return of your deposit.

NOTE: Section 2995 of the Civil Code provides that no real estate Subdivider shall require as a condition precedent to the transfer of real property containing a single family residential dwelling that escrow services effectuating such transfer shall be provided by an escrow entity in which the Subdivider has a financial interest of 5% or more.

The subdivider has no financial interest in the escrow company which is to be used in connection with the sale or lease of units in this subdivision.

SOILS, FILLED GROUND AND GEOLOGIC CONDITIONS: Soils, filled ground and geologic conditions are available at the City of Sacramento Building and Safety, Department 1231 I Street, Sacramento, CA. Lot 1 will contain filled ground.

GEOLOGIC CONDITIONS: THE UNIFORM BUILDING CODE, CHAPTER A33, PROVIDES FOR LOCAL BUILDING OFFICIALS TO EXERCISE PREVENTIVE MEASURES DURING GRADING TO ELIMINATE OR MINIMIZE DAMAGE FROM GEOLOGIC HAZARDS SUCH AS LANDSLIDES, FAULT MOVEMENTS, EARTHQUAKE SHAKING, RAPID EROSION OR SUBSIDENCE.

GEOLOGIC CONDITIONS: (Continued)

THIS SUBDIVISION IS LOCATED IN AN AREA WHERE SOME OF THESE HAZARDS MAY EXIST. SOME CALIFORNIA COUNTIES AND CITIES HAVE ADOPTED ORDINANCES THAT MAY OR MAY NOT BE AS EFFECTIVE IN THE CONTROL OF GRADING AND SITE PREPARATION.

PURCHASERS MAY CONTACT THE SUBDIVIDER, THE SUBDIVIDER'S ENGINEER, THE ENGINEERING GEOLOGIST AND THE LOCAL BUILDING OFFICIALS TO DETERMINE IF THE ABOVE-MENTIONED HAZARDS HAVE BEEN CONSIDERED AND IF THERE HAS BEEN ADEQUATE COMPLIANCE WITH CHAPTER A33 OR AN EQUIVALENT OR MORE STRINGENT GRADING ORDINANCE DURING THE CONSTRUCTION OF THIS SUBDIVISION.

STREETS AND ROADS: The private streets within this project will be maintained by the homeowner association. The costs of repair and maintenance of these private streets are included in the budget and are a part of your regular assessment.

SCHOOL INFORMATION: This project lies within the Natomas School District. This District advises the schools initially available to this subdivision are:

Elementary (K-5)

Distance from Subdivision to Schools:

Natomas Park Elementary School
4700 Crest Drive
Sacramento, CA 95835
(916) 928-5234

Approximately 2.5 miles
District provided bus service

Middle School (6-8)

Natomas Middle School
3700 Del Paso Road
Sacramento, CA 95834
(916) 928-5204

Approximately .25 miles

High School (9-12)

Inderkum High School
2500 New Market Drive
Sacramento, CA 95834

This school information was provided prior to the date of issuance of this public report and is subject to change. For the most current information regarding school assignments, facilities and bus service, purchasers are encouraged to contact the school district.

CLOSING STATEMENT: If you need clarification as to the statements in this Public Report or if you desire to make arrangements to review the documents submitted by the subdivider which the Department of Real Estate used in preparing this Public Report you may call:

Department of Real Estate
Subdivisions North
2201 Broadway
Sacramento, CA 95818
(916) 227-0813

RECORDING REQUESTED BY:
Chicago Title Company

WHEN RECORDED, MAIL TO:
Westlake Villas, LLC
4100 Newport Place, Suite 840
Newport Beach, CA 92660
Attn: Ronald L. Meer
1072302


Sacramento County Recording
Mark Norris, Clerk/Recorder
BOOK **20040928** PAGE **2283**
Tuesday, SEP 28, 2004 3:31:16 PM
Ttl Pd \$125.00 Nbr-0003093512
DLE/07/1-40

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

**CONDOMINIUM PLAN
WESTLAKE VILLAS - PHASE 1
SUBDIVISION NO. P01-053
CITY OF SACRAMENTO,
COUNTY OF SACRAMENTO,
STATE OF CALIFORNIA**

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32	TYPICAL PLAN 3 BUILDING TYPE A, B & C (2ND FLOOR)
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35	TYPICAL PLAN 2 BUILDING TYPE A, B & C (3RD FLOOR)
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1111 KENNEDY PLACE
SUITE 4
DAVIS, CA 95616
530-792-7252
FAX 530-792-7171

WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
(SUBDIVISION NO. P01-053)
CITY OF SACRAMENTO, CALIFORNIA
Meer Capital Partners

Date: 06-19-04
Sheet 1 of 39

LEGAL DESCRIPTION AND STATEMENTS

LEGAL DESCRIPTION:

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND BEING A PORTION OF SECTION 4, TOWNSHIP 9 NORTH, RANGE 4 EAST, MOUNT DIABLO MERIDIAN AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

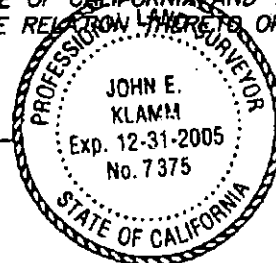
LOT 1, AS SHOWN ON THE FINAL MAP OF "WESTLAKE VILLAS", FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY ON MAY 9, 2003 IN BOOK 315 OF MAPS, AT PAGE 6.

SURVEYOR'S STATEMENT:

I HEREBY STATE THAT I AM A LICENSED LAND SURVEYOR IN THE STATE OF CALIFORNIA AND THAT THIS PLAN CORRECTLY SHOWS THE BOUNDARIES OF THE LAND AND THE RELATION THEREOF OF THE UNITS SHOWN HEREON.

John E. Klamm
JOHN E. KLAMM L.S. 7375
WECKER SURVEYS, INC.

9/22/04
DATE



OWNER'S STATEMENT:

THE UNDERSIGNED, WESTLAKE VILLAS LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, RECORD OWNER OF THE FEE TITLE, PURSUANT TO SECTION 1351(e)(3) OF THE CALIFORNIA CIVIL CODE, DOES HEREBY CONSENT TO THE PREPARATION AND RECORDATION OF THIS CONDOMINIUM PLAN.

WESTLAKE VILLAS, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY,

BY: MMM WESTLAKE VILLAS, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

BY: MEER WESTLAKE VILLAS, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY,
ITS MANAGING MEMBER

BY: Ronald L. Meer
RONALD L. MEER, MANAGING MEMBER

DATE: 9/1/04

NOTARY ACKNOWLEDGMENT:

STATE OF CALIFORNIA
COUNTY OF ORANGE

ON 9/1/04 BEFORE ME, PAMELA LEE WALTERS (NAME, TITLE OF OFFICER),
PERSONALLY APPEARED RONALD L. MEER ☐ 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(S),
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.

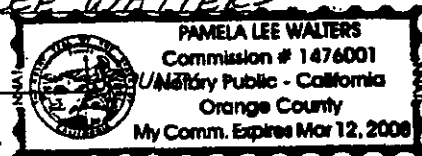
Pamela Lee Walters
NOTARY'S SIGNATURE

PAMELA LEE WALTERS
PRINTED NAME

MY PRINCIPAL PLACE OF BUSINESS IS IN ORANGE

MY COMMISSION EXPIRES: 3/12/08

COMMISSION NO. 1476001



**WECKER
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1111 KENNEDY PLACE
SUITE 4
DAVIS, CA 95618
530-792-7252
FAX 530-792-7171

WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
(SUBDIVISION NO. P01-053)
CITY OF SACRAMENTO, CALIFORNIA
Meer Capital Partners

Date: 06-15-04
Sheet 2 of 39

STATEMENTS
(CONTINUED)

BENEFICIARY'S STATEMENT:

CORUS BANK, N.A., A NATIONAL BANKING ASSOCIATION, AS BENEFICIARY UNDER THE DEED OF TRUST RECORDED ON MAY 31, 2002 IN BOOK 20020531, PAGE 2142, OFFICIAL RECORDS OF SACRAMENTO COUNTY.

CORUS BANK, N.A., A NATIONAL BANKING ASSOCIATION

BY: *[Signature]*
John P. Ascher, Vice President
PRINT NAME AND TITLE

NOTARY ACKNOWLEDGMENT:

STATE OF ~~CALIFORNIA~~ ILLINOIS
COUNTY OF COOK

ON SEPT. 16, 2004 BEFORE ME, ROSE ODESHOO (NAME, TITLE OF OFFICER), PERSONALLY APPEARED JOHN P. ASCHER, VICE PRESIDENT ☒ 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(S), AND THAT BY IS/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.

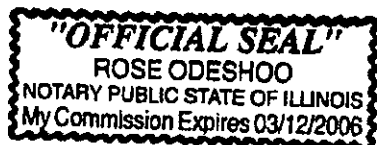
[Signature]
NOTARY'S SIGNATURE

ROSE ODESHOO
PRINTED NAME

MY PRINCIPAL PLACE OF BUSINESS IS IN COOK COUNTY.

MY COMMISSION EXPIRES: _____

COMMISSION NO. _____



**WECKER
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1111 KENNEDY PLACE
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WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
(SUBDIVISION NO. P01-053)
CITY OF SACRAMENTO, CALIFORNIA
Meer Capital Partners

Date: 06-15-04
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DEFINITIONS

ANNEXABLE TERRITORY. ANNEXABLE TERRITORY MEANS LOT 1, AS SHOWN ON THE FINAL MAP FOR WESTLAKE VILLAS, FILED IN BOOK 315, AT PAGE 6 OF MAPS, IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER, WHICH MAY BE MADE SUBJECT TO THE DECLARATION PURSUANT TO ARTICLE XVI OF THE DECLARATION, EXCEPTING THEREFROM PHASE 1.

ASSOCIATION. ASSOCIATION MEANS WESTLAKE VILLAS COMMUNITY ASSOCIATION, A CALIFORNIA NONPROFIT CORPORATION (FORMED PURSUANT TO CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION LAW) AND ITS SUCCESSORS-IN-INTEREST. THE ASSOCIATION IS AN "ASSOCIATION" AS DEFINED IN SECTION 1351(A) OF THE CALIFORNIA CIVIL CODE.

ASSOCIATION PROPERTY. ASSOCIATION PROPERTY MEANS ALL OF PHASE 1, EXCEPTING THEREFROM THE UNITS AND COMMON AREA. ANY REFERENCES IN THE DECLARATION TO ASSOCIATION PROPERTY ARE REFERENCES TO THE ASSOCIATION PROPERTY AS A WHOLE AND TO PORTIONS THEREOF. ADDITIONAL ASSOCIATION PROPERTY MAY BE ANNEXED TO THE PROPERTIES PURSUANT TO ARTICLE XVI OF THE DECLARATION.

COMMON AREA. COMMON AREA MEANS A THREE-DIMENSIONAL AIRSPACE, THE LOWER BOUNDARY OF WHICH IS A HORIZONTAL PLANE AT AN ELEVATION OF 50.0 FEET ABOVE SEA LEVEL, THE UPPER BOUNDARY OF WHICH IS A HORIZONTAL PLANE AT AN ELEVATION OF 60.0 FEET ABOVE SEA LEVEL, AND THE LATERAL BOUNDARIES OF WHICH ARE DEPICTED ON THIS CONDOMINIUM PLAN. EACH OWNER OF A CONDOMINIUM IN PHASE 1 OF THE PROPERTIES SHALL OWN AN UNDIVIDED ONE-SIXTY-FIFTH (1/65) FEE-SIMPLE INTEREST IN THE COMMON AREA, AS A TENANT IN COMMON WITH THE OTHER OWNERS OF THE CONDOMINIUMS IN PHASE 1. COMMON AREA IS "COMMON AREA," AS THAT TERM IS DEFINED IN CALIFORNIA CIVIL CODE SECTION 1351(B).

CONDOMINIUM. CONDOMINIUM MEANS AN ESTATE IN REAL PROPERTY AS DEFINED IN CALIFORNIA CIVIL CODE SECTION 1351(F). A CONDOMINIUM CONSISTS OF AN UNDIVIDED FEE SIMPLE OWNERSHIP INTEREST IN THE COMMON AREA IN A PHASE, TOGETHER WITH A SEPARATE OWNERSHIP INTEREST IN FEE IN A UNIT AND ALL EASEMENTS APPURTENANT THERETO. THE UNDIVIDED FEE SIMPLE INTEREST IN THE COMMON AREA APPURTENANT TO A UNIT IN A PHASE IS A FRACTION HAVING ONE (1) AS ITS NUMERATOR AND THE NUMBER OF UNITS IN THAT PHASE AS ITS DENOMINATOR, AND SHALL BE HELD BY THE OWNERS OF CONDOMINIUMS IN THAT PHASE AS TENANTS-IN-COMMON.

CONDOMINIUM PLAN. CONDOMINIUM PLAN MEANS THIS PLAN AND ANY AMENDMENTS THERETO, FOR PHASE 1 CONSISTING OF (A) A DESCRIPTION OR SURVEY MAP OF THE PHASE, WHICH SHALL REFER TO OR SHOW MONUMENTATION ON THE GROUND, (B) A THREE-DIMENSIONAL DESCRIPTION OF THE PHASE, ONE OR MORE DIMENSIONS OF WHICH MAY EXTEND FOR AN INDEFINITE DISTANCE UPWARDS OR DOWNWARDS IN SUFFICIENT DETAIL TO IDENTIFY THE ASSOCIATION PROPERTY, COMMON AREA AND EACH UNIT, AND (C) A CERTIFICATE CONSENTING TO THE RECORDATION THEREOF SIGNED AND ACKNOWLEDGED BY THE RECORD OWNER OF FEE TITLE TO THE PHASE OR PORTION THEREOF, AND BY EITHER THE TRUSTEE OR THE BENEFICIARY OF EACH RECORD DEED OF TRUST OR MORTGAGE ENCUMBERING THE PHASE OR PORTION THEREOF.

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WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
(SUBDIVISION NO. P01-053)
CITY OF SACRAMENTO, CALIFORNIA
Meer Capital Partners

Date: 08-15-04
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DEFINITIONS

(CONTINUED)

DECLARANT. DECLARANT MEANS WESTLAKE VILLAS, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, ITS SUCCESSORS, AND ANY PERSON TO WHICH IT SHALL HAVE ASSIGNED ANY OF ITS RIGHTS UNDER THIS DECLARATION BY AN EXPRESS WRITTEN ASSIGNMENT. DECLARANT IS A BUILDER AS DESCRIBED IN CALIFORNIA CIVIL CODE SECTION 1375.

DECLARATION. DECLARATION MEANS THE CONDOMINIUM DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR WESTLAKE VILLAS, RECORDED IN OFFICIAL RECORDS OF SACRAMENTO COUNTY, CALIFORNIA, AS AMENDED OR RESTATED.

PHASE. PHASE MEANS EACH OF THE FOLLOWING: (A) PHASE 1 AND (B) ALL THE REAL PROPERTY COVERED BY A NOTICE OF ADDITION FOR WHICH A FINAL SUBDIVISION PUBLIC REPORT HAS BEEN ISSUED BY DRE, UNLESS "PHASE" IS OTHERWISE DEFINED IN SUCH NOTICE OF ADDITION.

PHASE 1. PHASE 1 MEANS THE PORTION OF LOT 1 OF THE FINAL MAP OF "WESTLAKE VILLAS" DESIGNATED AS PHASE 1 ON SHEET 8 OF THIS CONDOMINIUM PLAN, COMPOSED OF UNITS 1-9, INCLUSIVE, 67-104, INCLUSIVE, AND 200-217, INCLUSIVE, ALSO INCLUSIVE OF THE COMMON AREA AND ASSOCIATION PROPERTY SHOWN HEREIN.

PROPERTIES. PROPERTIES MEANS (A) PHASE 1, AND (B) EACH PHASE DESCRIBED IN A NOTICE OF ADDITION. THE PROPERTIES ARE A "CONDOMINIUM PROJECT" AS DEFINED IN SECTION 1351(F) OF THE CALIFORNIA CIVIL CODE. THE PROPERTIES ARE A "COMMON INTEREST DEVELOPMENT" AS DEFINED IN SECTION 1351(C) OF THE CALIFORNIA CIVIL CODE.

UNIT. UNIT MEANS A SEPARATE INTEREST IN SPACE AS DEFINED IN SECTION 1351(F) OF THE CALIFORNIA CIVIL CODE. EACH UNIT IS A SEPARATE FREEHOLD ESTATE, AS SEPARATELY SHOWN, NUMBERED AND DESIGNATED IN THIS CONDOMINIUM PLAN, AND CONSISTS OF A RESIDENTIAL ELEMENT AND A GARAGE ELEMENT. IN INTERPRETING DEEDS, DECLARATIONS AND PLANS, THOSE EXISTING PHYSICAL BOUNDARIES OF THE PORTION OF THE UNIT THAT ARE ENCOMPASSED BY AN IMPROVEMENT CONSTRUCTED OR RECONSTRUCTED IN SUBSTANTIAL ACCORDANCE WITH THIS CONDOMINIUM PLAN AND THE ORIGINAL PLANS THEREOF, IF SUCH PLANS ARE AVAILABLE, SHALL BE CONCLUSIVELY PRESUMED TO BE THE BOUNDARIES OF SUCH PORTION, RATHER THAN THE DESCRIPTION EXPRESSED IN THE DEED, DECLARATION OR CONDOMINIUM PLAN, REGARDLESS OF SETTLING OR LATERAL MOVEMENT OF THE IMPROVEMENT ENCOMPASSING THE UNIT AND REGARDLESS OF MINOR VARIANCES BETWEEN THE BOUNDARIES OF THE UNIT (AS SHOWN ON THIS CONDOMINIUM PLAN OR DEFINED IN THE DEED OR DECLARATION) AND THE BOUNDARIES OF ANY IMPROVEMENTS, AS CONSTRUCTED OR RECONSTRUCTED. THE WINDOWS AND SLIDING GLASS DOORS ARE PORTIONS OF THE UNIT. THE LATERAL AND VERTICAL LIMITS OF EACH UNIT SHALL BE AS DESCRIBED HEREIN.

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(SUBDIVISION NO. P01-053)
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NOTES

A. THIS CONDOMINIUM PLAN AND THE DIMENSIONS SHOWN HEREIN ARE INTENDED TO CONFORM TO CALIFORNIA CIVIL CODE SECTION 1351(E), WHICH REQUIRES, IN PART, WITH RESPECT TO THE LAND AND REAL PROPERTY DESCRIBED IN THE ABOVE-REFERENCED SUBDIVISION, THE INCLUSION HEREIN OF DIAGRAMMATIC PLANS IN SUFFICIENT DETAIL TO IDENTIFY EACH UNIT, ITS RELATIVE LOCATION AND APPROXIMATE DIMENSIONS. THE DIMENSIONS SHOWN HEREIN ARE NOT INTENDED TO BE USED FOR SALES PURPOSES OR SUFFICIENTLY ACCURATE TO BE USED FOR COMPUTATION OF FLOOR AREA OR AIR SPACE VOLUME IN ANY OR ALL OF THE UNITS. THE DIAGRAMMATIC PLANS CONTAINED HEREIN INTENTIONALLY OMIT INFORMATION WITH RESPECT TO ANY CONSTRUCTED IMPROVEMENTS WITHIN THE UNITS.

B. IN THE EVENT OF A CONFLICT BETWEEN THIS CONDOMINIUM PLAN AND THE DECLARATION, THE DECLARATION SHALL CONTROL. TERMS NOT DEFINED HEREIN SHALL HAVE THE MEANINGS SET FORTH IN THE DECLARATION.

C. THE BASIS OF BEARINGS FOR THIS CONDOMINIUM PLAN IS IDENTICAL TO THE FINAL MAP OF "WESTLAKE VILLAS", FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY ON MAY 9, 2003 IN BOOK 315 OF MAPS, AT PAGE 6

D. ELEVATIONS REFERENCED HEREIN ARE BASED UPON THE CITY OF SACRAMENTO VERTICAL DATUM BENCHMARK NO. 276-H3A (ELEVATION=13.978') BEING A METAL DISK STAMPED "U.S.C. & G. UIA-15" LOCATED AT THE INTERSECTION OF EL CENTRO ROAD AND LEONA CIRCLE SOUTH.

E. FINISH FLOOR ELEVATIONS SHOWN HEREON ARE BASED UPON IMPROVEMENT PLANS PREPARED BY OTHERS AND HAVE BEEN FIELD VERIFIED. GARAGE FINISH FLOOR ELEVATIONS VARY AND ARE NOT SHOWN HEREON.

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PHASE 1 BUILDING DATA

BLDG. NO.	BLDG. TYPE	UNIT NUMBERS	FINISH 1ST FLOOR ELEV.
1	B	1,2,3,4,5,6,7,8,9	19.50
8	A	67,68,69,70,71,72,73,74,75,76	21.24
9	A	77,78,79,80,81,82,83,84,85,86	21.44
10	B	87,88,89,90,91,92,93,94,95	21.44
11	B	96,97,98,99,100,101,102,103,104	21.24
22	A	200,201,202,203,204,205,206,207,208,209	21.45
23	C	210,211,212,213,214,215,216,217	21.45

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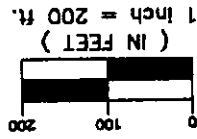
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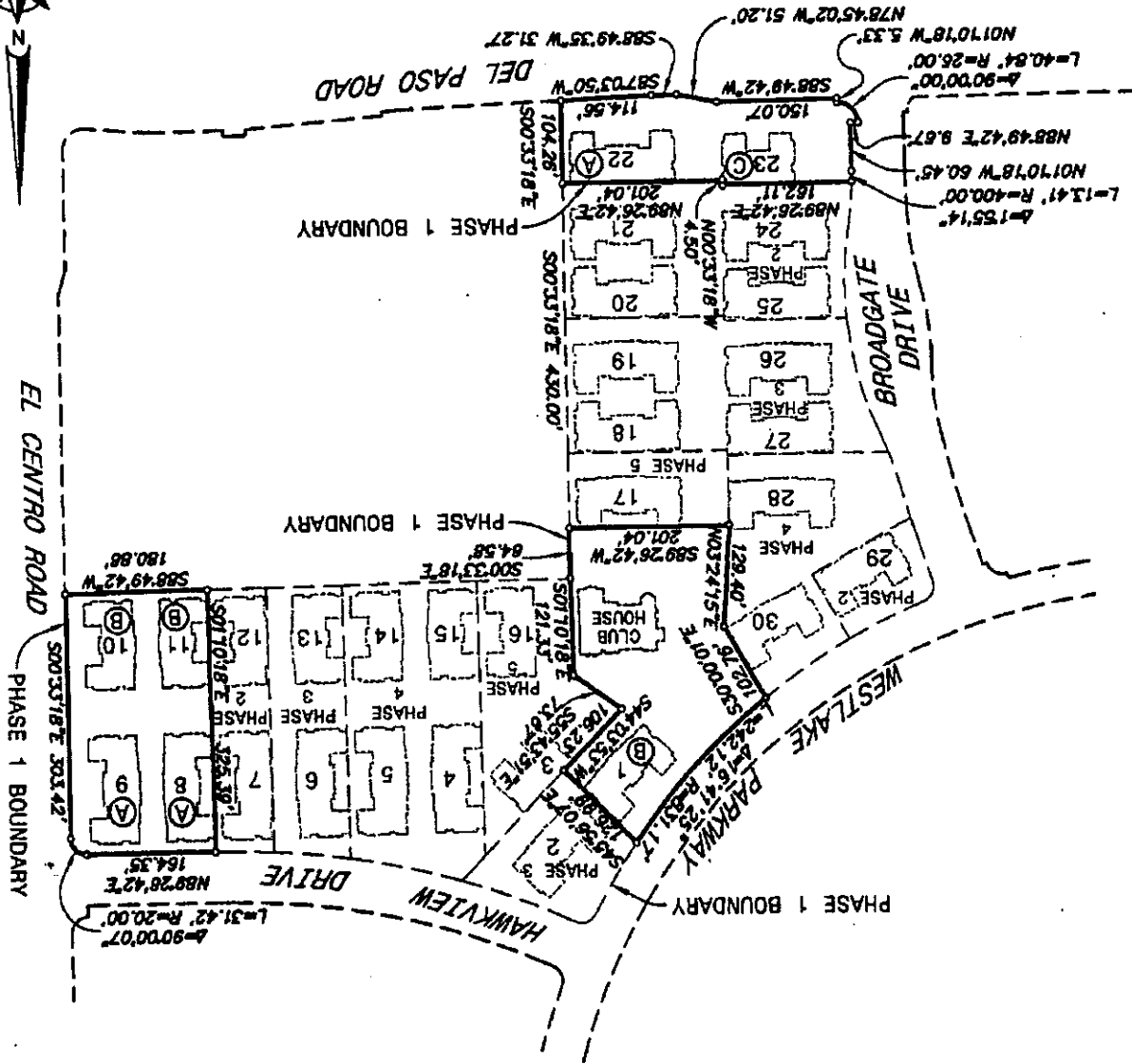
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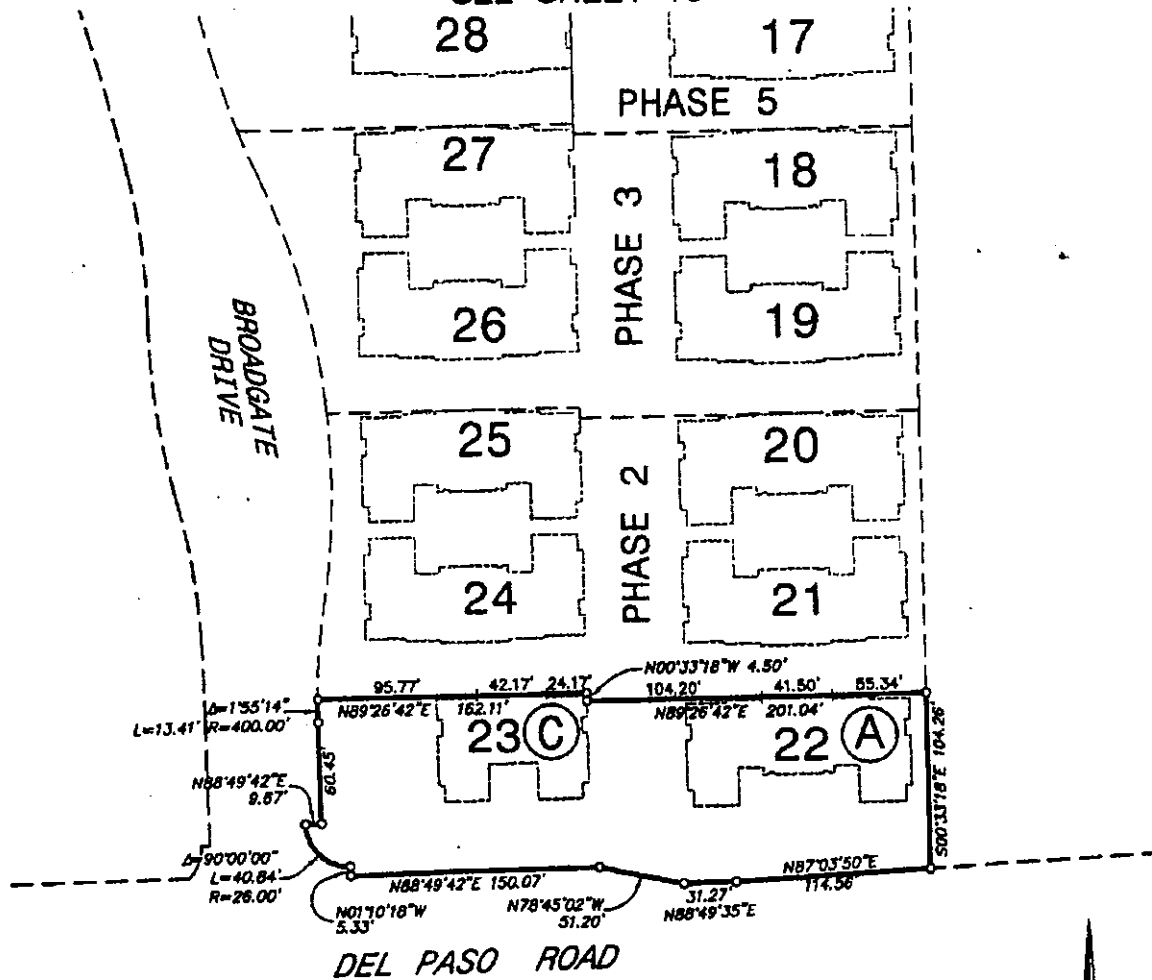
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 1 BUILDING NUMBER
 (A) BUILDING TYPE



PHASE 1 BOUNDARIES

PHASE 1 BUILDING LOCATIONS

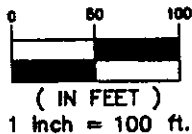
SEE SHEET 10



LEGEND:

1 BUILDING NUMBER

(A) BUILDING TYPE



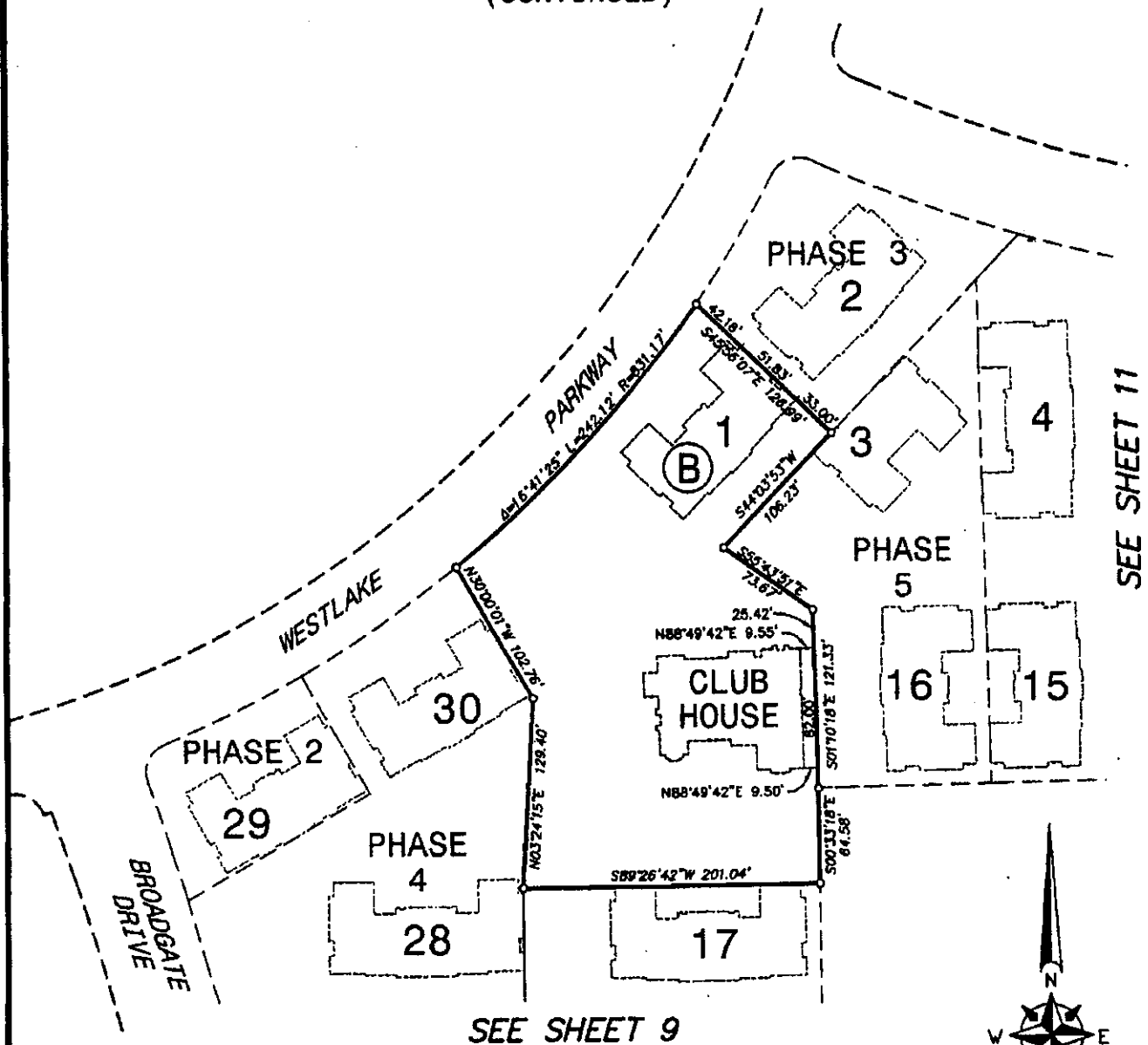
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PHASE 1 BUILDING LOCATIONS (CONTINUED)



LEGEND:

1 BUILDING NUMBER

(A) BUILDING TYPE

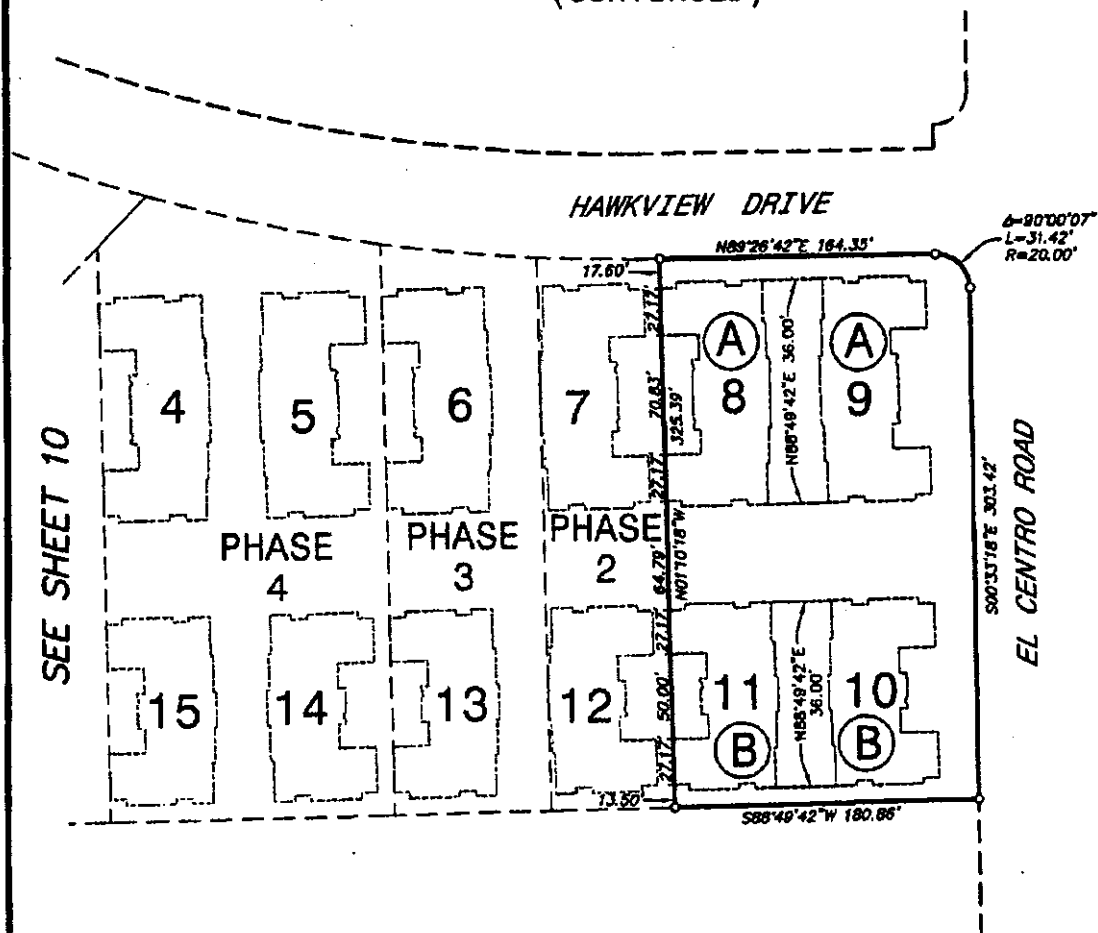
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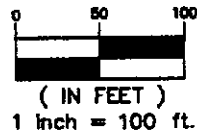
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PHASE 1 BUILDING LOCATIONS (CONTINUED)



LEGEND:

- 1 BUILDING NUMBER
- (A) BUILDING TYPE



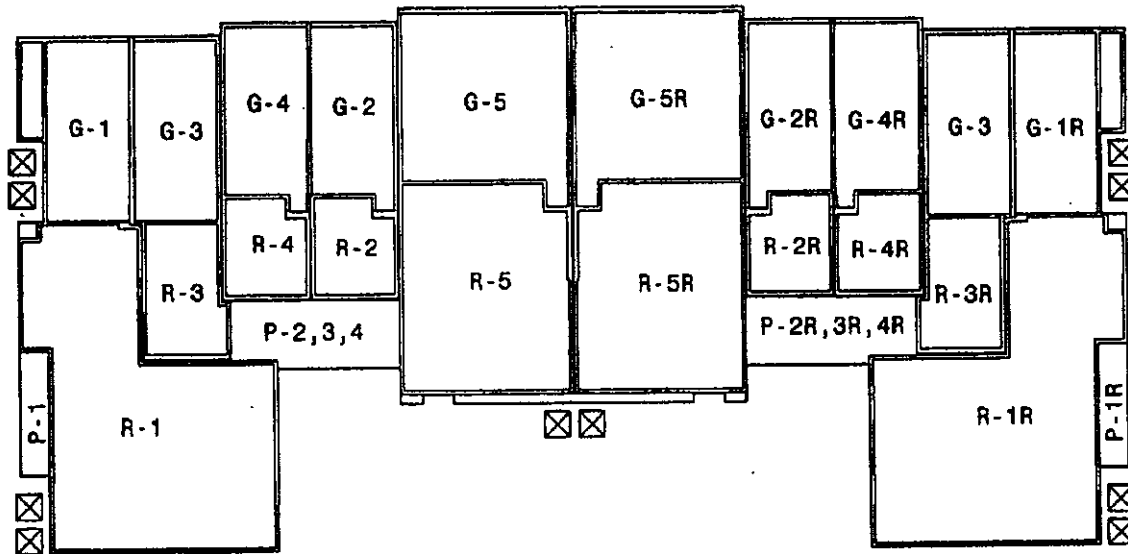
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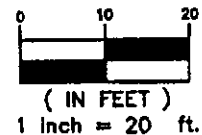
BUILDING TYPE A 1st FLOOR PLAN LAYOUT



BUILDING TYPE A BUILDING NUMBERS: 8,9,22	
PLAN NO.	UNITS NUMBERS
1	76,77,200
2	73,80,203
3	75,78,201
4	74,79,202
5	72,81,204
1R	67,86,209
2R	70,83,206
3R	68,85,208
4R	69,84,202
5R	71,82,205

LEGEND:

- R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
- R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
- G-1 GARAGE ELEMENT - PLAN NUMBER
- G-1R GARAGE ELEMENT - REVERSE PLAN NUMBER
- ☒ AIR CONDITIONING COMPRESSOR PAD
- P-1 PORCH - PLAN NUMBER



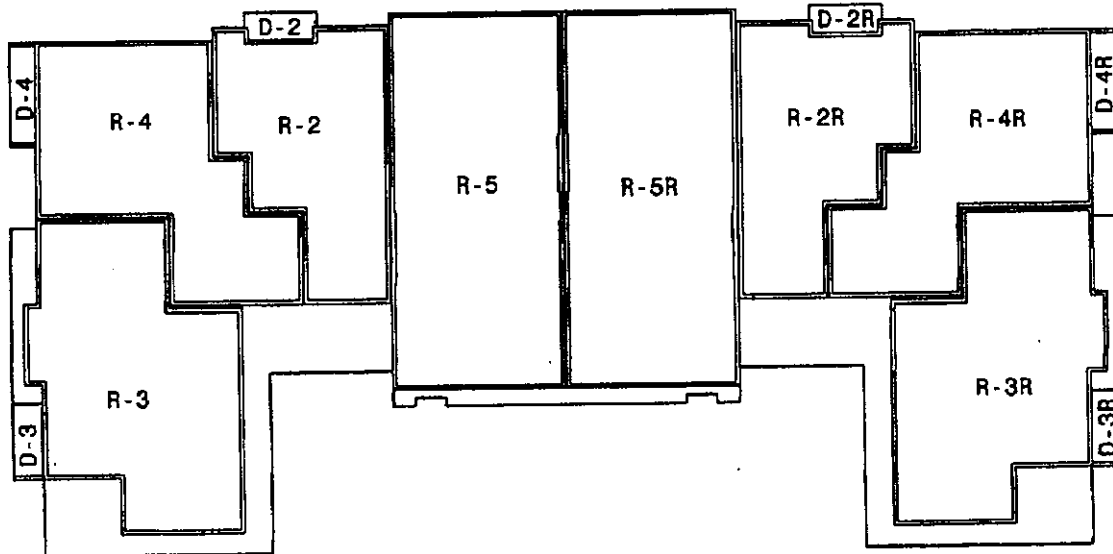
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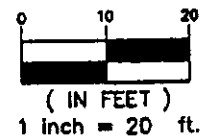
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BUILDING TYPE A 2nd FLOOR PLAN LAYOUT



LEGEND:

- R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
- R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
- G-1 GARAGE ELEMENT - PLAN NUMBER
- G-1R GARAGE ELEMENT - REVERSE PLAN NUMBER
- D-1 DECK - PLAN NUMBER



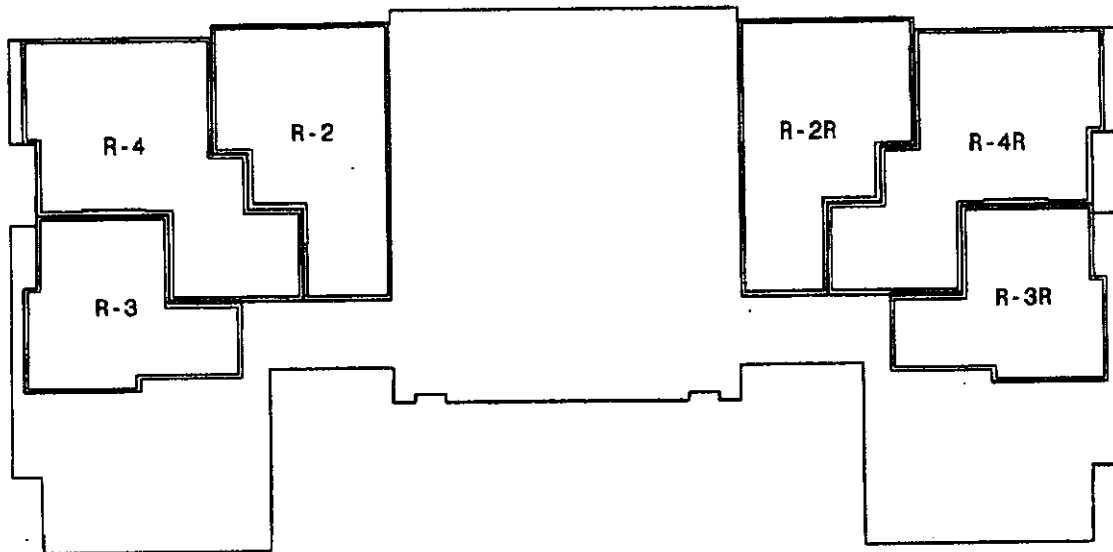
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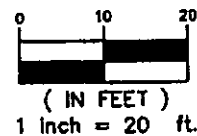
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BUILDING TYPE A 3rd FLOOR PLAN LAYOUT



LEGEND:

R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



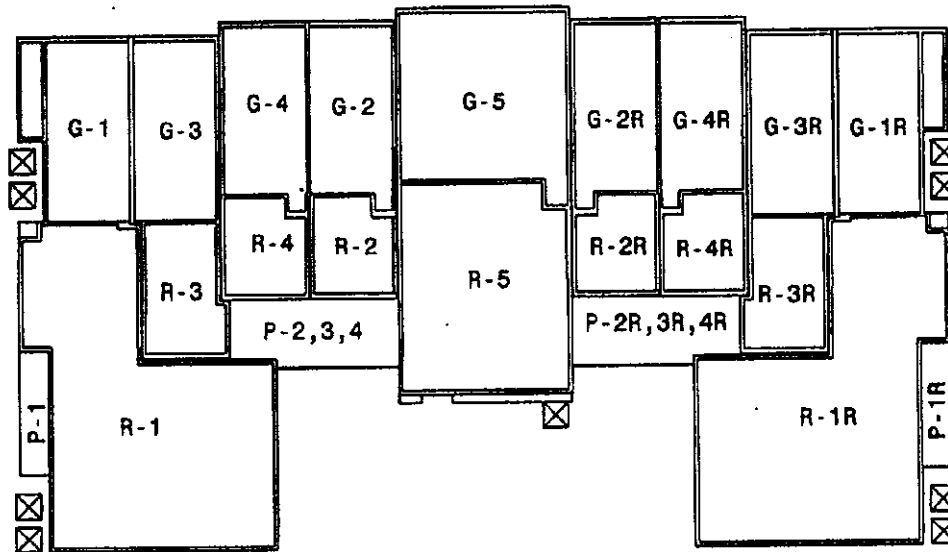
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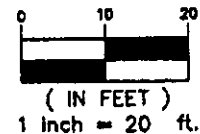
BUILDING TYPE B 1st FLOOR PLAN LAYOUT



BUILDING TYPE B	
BUILDING NUMBERS: 1,10,11	
PLAN NO.	UNITS NUMBERS
1	9,95,96
2	6,92,99
3	8,94,97
4	7,93,98
5	5,91,100
1R	1,87,104
2R	4,90,101
3R	2,88,103
4R	3,89,102

LEGEND:

- R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
G-1 GARAGE ELEMENT - PLAN NUMBER
G-1R GARAGE ELEMENT - REVERSE PLAN NUMBER
☒ AIR CONDITIONING COMPRESSOR PAD
P-1 PORCH - PLAN NUMBER



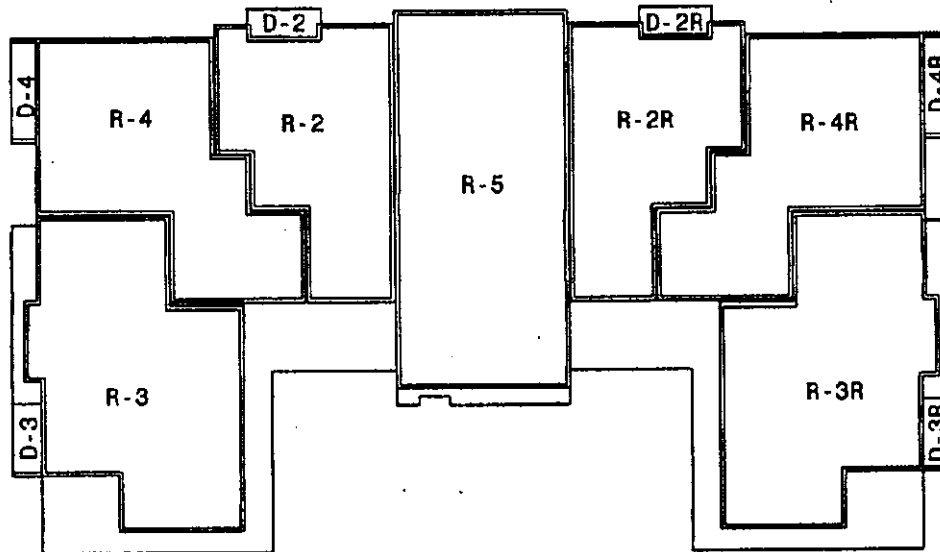
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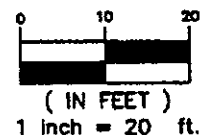
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BUILDING TYPE B 2nd FLOOR PLAN LAYOUT



LEGEND:

- R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
- R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
- G-1 GARAGE ELEMENT - PLAN NUMBER
- G-1R GARAGE ELEMENT - REVERSE PLAN NUMBER
- D-1 DECK - PLAN NUMBER



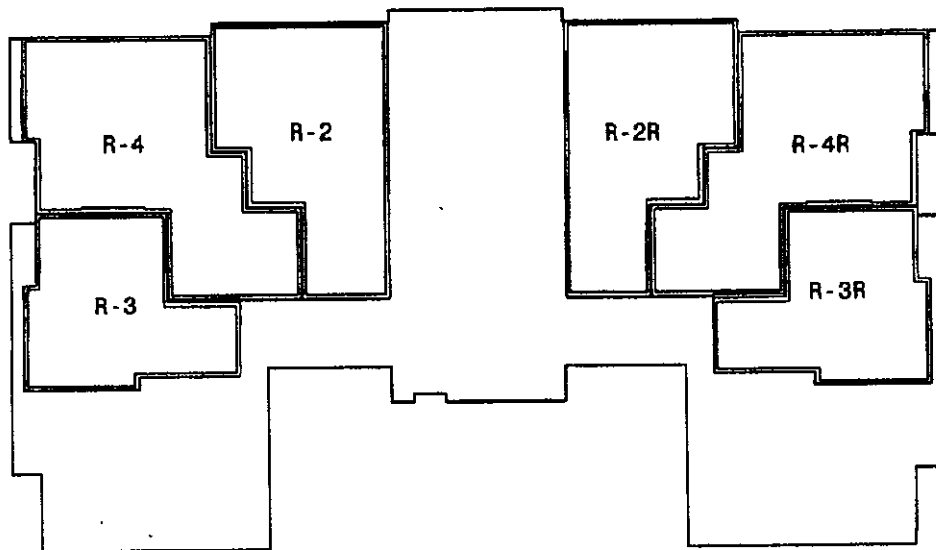
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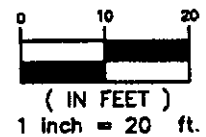
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**BUILDING TYPE B 3rd FLOOR
PLAN LAYOUT**



LEGEND:

R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



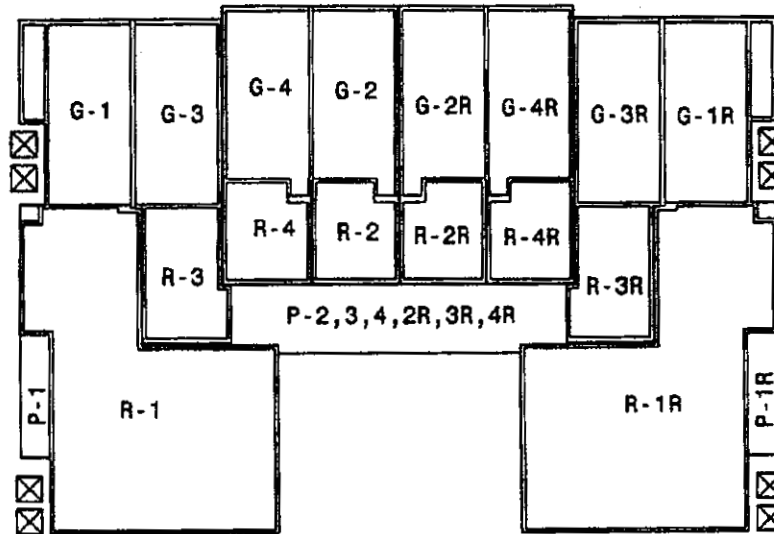
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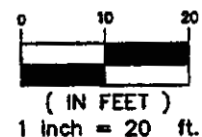
BUILDING TYPE C 1st FLOOR PLAN LAYOUT



BUILDING TYPE C	
BUILDING NUMBER: 23	
PLAN NO.	UNITS NUMBERS
1	217
2	214
3	216
4	215
1R	210
2R	213
3R	211
4R	212

LEGEND:

- R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
- R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
- G-1 GARAGE ELEMENT - PLAN NUMBER
- G-1R GARAGE ELEMENT - REVERSE PLAN NUMBER
- ☒ AIR CONDITIONING COMPRESSOR PAD
- P-1 PORCH - PLAN NUMBER



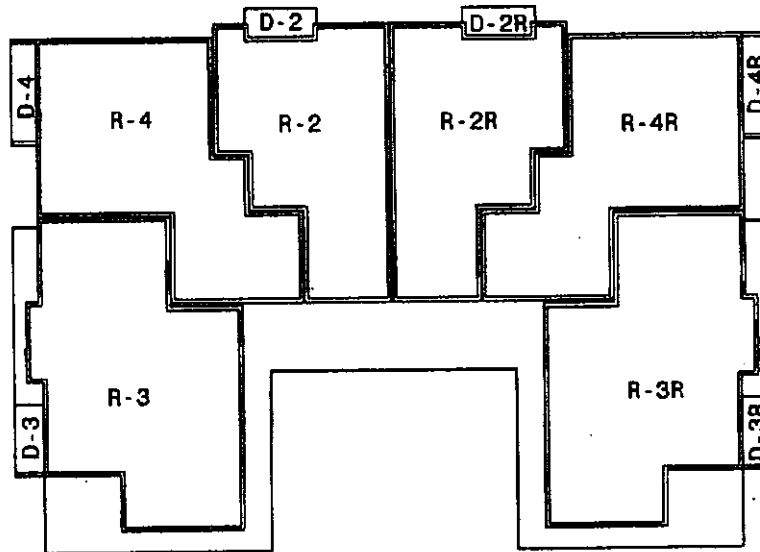
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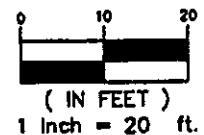
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BUILDING TYPE C 2nd FLOOR PLAN LAYOUT



LEGEND:

- R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
- R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
- G-1 GARAGE ELEMENT - PLAN NUMBER
- G-1R GARAGE ELEMENT - REVERSE PLAN NUMBER
- D-1 DECK - PLAN NUMBER



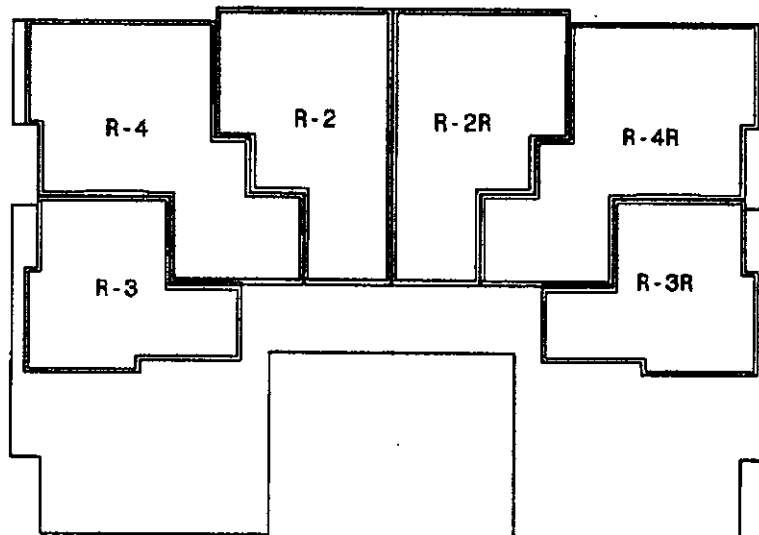
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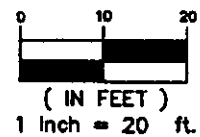
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BUILDING TYPE C 3rd FLOOR
PLAN LAYOUT



LEGEND:

R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



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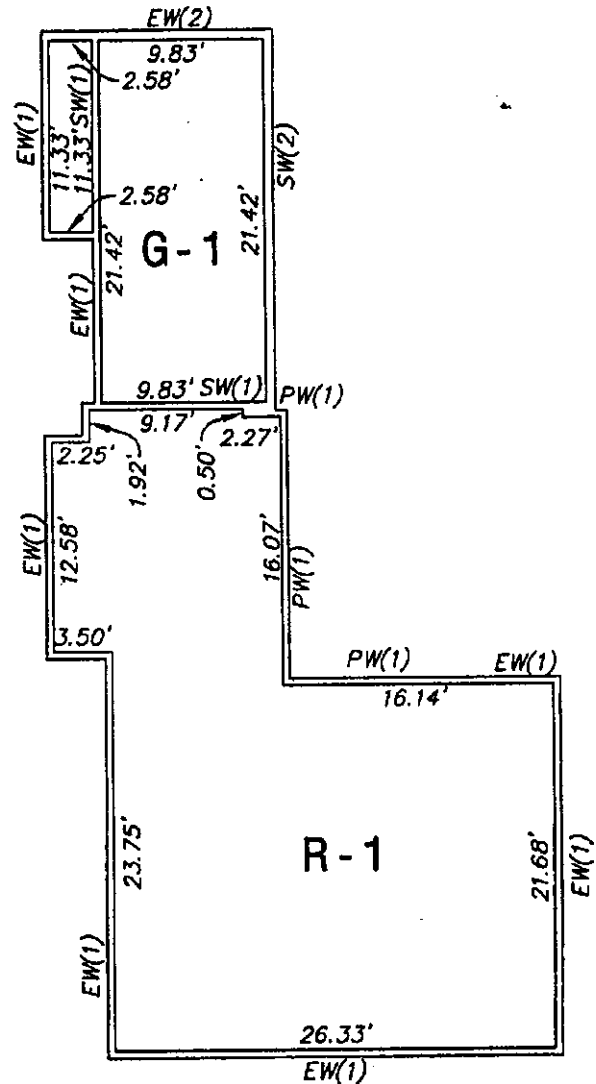
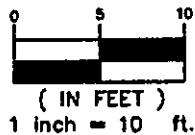
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TYPICAL PLAN 1
BUILDING TYPE A, B & C
1st FLOOR RESIDENTIAL ELEMENT
AND GARAGE ELEMENT

LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
 EW(2) 0.58' WIDE EXTERIOR WALL
 SW(1) 0.40' WIDE SEPARATION WALL
 SW(2) 0.56' WIDE SEPARATION WALL
 PW(1) 0.40' WIDE PARTY WALL
 PW(2) 0.56' WIDE PARTY WALL
 R-1 RESIDENTIAL ELEMENT - PLAN NUMBER
 G-1 GARAGE ELEMENT - PLAN NUMBER



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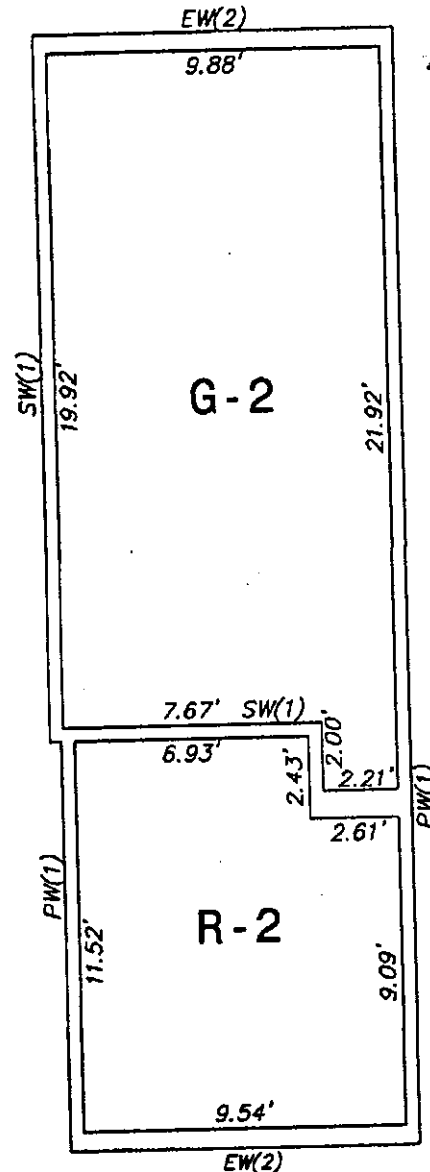
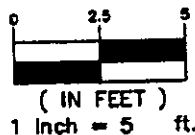
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TYPICAL PLAN 2
BUILDING TYPE A, B & C
1st FLOOR RESIDENTIAL ELEMENT
AND GARAGE ELEMENT

LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
 EW(2) 0.58' WIDE EXTERIOR WALL
 SW(1) 0.40' WIDE SEPARATION WALL
 SW(2) 0.56' WIDE SEPARATION WALL
 PW(1) 0.40' WIDE PARTY WALL
 PW(2) 0.56' WIDE PARTY WALL
 R-2 RESIDENTIAL ELEMENT - PLAN NUMBER
 G-2 GARAGE ELEMENT - PLAN NUMBER



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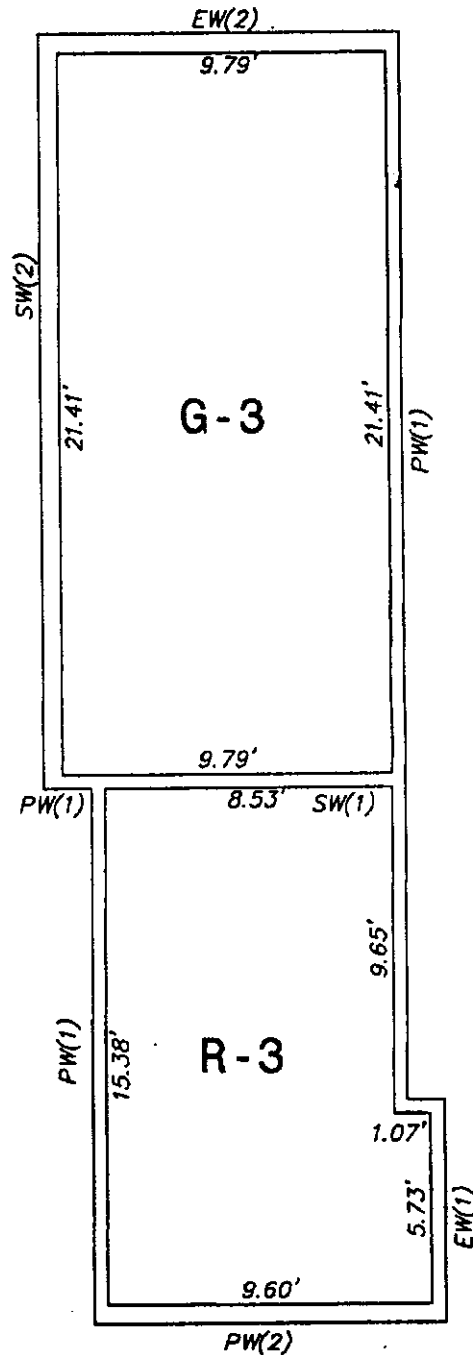
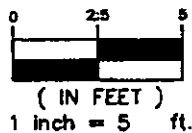
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TYPICAL PLAN 3 BUILDING TYPE A, B & C 1st FLOOR RESIDENTIAL ELEMENT AND GARAGE ELEMENT

LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
- EW(2) 0.58' WIDE EXTERIOR WALL
- SW(1) 0.40' WIDE SEPARATION WALL
- SW(2) 0.56' WIDE SEPARATION WALL
- PW(1) 0.40' WIDE PARTY WALL
- PW(2) 0.56' WIDE PARTY WALL
- R-3 RESIDENTIAL ELEMENT - PLAN NUMBER
- G-3 GARAGE ELEMENT - PLAN NUMBER



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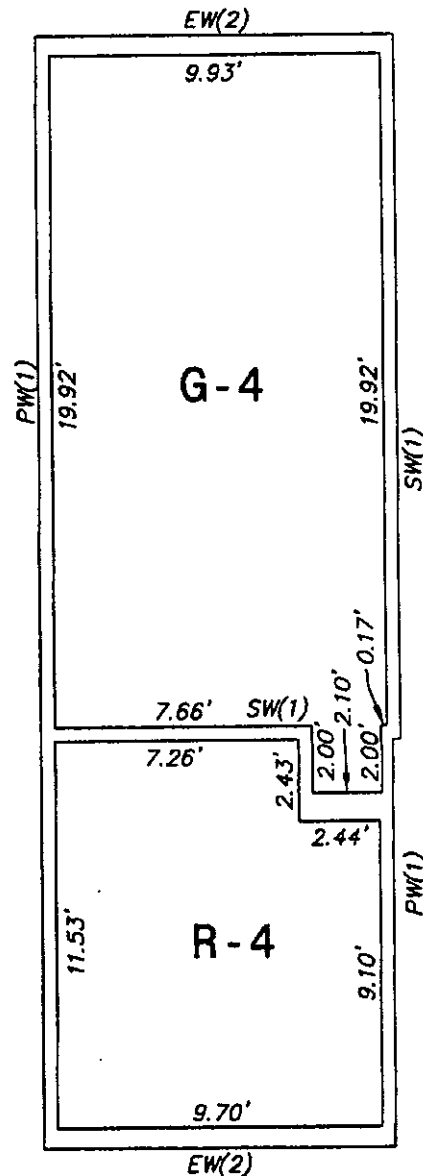
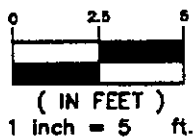
WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
(SUBDIVISION NO. P01-053)
CITY OF SACRAMENTO, CALIFORNIA
Meer Capital Partners

Date: 06-15-04
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TYPICAL PLAN 4
BUILDING TYPE A, B & C
1st FLOOR RESIDENTIAL ELEMENT
AND GARAGE ELEMENT

LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
 EW(2) 0.58' WIDE EXTERIOR WALL
 SW(1) 0.40' WIDE SEPARATION WALL
 SW(2) 0.56' WIDE SEPARATION WALL
 PW(1) 0.40' WIDE PARTY WALL
 PW(2) 0.56' WIDE PARTY WALL
 R-4 RESIDENTIAL ELEMENT - PLAN NUMBER
 G-4 GARAGE ELEMENT - PLAN NUMBER



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1111 KENNEDY PLACE
 SUITE 4
 DAVIS, CA 95618
 530-792-7252
 FAX 530-792-7171

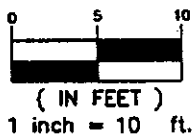
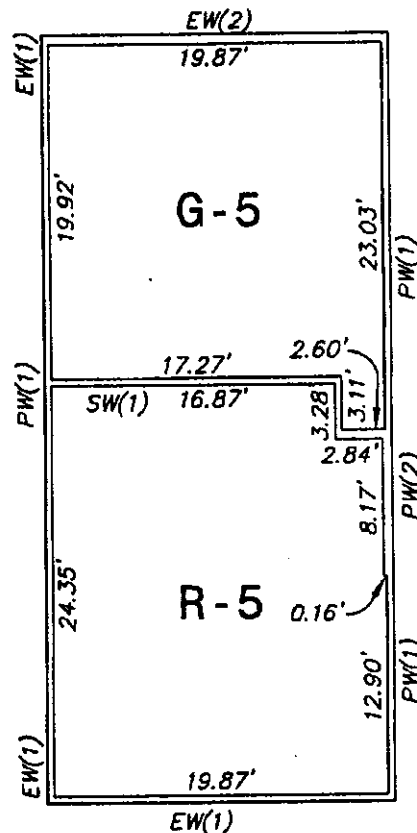
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 (SUBDIVISION NO. P01-053)
 CITY OF SACRAMENTO, CALIFORNIA
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Date: 06-15-04
 Sheet 24 of 38

TYPICAL PLAN 5
BUILDING TYPE A & B
1st FLOOR RESIDENTIAL ELEMENT
AND GARAGE ELEMENT

LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
- EW(2) 0.58' WIDE EXTERIOR WALL
- SW(1) 0.40' WIDE SEPARATION WALL
- SW(2) 0.56' WIDE SEPARATION WALL
- PW(1) 0.40' WIDE PARTY WALL
- PW(2) 0.56' WIDE PARTY WALL
- R-5 RESIDENTIAL ELEMENT - PLAN NUMBER
- G-5 GARAGE ELEMENT - PLAN NUMBER



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 530-792-7252
 FAX 530-792-7171

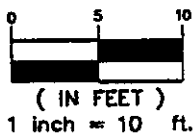
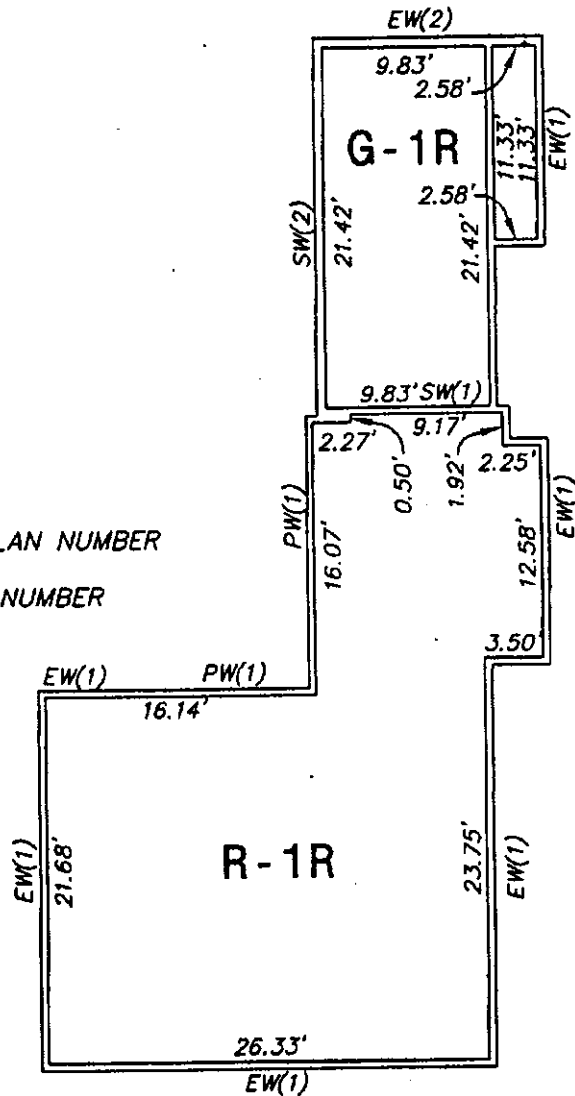
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Date: 06-15-04
 Sheet 25 of 39

TYPICAL REVERSE PLAN 1
BUILDING TYPE A, B & C
1st FLOOR RESIDENTIAL ELEMENT
AND GARAGE ELEMENT

LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
 EW(2) 0.58' WIDE EXTERIOR WALL
 SW(1) 0.40' WIDE SEPARATION WALL
 SW(2) 0.56' WIDE SEPARATION WALL
 PW(1) 0.40' WIDE PARTY WALL
 PW(2) 0.56' WIDE PARTY WALL
 R-1R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
 G-1R GARAGE ELEMENT - REVERSE PLAN NUMBER



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 530-792-7252
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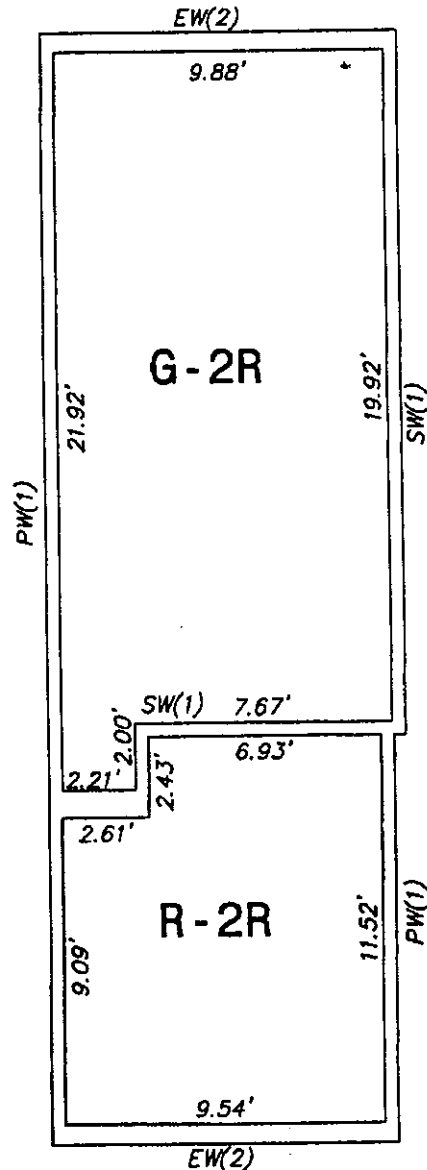
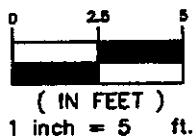
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 CITY OF SACRAMENTO, CALIFORNIA
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Date: 06-15-04
 Sheet 26 of 39

TYPICAL REVERSE PLAN 2
BUILDING TYPE A, B & C
1st FLOOR RESIDENTIAL ELEMENT
AND GARAGE ELEMENT

LEGEND:

EW(1) 0.42' WIDE EXTERIOR WALL
 EW(2) 0.58' WIDE EXTERIOR WALL
 SW(1) 0.40' WIDE SEPARATION WALL
 SW(2) 0.56' WIDE SEPARATION WALL
 PW(1) 0.40' WIDE PARTY WALL
 PW(2) 0.56' WIDE PARTY WALL
 R-2R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
 G-2R GARAGE ELEMENT - REVERSE PLAN NUMBER



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 SUITE 4
 DAVIS, CA 95616
 530-782-7252
 FAX 530-792-7171

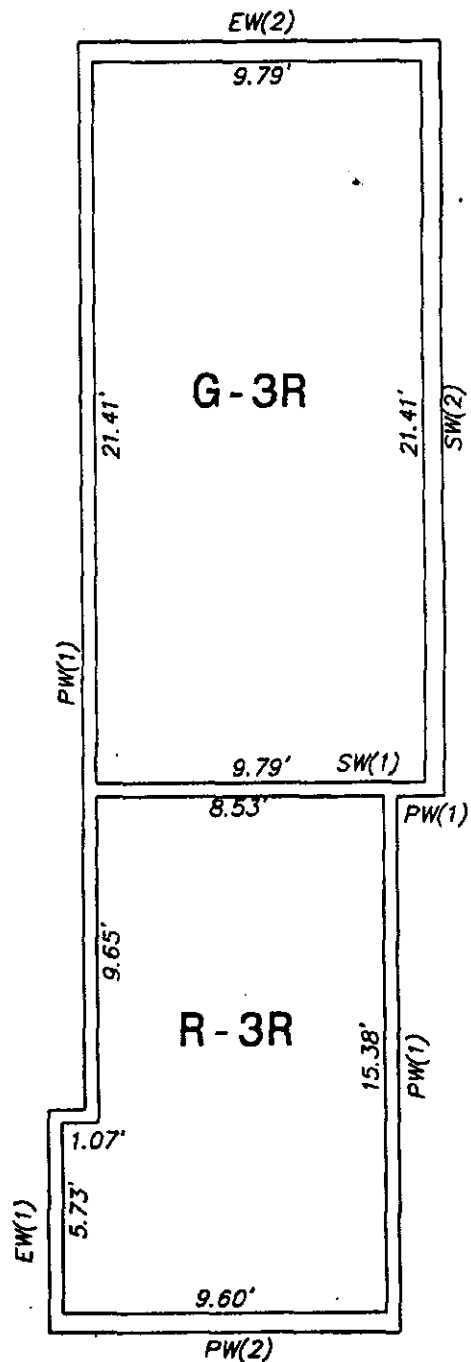
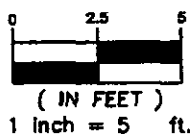
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 CITY OF SACRAMENTO, CALIFORNIA
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Date: 06-15-04
 Sheet 27 of 39

TYPICAL REVERSE PLAN 3
BUILDING TYPE A, B & C 1st FLOOR
RESIDENTIAL ELEMENT AND GARAGE ELEMENT

LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
 EW(2) 0.58' WIDE EXTERIOR WALL
 SW(1) 0.40' WIDE SEPARATION WALL
 SW(2) 0.56' WIDE SEPARATION WALL
 PW(1) 0.40' WIDE PARTY WALL
 PW(2) 0.56' WIDE PARTY WALL
 R-3R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
 G-3R GARAGE ELEMENT - REVERSE PLAN NUMBER



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 SUITE 4
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 530-792-7252
 FAX 530-792-7171

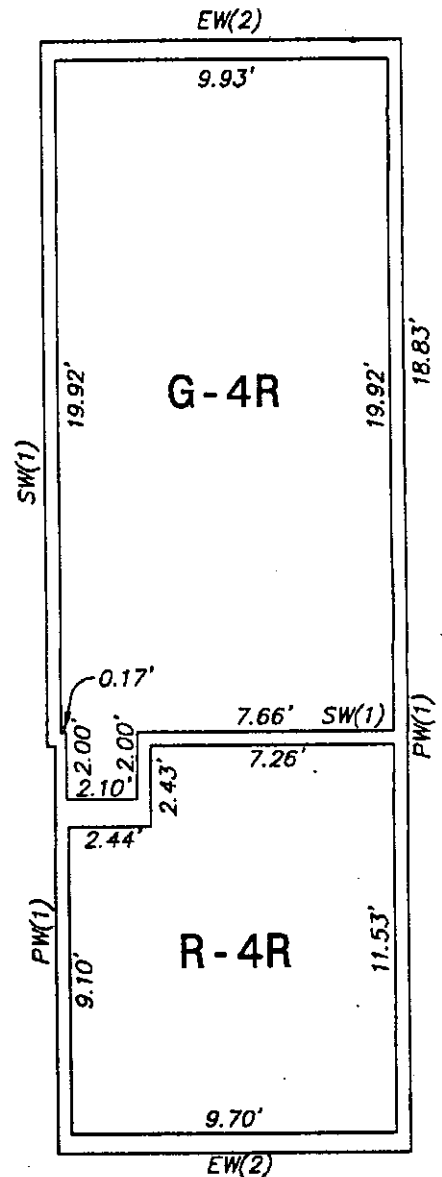
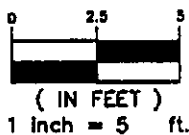
WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
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 CITY OF SACRAMENTO, CALIFORNIA
Meer Capital Partners

Date: 06-15-04
 Sheet 28 of 39

TYPICAL REVERSE PLAN 4
BUILDING TYPE A, B & C
1st FLOOR RESIDENTIAL ELEMENT
AND GARAGE ELEMENT

LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
 EW(2) 0.58' WIDE EXTERIOR WALL
 SW(1) 0.40' WIDE SEPARATION WALL
 SW(2) 0.56' WIDE SEPARATION WALL
 PW(1) 0.40' WIDE PARTY WALL
 PW(2) 0.56' WIDE PARTY WALL
 R-4R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
 G-4R GARAGE ELEMENT - REVERSE PLAN NUMBER



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 530-792-7252
 FAX 530-792-7171

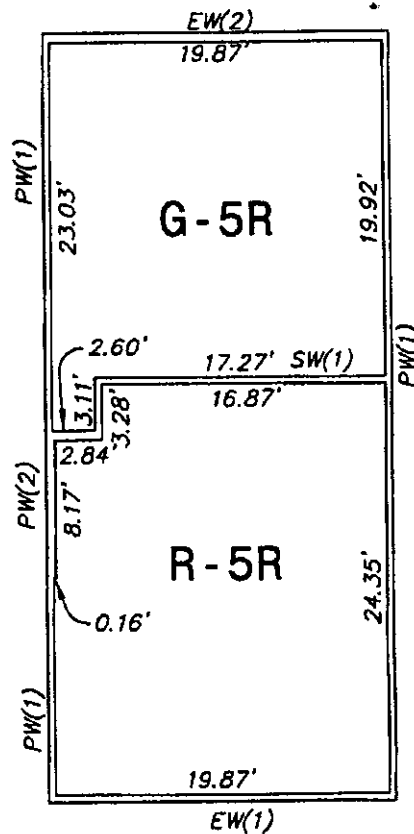
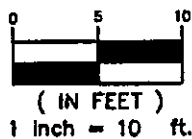
WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
 (SUBDIVISION NO. P01-053)
 CITY OF SACRAMENTO, CALIFORNIA
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Date: 06-15-04
 Sheet 29 of 38

TYPICAL REVERSE PLAN 5
BUILDING TYPE A
1st FLOOR RESIDENTIAL ELEMENT
AND GARAGE ELEMENT

LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
 EW(2) 0.58' WIDE EXTERIOR WALL
 SW(1) 0.40' WIDE SEPARATION WALL
 SW(2) 0.56' WIDE SEPARATION WALL
 PW(1) 0.40' WIDE PARTY WALL
 PW(2) 0.56' WIDE PARTY WALL
 R-5R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER
 G-5R GARAGE ELEMENT - REVERSE PLAN NUMBER



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 SUITE 4
 DAVIS, CA 95618
 530-792-7252
 FAX 530-792-7171

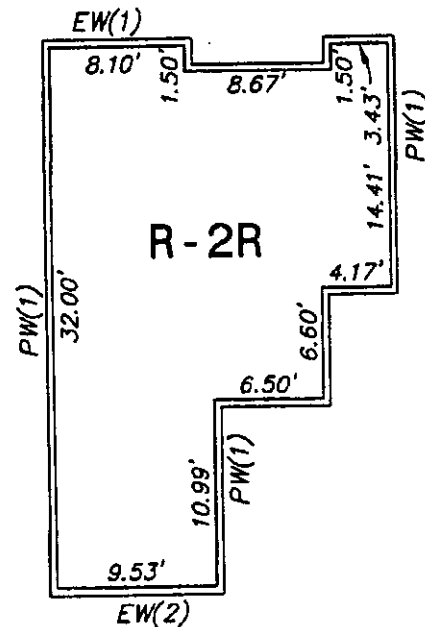
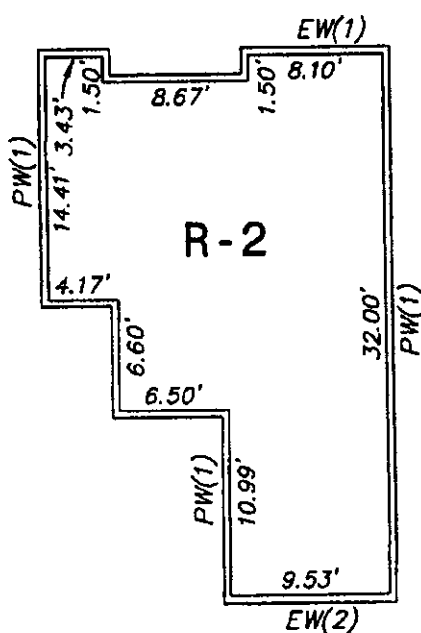
WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
 (SUBDIVISION NO. P01-053)
 CITY OF SACRAMENTO, CALIFORNIA
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Date: 06-15-04
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TYPICAL PLAN 2

BUILDING TYPE A, B & C

2nd FLOOR RESIDENTIAL ELEMENT



LEGEND:

EW(1) 0.42' WIDE EXTERIOR WALL

EW(2) 0.58' WIDE EXTERIOR WALL

SW(1) 0.40' WIDE SEPARATION WALL

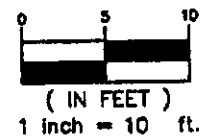
SW(2) 0.56' WIDE SEPARATION WALL

PW(1) 0.40' WIDE PARTY WALL

PW(2) 0.56' WIDE PARTY WALL

R-2 RESIDENTIAL ELEMENT - PLAN NUMBER

R-2R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



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530-792-7252
FAX 530-792-7171

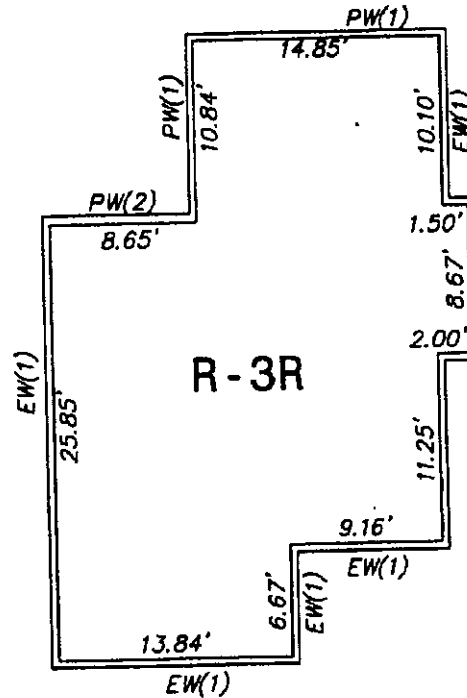
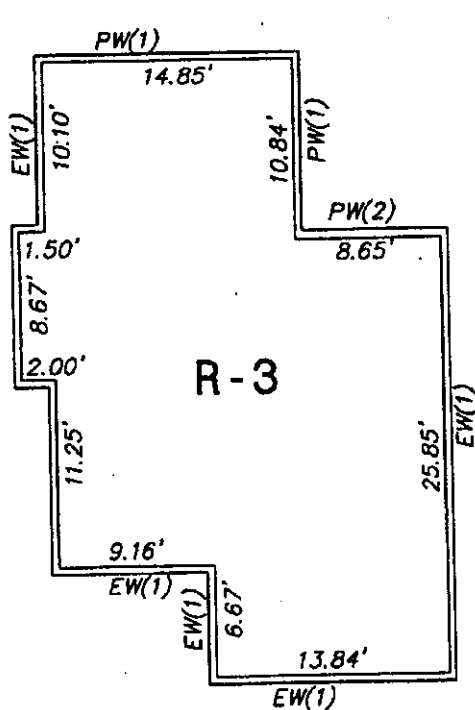
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CITY OF SACRAMENTO, CALIFORNIA
Meer Capital Partners

Date: 06-15-04
Sheet 31 of 39

TYPICAL PLAN 3

BUILDING TYPE A, B & C

2nd FLOOR RESIDENTIAL ELEMENT



LEGEND:

EW(1) 0.42' WIDE EXTERIOR WALL

EW(2) 0.58' WIDE EXTERIOR WALL

SW(1) 0.40' WIDE SEPARATION WALL

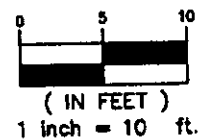
SW(2) 0.56' WIDE SEPARATION WALL

PW(1) 0.40' WIDE PARTY WALL

PW(2) 0.56' WIDE PARTY WALL

R-3 RESIDENTIAL ELEMENT - PLAN NUMBER

R-3R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



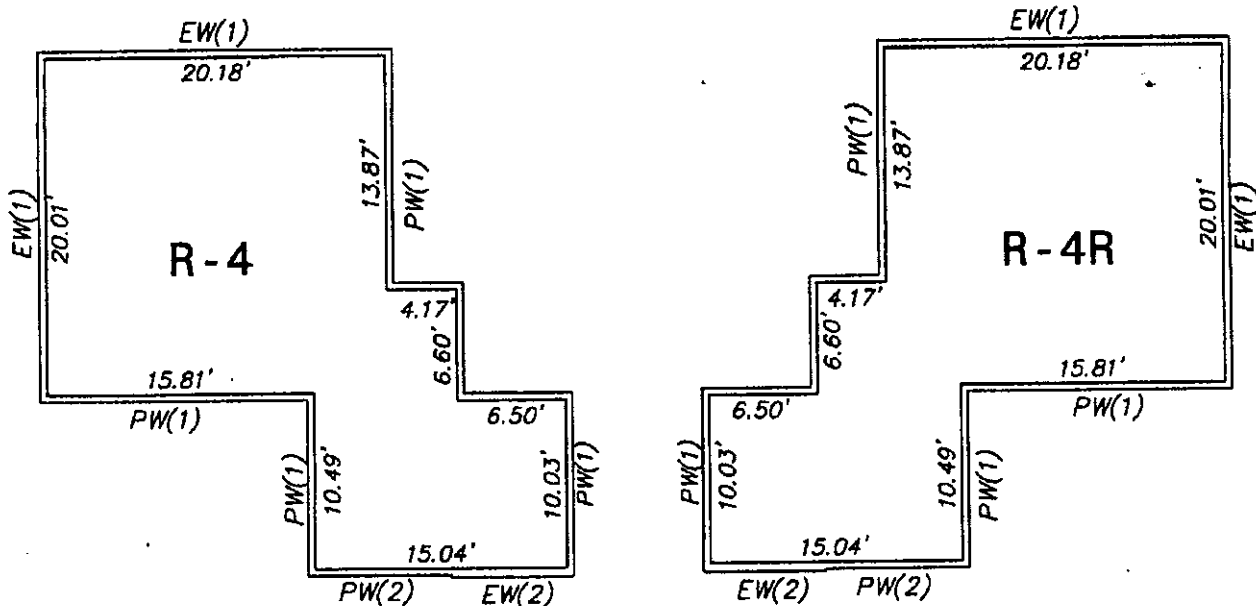
**WECKER
SURVEYS**

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SUITE 4
DAVIS, CA 95616
530-792-7252
FAX 530-792-7171

WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
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CITY OF SACRAMENTO, CALIFORNIA
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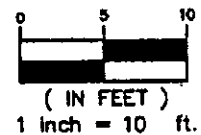
Date: 06-15-04
Sheet 32 of 39

TYPICAL PLAN 4
BUILDING TYPE A, B & C
2nd FLOOR RESIDENTIAL ELEMENT



LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
- EW(2) 0.58' WIDE EXTERIOR WALL
- SW(1) 0.40' WIDE SEPARATION WALL
- SW(2) 0.56' WIDE SEPARATION WALL
- PW(1) 0.40' WIDE PARTY WALL
- PW(2) 0.56' WIDE PARTY WALL
- R-4 RESIDENTIAL ELEMENT - PLAN NUMBER
- R-4R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



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SURVEYS**

1111 KENNEDY PLACE
 SUITE 4
 DAVIS, CA 95616
 530-792-7252
 FAX 530-792-7171

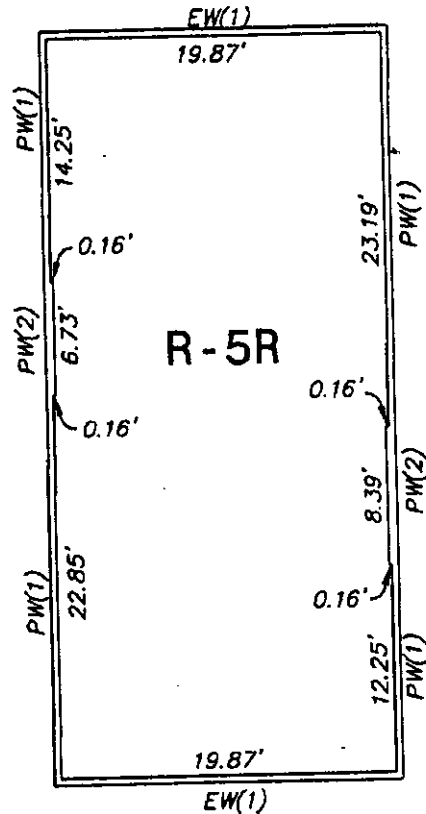
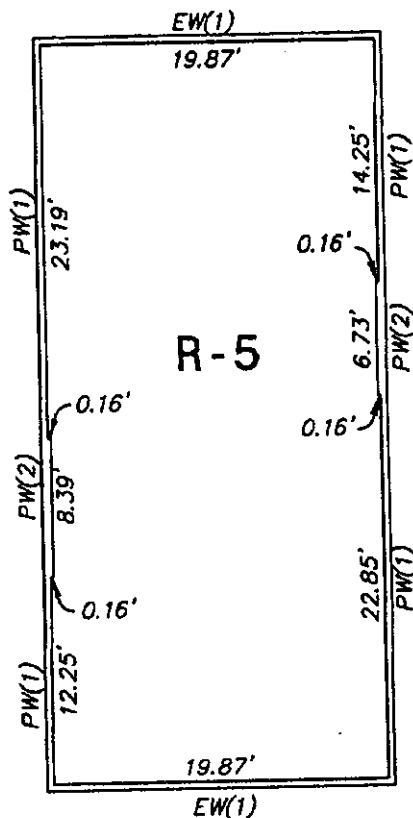
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 (SUBDIVISION NO. P01-053)
 CITY OF SACRAMENTO, CALIFORNIA
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Date: 08-15-04
 Sheet 33 of 39

TYPICAL PLAN 5

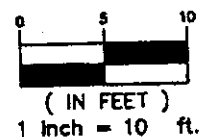
BUILDING TYPE A & B

2nd FLOOR RESIDENTIAL ELEMENT



LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
- EW(2) 0.58' WIDE EXTERIOR WALL
- SW(1) 0.40' WIDE SEPARATION WALL
- SW(2) 0.56' WIDE SEPARATION WALL
- PW(1) 0.40' WIDE PARTY WALL
- PW(2) 0.56' WIDE PARTY WALL
- R-5 RESIDENTIAL ELEMENT - PLAN NUMBER
- R-5R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



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1111 KENNEDY PLACE
SUITE 4
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530-792-7252
FAX 530-792-7171

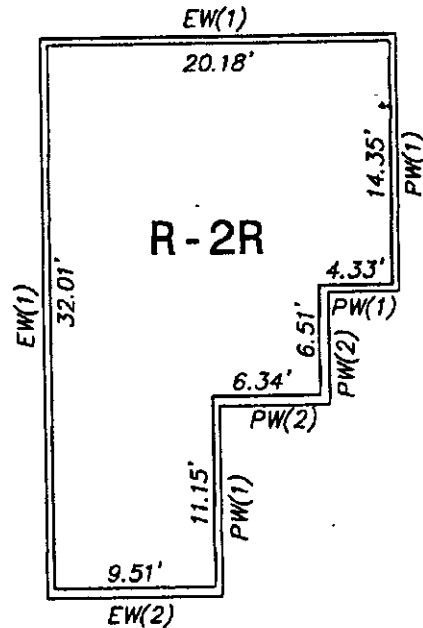
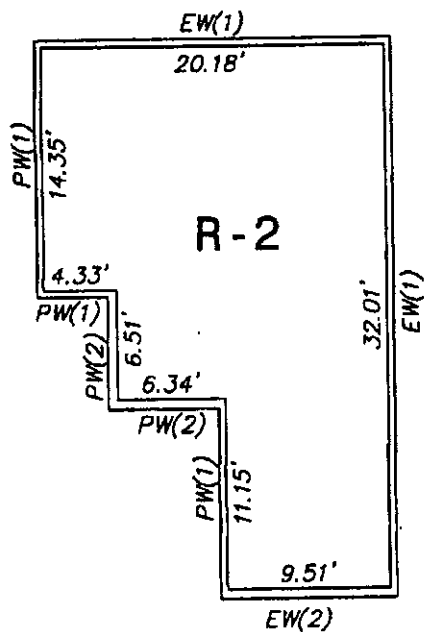
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CITY OF SACRAMENTO, CALIFORNIA
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TYPICAL PLAN 2

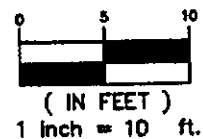
BUILDING TYPE A, B & C

3rd FLOOR RESIDENTIAL ELEMENT



LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
- EW(2) 0.58' WIDE EXTERIOR WALL
- SW(1) 0.40' WIDE SEPARATION WALL
- SW(2) 0.56' WIDE SEPARATION WALL
- PW(1) 0.40' WIDE PARTY WALL
- PW(2) 0.56' WIDE PARTY WALL
- R-2 RESIDENTIAL ELEMENT - PLAN NUMBER
- R-2R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



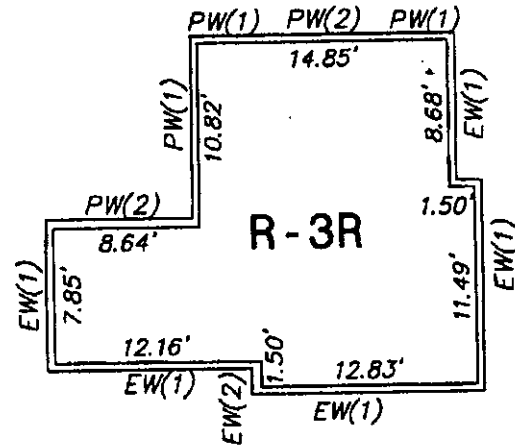
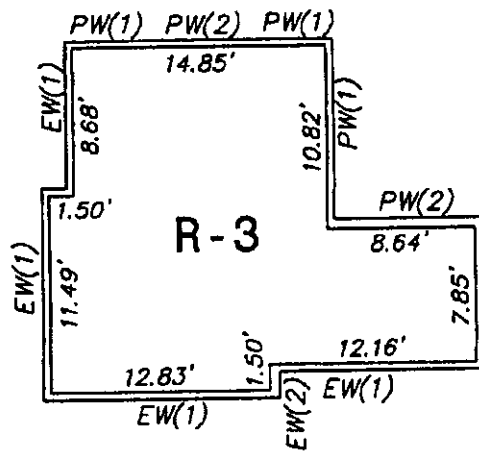
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CITY OF SACRAMENTO, CALIFORNIA
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TYPICAL PLAN 3
BUILDING TYPE A, B & C
3rd FLOOR RESIDENTIAL ELEMENT



LEGEND:

EW(1) 0.42' WIDE EXTERIOR WALL

EW(2) 0.58' WIDE EXTERIOR WALL

SW(1) 0.40' WIDE SEPARATION WALL

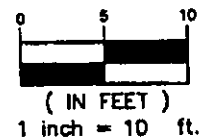
SW(2) 0.56' WIDE SEPARATION WALL

PW(1) 0.40' WIDE PARTY WALL

PW(2) 0.56' WIDE PARTY WALL

R-3 RESIDENTIAL ELEMENT - PLAN NUMBER

R-3R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



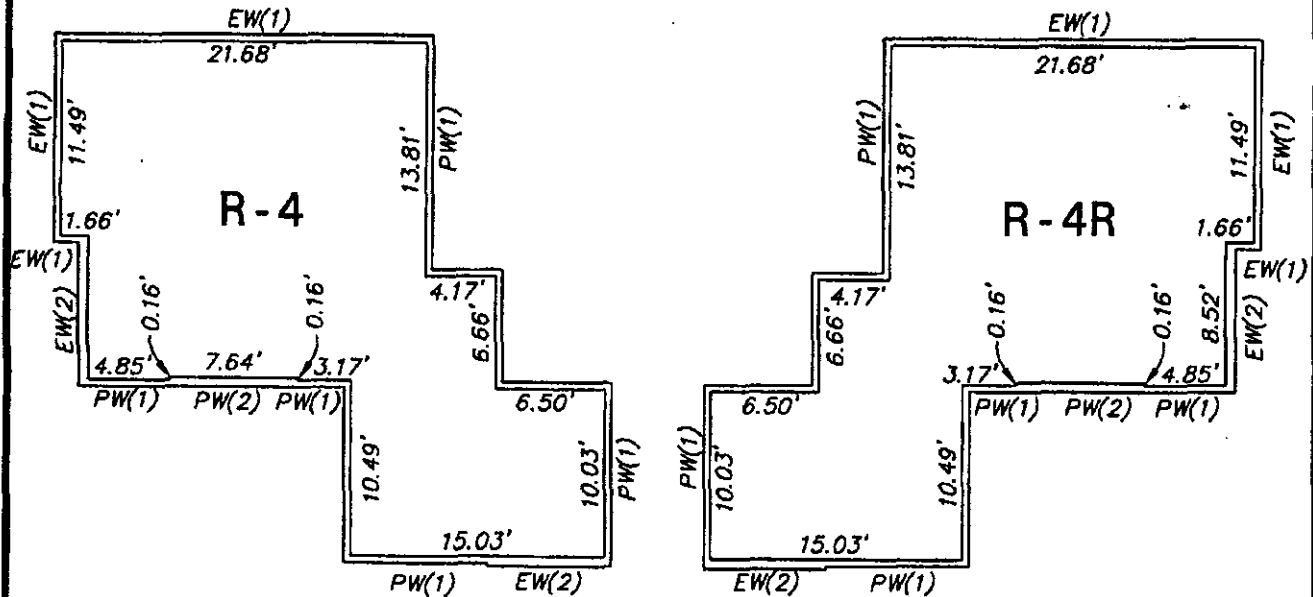
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 (SUBDIVISION NO. P01-053)
 CITY OF SACRAMENTO, CALIFORNIA
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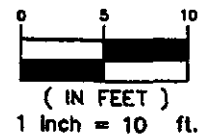
Date: 06-15-04
 Sheet 36 of 39

TYPICAL PLAN 4 **BUILDING TYPE A, B & C** **3rd FLOOR RESIDENTIAL ELEMENT**



LEGEND:

- EW(1) 0.42' WIDE EXTERIOR WALL
- EW(2) 0.58' WIDE EXTERIOR WALL
- SW(1) 0.40' WIDE SEPARATION WALL
- SW(2) 0.56' WIDE SEPARATION WALL
- PW(1) 0.40' WIDE PARTY WALL
- PW(2) 0.56' WIDE PARTY WALL
- R-4 RESIDENTIAL ELEMENT - PLAN NUMBER
- R-4R RESIDENTIAL ELEMENT - REVERSE PLAN NUMBER



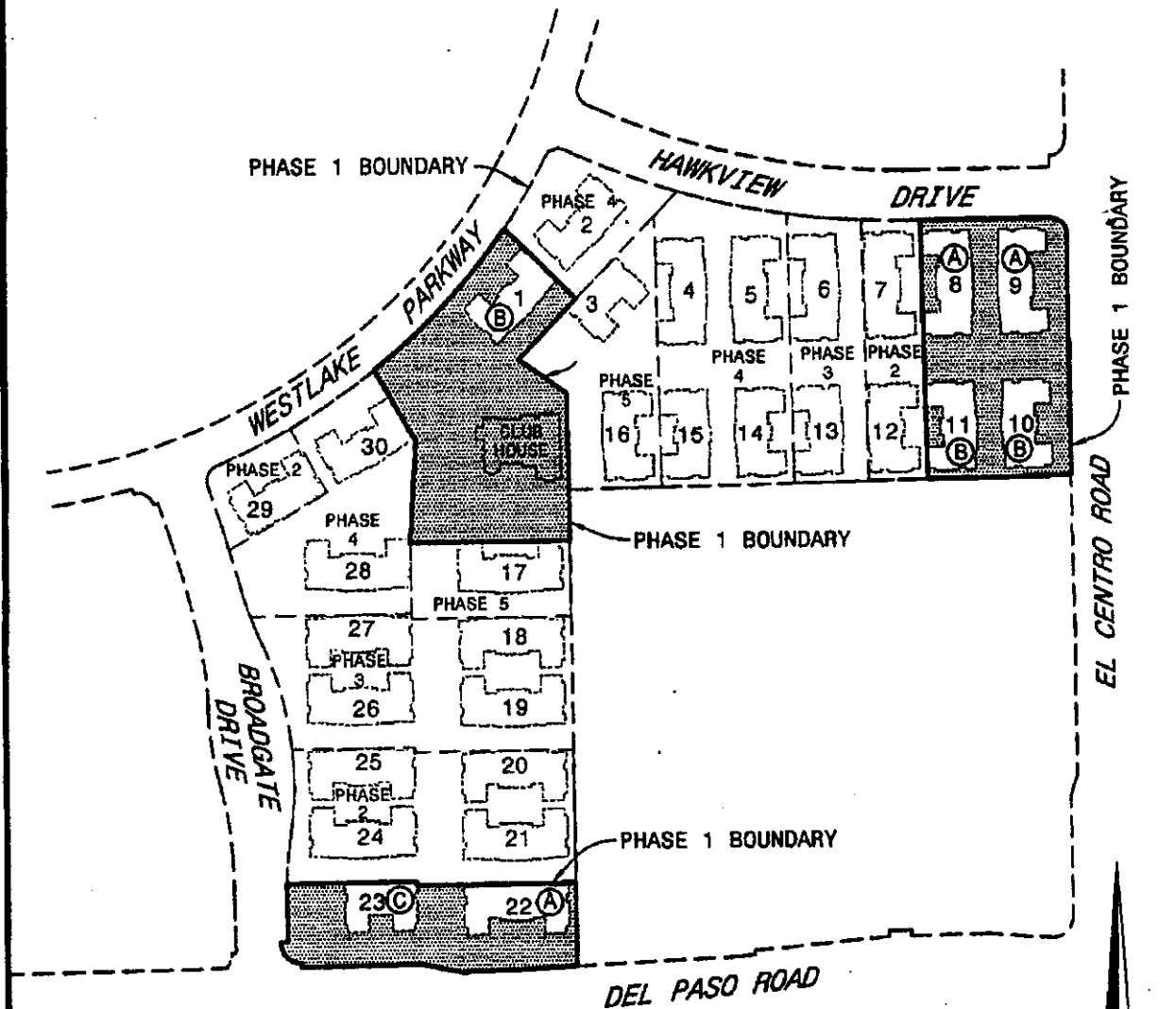
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WESTLAKE VILLAS PHASE 1 CONDOMINIUM PLAN
 (SUBDIVISION NO. P01-053)
 CITY OF SACRAMENTO, CALIFORNIA
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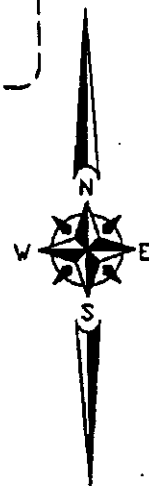
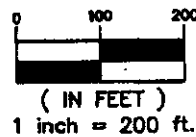
Date: 06-15-04
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PHASE 1 ASSOCIATION PROPERTY



LEGEND:

- 1 BUILDING NUMBER
- (A) BUILDING TYPE
-  ASSOCIATION PROPERTY



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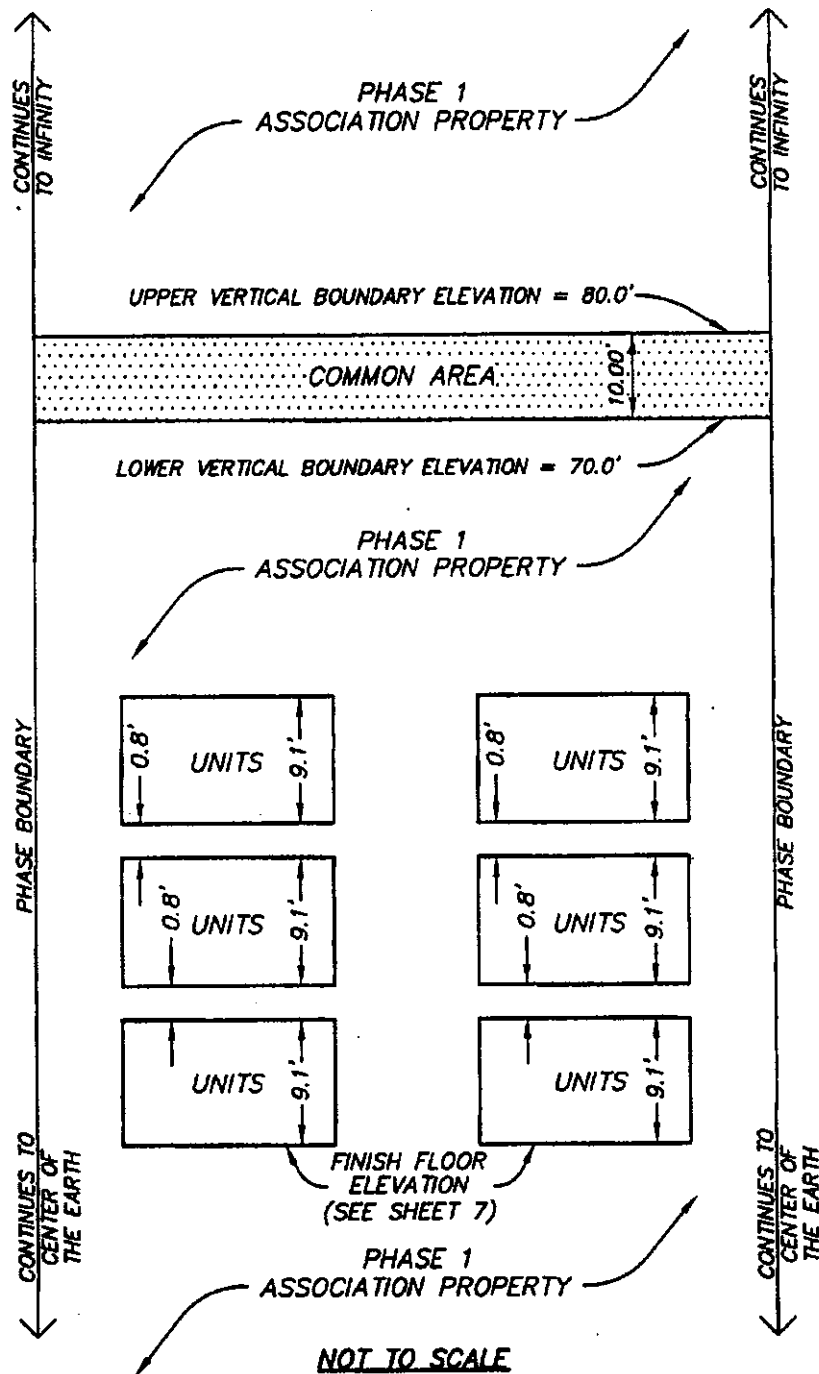
1111 KENNEDY PLACE
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FAX 530-792-7171

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TYPICAL PHASE 1 AIR SPACE PLAN



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(SUBDIVISION NO. P01-053)
CITY OF SACRAMENTO, CALIFORNIA
Meer Capital Partners

Date: 06-15-04
Sheet 39 of 39



First American Title

**2200-A Douglas Blvd., Suite 275
Roseville, CA 95661**

Addnew
To Be Determined

Escrow Officer:	Nancy Miller (NM)
Phone:	(916) 786-5300
Fax No.:	(916) 786-5284
E-Mail:	namiller@firstam.com
Owner:	Westlake Villas, LLC
Property:	To be determined, Units 1-9, 67-104, and 200-217 Sacramento, CA 95835

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in Exhibit A attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of November 15, 2004 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

Eagle Protection Policy (1998) (CLTA/ALTA Homeowner's Policy of Title Insurance) if the land described is an improved residential lot or condominium unit on which there is located a one to four family residence, or ALTA Owner's Policy (1992) with Regional Exceptions if the land described is an unimproved residential lot; ALTA Loan Policy (1992) with ALTA Endorsement-Form 1 Coverage with Eagle Protection Added.

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

Westlake Villas, LLC, a California Limited Liability Company

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A condominium in fee, as defined in Section 783 of the California Civil Code as to Parcel(s) 1 and 2, an easement as to Parcel(s) 3 and 4.

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2004-2005.

First Installment:	\$46,482.83, DUE
Penalty:	\$0.00
Second Installment:	\$46,482.83, PAYABLE
Penalty:	\$0.00
Tax Rate Area:	03-124
A. P. No.:	225-1480-071

Affects: The land and other property.

2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
3. The lien of bonds and assessment liens, if applicable, collected with the general and special taxes.

4. Any unpaid amounts owing for utilities, of record or not, due to the County of Sacramento and/or any of the following cities. Amounts may be ascertained by contacting the County of Sacramento at (916) 875-5555, the City of Sacramento at (916) 264-5454, the City of Folsom at (916) 355-7200, or the City of Galt at (209) 745-2961.
5. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Community Facilities District No. 99-01, as disclosed by Notice of Special Tax Lien recorded July 22, 1999 as Book 9907-22, Page 0398 of Official Records.

Document(s) declaring modifications thereof recorded August 4, 1999 as Book 990804, Page 0643 of Official Records.

6. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Community Facilities District No. 99-02, Annexation No. 1, as disclosed by Notice of Special Tax Lien recorded June 14, 2000 as Book 200006-14, Page 0294 of Official Records.
7. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded March 14, 2001 as Book 200103-14, Page 1532 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California 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.

Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

A declaration of annexation recorded November 27, 2001 as Book 200111-27, Page 1004 of Official Records.

8. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded November 27, 2001 as Book 200111-27, Page 1009 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California 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.

Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

9. Any easements or servitudes appearing in the public records.
Affects: Common Area.

10. Any and all offers of dedication, conditions, restrictions, easements, fenceline/boundary discrepancies, notes and/or provisions shown or disclosed by the filed or recorded map referred to in the legal description.
11. The terms and provisions contained in the document entitled "Request For Exemption From Separate Assessment" recorded May 9, 2003 as Book 200305-09, Page 2589 of Official Records.
12. The terms and provisions contained in the document entitled "Utility Service Agreement by and between Westlake Villas, LLC, a California Limited Liability Company, Westlake Villas Community Association, a California Nonprofit Unincorporated Association and the City of Sacramento" recorded June 5, 2003 as Book 200306-05, Page 33 of Official Records.
13. The terms and provisions contained in the document entitled "Condominium Plan Westlake Villas - Phase 1" recorded September 28, 2004 as Book 200409-28, Page 2283 of Official Records.
14. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded September 28, 2004 as Book 200409-28, Page 2284 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California 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.

Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

15. A deed of trust to secure an original indebtedness of \$45,000,000.00 recorded November 12, 2004 as Book 200411-12, Page 1516 of Official Records.

Dated: November 9, 2004
Trustor: Westlake Villas, LLC, a California limited liability company
Trustee: Chicago Title Company, a California corporation
Beneficiary: Corus Bank, N.A.

Affects: The land and other property.

16. The terms and provisions contained in the document entitled "Collateral Assignment of Developer's Rights and Agreement with Respect to Condominium Documents" recorded November 12, 2004 as Book 200411-12, Page 1517 of Official Records.

Affects: The land and other property.

17. A deed of trust to secure an original indebtedness of \$11,500,000.00 recorded November 12, 2004 as Book 200411-12, Page 1519 of Official Records.

Dated: November 9, 2004
Trustor: Westlake Villas, LLC, a California limited liability company
Trustee: Chicago Title Company
Beneficiary: Buchanan Urban Investors, II, LLC, a California limited liability company

Affects: The land and other property.

A document recorded November 12, 2004 as Book 200411-12, Page 1518 of Official Records provides that the lien or charge of the deed of trust was subordinated to the lien or charge of the deed of trust recorded November 12, 2004 as Book 200411-12, Page 1516 of Official Records.

A document entitled "Assignment of Leases and Rents" recorded November 12, 2004 as Book 200411-12, Page 1520 of Official Records, as additional security for the payment of the indebtedness secured by the deed of trust.

18. The terms and provisions contained in the document entitled "Collateral Assignment of Developer's Rights and Agreement with Respect to Condominium Documents" recorded November 12, 2004 as Book 200411-12, Page 1521 of Official Records.

Affects: The land and other property.

INFORMATIONAL NOTES

1. This report is preparatory to the issuance of an ALTA Loan Policy. We have no knowledge of any fact which would preclude the issuance of the policy with CLTA endorsement forms 100 and 116 and if applicable, 115 and 116.2 attached.

When issued, the CLTA endorsement form 116 or 116.2, if applicable will reference a(n) Condominium known as To be determined, Units 1-9, 67-104, and 200-217, Sacramento, California.

2. Builder rate applies.
3. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None
4. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

LEGAL DESCRIPTION

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL NO. 1

Unit @ (the "Unit") as shown and described in the Phase 1 Condominium Plan (together with any amendments thereto, collectively, the "Plan") for that portion of Lot 1, as shown on the Final Map ("Map") of "Westlake Villas", Filed on May 9, 2003, in Book 315, at Page 6, of Maps, in the Office of the Sacramento County Recorder, which Plan was recorded in Book 20040928, Page 2283, in Official Records of Sacramento County, California (the "Official Records").

EXCEPTING THEREFROM, for the benefit of Grantor, its successors in interest and assignees to the extent not previously reserved of record:

A. All oil rights, mineral rights, natural gas rights and rights to all other hydrocarbons by whatsoever name known, to all geothermal heat and to all products derived from any of the foregoing (collectively, the "Subsurface Resources"); and

B. The perpetual right to drill, mine, explore and operate for and to produce, store and remove any of the Subsurface Resources on or from the Unit, including the right to whipstock or directionally drill and mine from lands other than the Unit, wells, tunnels and shafts into, through or across the subsurface of the Unit, and to bottom such whipstocked or directionally drilled wells, tunnels and shafts within or beyond the exterior limits of the Unit, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines, but without the right to drill, mine, explore, operate, produce, store or remove any of the Subsurface Resources through or in the surface or the upper five hundred (500) feet of the subsurface of the Unit.

RESERVING THEREFROM, for the benefit of Grantor, its successors in interest and assignees, easements for access, ingress, egress, encroachment, support, maintenance, drainage, repair, and for other purposes, all as may be shown on the Plan and the Map, and as described in the Condominium Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Westlake Villas (together with any amendments thereto, collectively, the "Declaration"), which was recorded Book 20040928, Page 2284, of Official Records.

ALSO RESERVING THEREFROM, for the benefit of Grantor, its successors in interest and assignees, the right to enter the Unit (i) to complete and repair any improvements or landscaping located thereon as determined necessary by Grantor, in its sole discretion, (ii) to comply with requirements for the recordation of the Map or the grading or construction of the Properties, as defined in the Declaration, or (iii) to comply with requirements of applicable governmental agencies. Grantor shall provide reasonable notice to Grantee before such entry. If Grantee refuses to cooperate with Grantor's exercise of this right, Grantor may enforce this right of entry in a court of law. Grantee shall be responsible for all damages arising out of such refusal to cooperate, including attorneys' fees and courts costs. The term of this reservation of right of entry shall automatically expire ten (10) years after Recordation of the Declaration.

FURTHER RESERVING THEREFROM, for the benefit of Grantor, its successors and assigns, together with the right to grant and transfer all or a portion of the same, the right to place on, under or across the Unit, Telecommunications Facilities (as that term is defined in the Declaration) for the provision of Telecommunications Services to the Properties, and thereafter to own and convey such Telecommunications Facilities, and the right to enter upon the Properties to service, maintain, operate, repair, reconstruct and replace the Telecommunications Facilities; provided, however, that the exercise of such rights shall not unreasonably interfere with Grantee's reasonable use and enjoyment of the Unit.

PARCEL NO. 2

An undivided one-sixty-fifth (1/65) fee simple interest as a tenant in common in and to the Common Area described in the Plan.

PARCEL NO. 3

Nonexclusive easements for access, drainage, encroachment, maintenance, repair, and for other purposes, all as may be shown on the Plan and the Map, and as described in the Declaration.

PARCEL NO. 4

Exclusive easements, appurtenant to Parcel No. 1 and Parcel No. 2 described above, for patio, deck, air conditioning compressor pad and driveway purposes, over portions of Lot 1 of the Final Map of "Westlake Villas", as shown in the Plan.

APN: 225-1480-071 (portion)

NOTICE

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

If you have any questions about the effect of this new law, please contact your local First American Office for more details.

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

1. CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
SCHEDULE B

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notice of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
(a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
(c) resulting in no loss or damage to the insured claimant;
(d) attaching or created subsequent to Date of Policy; or
(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable "doing business" laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by their policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

2. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
SCHEDULE OF EXCLUSIONS FROM COVERAGE

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law, ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant; (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder; (c) resulting in no loss or damage to the insured claimant; (d) attaching or

created subsequent to Date of Policy; or (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

**3. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 2 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

**4. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
SCHEDULE OF EXCLUSIONS FROM COVERAGE**

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant, (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy or acquired the insured mortgage and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder, (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy (except to the extent insurance is afforded herein as to any statutory lien for labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy).
4. Unenforceability of the lien of the insured mortgage because of failure of the insured at Date of Policy or of any subsequent owner of the indebtedness to comply with applicable "doing business" laws of the state in which the land is situated.

**5. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association Lenders Policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy, the exclusions set forth in paragraph 4 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

**6. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy;
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
(a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
(c) resulting in no loss or damage to the insured claimant;
(d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or the extent insurance is afforded herein as to assessments for street improvements under construction or completed at date of policy); or
(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable "doing business" laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
(i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
(ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
(iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
(a) to timely record the instrument of transfer; or
(b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

**7. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 6 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

8. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

**9. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 8 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:
Part One:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

**10. AMERICAN LAND TITLE ASSOCIATION RESIDENTIAL
TITLE INSURANCE POLICY - 1987
EXCLUSIONS**

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:

* land use	* land division
* improvements on the land	* environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.
This exclusion does not limit the zoning coverage described in items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
 - * a notice of exercising the right appears in the public records on the Policy Date
 - * the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking.
3. Title Risks:
 - * that are created, allowed, or agreed to by you
 - * that are known to you, but not to us, on the Policy Date - unless they appeared in the public records
 - * that result in no loss to you
 - * that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
 - * to any land outside the area specifically described and referred to in Item 3 of Schedule A, or
 - * in streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

11. EAGLE PROTECTION OWNER'S POLICY

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998

ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998

Covered Risks 14 (Subdivision Law Violation). 15 (Building Permit). 16 (Zoning) and 18 (Encroachment of boundary walls or fences) are subject to Deductible Amounts and Maximum Dollar Limits of Liability

EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:

a. building c. land use e. land division	b. zoning d. improvements on the land f. environmental protection

This exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.
This exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
3. The right to take the Land by condemning it, unless:
 - a. a notice of exercising the right appears in the Public Records at the Policy Date; or
 - b. the taking happened before the Policy Date and is binding on You if You bought the Land without Knowing of the taking.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.d, 22, 23, 24 or 25.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.

This exclusion does not limit the coverage described in Covered Risk 11 or 18.

12. SECOND GENERATION EAGLE LOAN POLICY AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or area of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14 and 16 of this policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14 and 16 of this policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the Public Records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without Knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
(a) created, suffered, assumed or agreed to by the Insured Claimant;
(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
(c) resulting in no loss or damage to the Insured Claimant;
(d) attaching or created subsequent to Date of Policy (this paragraph does not limit the coverage provided under Covered Risks 8, 16, 18, 19, 20, 21, 22, 23, 24, 25 and 26); or
(e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the Land is situated.
5. Invalidity or unenforceability of the lien of the Insured Mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, except as provided in Covered Risk 27, or any consumer credit protection or truth in lending law.
6. Real property taxes or assessments of any governmental authority which become a lien on the Land subsequent to Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 7, 8 (e) and 26.
7. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This exclusion does not limit the coverage provided in Covered Risk 8.
8. Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting title, the existence of which are Known to the Insured at:
(a) The time of the advance; or
(b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than it would have been before the modification.
This exclusion does not limit the coverage provided in Covered Risk 8.
9. The failure of the residential structure, or any portion thereof to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at Date of Policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. The following existing statutes, reference to which are made part of the ALTA 8.1 Environmental Protection Lien Endorsement incorporated into this Policy following item 28 of Covered Risks: NONE.

13. SECOND GENERATION EAGLE LOAN POLICY AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01) WITH REGIONAL EXCEPTIONS

When the American Land Title Association loan policy with EAGLE Protection Added is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 12 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

Part One:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.

PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information – particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its *Fair Information Values*, a copy of which can be found on our website at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.



"Any county, city, special district, school district or joint powers of authority can establish a 'Community Facilities District' which allows for the financing of public services and facilities"

1011 Brioso, Suite 110
Costa Mesa, CA 92627
Tel 949-645-3698
Fax 949-631-1487

www.mello-roos.com

What is Mello Roos?

Background:

In 1978 Californians enacted Proposition 13, which limited many local public agencies ability to finance new projects. In 1982, Senator Henry Mello and Assemblyman Mike Roos affected the passage of the Community Facilities District Act (CFD). This act authorized local governments and developers to create CFD's for the purpose of selling tax-exempt bonds to fund public improvements. Subsequently, property owners that participate in the CFD's pay a "special tax" to repay the bonds.

Mello-Roos Community Facilities District Act:

The Act allows any county, city, special district, school district or joint powers of authority to establish a "Community Facilities District" which allows for the financing of public services and facilities. The services and facilities Mello-Roos Districts can provide include streets, police protection, fire protection, ambulatory, elementary schools, parks, libraries, museums, and cultural facilities.

A requisite for the Mello-Roos districts' establishment is that it be approved by two-thirds margin of qualified voters in the district. If there are fewer than twelve registered voters within the proposed district, the vote may be passed by current landowners. At the close of legal proceedings, an established Mello-Roos District has all the legal privileges of a legally sanctioned governmental body.

Responsibilities of Property Owners in the Mello-Roos Districts:

Property owners in Mello Roos Districts are responsible for payment of the "special tax". The amount of the "special tax" is not (directly) based on the value of the property. Special taxes are based on mathematical formulas that take into account property characteristics such as square footage of the home and parcel size. The special tax is typically included in the annual County tax bill, however it can also be paid off on a monthly basis.

Legal Rights of the Community Facilities District:

A Mello-Roos District has the legal right to adopt stringent penalties and foreclosure priorities; in the event that the special tax payment is delinquent. Ergo, if the "special tax" is not paid, the District may exercise its legal right to foreclose and sell the property. Foreclosure rights can be initiated after 150 - 180 days in arrears.

Disclosure (California Civil Code §§1102.6):

Seller shall make a good faith effort to obtain a disclosure "Notice of Special Tax" from local agencies which levy on the property a special tax pursuant to the Mello-Roos Community Facilities District Act, and shall promptly deliver to the prospective buyer any such notice made available by those agencies. If the Transfer Disclosure statement or the Mello-Roos disclosure notice is delivered to Buyer after the offer is signed, Buyer shall have the right to terminate this Agreement within three (3) days after delivery in person, or five (5) days after delivery by deposit in the mail, by giving written notice of termination to the Seller or Seller's agent.

What is Mello Roos?

The Title Consumer

UNDERSTANDING MELLO-ROOS

In purchasing your new home, your future monthly payments will be made up of principal, interest, real property taxes and insurance, but what is the tax for the Community Facilities District, otherwise known as a Mello -Roos District? The CLTA has answered some of the questions most commonly asked about the Mello-Roos Community Facilities Act.

Q. What is a Mello-Roos District?

A. A Mello-Roos District is an area where a special tax is imposed on those real property owners within a Community Facilities District. This district has chosen to seek public financing through the sale of bonds for the purpose of financing certain public improvements and services. These services may include streets, water, sewage and drainage, electricity, infrastructure, schools, parks and police protection to newly developing areas. The tax you pay is used to make the payments of principal and interest on the bonds.

Q. Are the assessments included within the Proposition 13 tax limits?

A. No. The passage of Proposition 13 in 1978 severely restricted local government in its ability to finance public capital facilities and services by increasing real property taxes. The "Mello-Roos Community Facilities Act of 1982" provided local government with an additional financing tool. The Proposition 13 tax limits are on the value of the real property, while Mello-Roos taxes are equally and uniformly applied to all properties.

Q. What are my Mello-Roos taxes paying for?

A. Your taxes may be paying for both services and facilities. The services may be financed only to the extent of new growth, and services include: Police protection, fire protection, ambulance and paramedic services, recreation program services, library services, the operation and maintenance of parks, parkways and open space, museums, cultural facilities, flood and storm protection, and services for the removal of any threatening hazardous substance. Facilities which may be financed under the Act include: Property with an estimated useful life of five years or longer, parks, recreation facilities, parkway facilities, open-space facilities, elementary and secondary school sites and structures, libraries, child care facilities, natural gas pipeline facilities, telephone lines, facilities to transmit and distribute electrical energy, cable television lines, and others.

Q. When do I pay these taxes?

A. By purchasing an interest in a subdivision within a Community Facilities District you can expect to be assessed for a Mello-Roos tax which will typically be collected with your general property tax bill. These special tax payments are subject to the same penalties that apply to regular property taxes.

Q. How long does the tax stay in effect?

A. The tax will stay in effect until the principal and interest on the bonds are paid off along with any reasonable administrative costs incurred in collecting the special tax or so long as it is needed to pay the expenses of services, but in no case shall exceed 40 years.

Q. What happens if a general tax payment is not made on time?

A. Because the Mello-Roos tax is typically collected with your general property tax bill, the Facilities District that obtained the lien may withdraw the assessment from the tax roll and commence judicial foreclosure.

Q. What is the basis for the tax?

A. Most special taxes levied on properties within these districts have been structured on the basis of density of development, square footage of construction, or flat acreage charges. The act, however, allows for considerable flexibility in the method of apportionment of taxes, and the local agencies may have established an entirely different method of levying the special tax against property in the district in question.

Q. How much will the Mello-Roos payment be?

A. The amount of tax may vary from year-to-year, but may not exceed the maximum amount specified when the district was created. In the case of the purchase of a new house within a subdivision, the maximum amount of the tax will be specified in the public report. The Resolution of Formation must specify the rate, method of apportionment, and manner of collection of the special tax in sufficient detail to allow each landowner or resident within the proposed district to estimate the maximum amount that he or she will have to pay.

Q. How is the special tax reflected on the real property records?

A. The special tax is a lien on your property, essentially like a regular tax lien. The lien is recorded as a "Notice of Special Tax Lien" which is a continuing lien to secure each levy of the special tax.

Q. How are Mello-Roos taxes affected when the property is sold?

A. The Mello-Roos tax is assessed against the land, but is not based upon the value of the property, therefore, the possible increased value of the property does not affect the amount of the tax when property is sold. The amount of the tax may not exceed the original maximum amount stated in the Resolution of Formation. Any delinquent payments must be satisfied before the sale of the real property since the unpaid amounts are a lien against the property.

The Title Consumer is published by the California Land Title Association. Member companies of the California Land Title Association are dedicated to facilitating the transfer of real property throughout California and increasing the public's awareness of the value and purpose of title insurance.

Top

Buyer and Seller hereby acknowledge this copy of the Right to Repair Law pursuant to California Civil Code Section 912(g).

Buyer's Initials: ____/____

Seller's Initials: ____/____

THE RIGHT TO REPAIR LAW

CIVIL CODE OF CALIFORNIA DIVISION 2, PART 2, TITLE 7.

REQUIREMENTS FOR ACTIONS FOR CONSTRUCTION DEFECTS

CHAPTER 1. DEFINITIONS

§ 895.

(a) "Structure" means any residential dwelling, other building, or improvement located upon a lot or within a common area.

(b) "Designed moisture barrier" means an installed moisture barrier specified in the plans and specifications, contract documents, or manufacturer's recommendations.

(c) "Actual moisture barrier" means any component or material, actually installed, that serves to any degree as a barrier against moisture, whether or not intended as such.

(d) "Unintended water" means water that passes beyond, around, or through a component or the material that is designed to prevent that passage.

(e) "Close of escrow" means the date of the close of escrow between the builder and the original homeowner. With respect to claims by an association, as defined in subdivision (a) of Section 1351, "close of escrow" means the date of substantial completion, as defined in Section 337.15 of the Code of Civil Procedure, or the date the builder relinquishes control over the association's ability to decide whether to initiate a claim under this title, whichever is later.

(f) "Claimant" or "homeowner" includes the individual owners of single-family homes, individual unit owners of attached dwellings and, in the case of a common interest development, any association as defined in subdivision (a) of Section 1351.

CHAPTER 2. ACTIONABLE DEFECTS

§ 896. In any action seeking recovery of damages arising out of, or related to deficiencies in, the residential construction, design, specifications, surveying, planning, supervision, testing, or observation of construction, a builder, and to the extent set forth in Chapter 4 (commencing with Section 910), a general contractor, subcontractor, material supplier, individual product manufacturer, or design professional, shall, except as specifically set forth in this title, be liable for, and the claimant's claims or causes of action shall be limited to violation of, the following standards, except as specifically set forth in this title. This title applies to original construction intended to be sold as an individual dwelling unit. As to condominium conversions, this title does not apply to or does not supersede any other statutory or common law.

(a) With respect to water issues:

(1) A door shall not allow unintended water to pass beyond, around, or through the door or its designed or actual moisture barriers, if any.

Windows, patio doors, deck doors, and their systems shall not allow water to pass beyond, around, or through the window, patio door, or deck door or its designed or actual moisture barriers, including, without limitation, internal barriers within the

systems themselves. For purposes of this paragraph, "systems" include, without limitation, windows, window assemblies, framing, substrate, flashings, and trim, if any.

(3) Windows, patio doors, deck doors, and their systems shall not allow excessive condensation to enter the structure and cause damage to another component. For purposes of this paragraph, "systems" include, without limitation, windows, window assemblies, framing, substrate, flashings, and trim, if any.

(4) Roofs, roofing systems, chimney caps, and ventilation components shall not allow water to enter the structure or to pass beyond, around, or through the designed or actual moisture barriers, including, without limitation, internal barriers located within the systems themselves. For purposes of this paragraph, "systems" include, without limitation, framing, substrate, and sheathing, if any.

(5) Decks, deck systems, balconies, balcony systems, exterior stairs, and stair systems shall not allow water to pass into the adjacent structure. For purposes of this paragraph, "systems" include, without limitation, framing, substrate, flashing, and sheathing, if any.

(6) Decks, deck systems, balconies, balcony systems, exterior stairs, and stair systems shall not allow unintended water to pass within the systems themselves and cause damage to the systems. For purposes of this paragraph, "systems" include, without limitation, framing, substrate, flashing, and sheathing, if any.

(7) Foundation systems and slabs shall not allow water or vapor to enter into the structure so as to cause damage to another building component.

(8) Foundation systems and slabs shall not allow water or vapor to enter into the structure so as to limit the installation of the type of flooring materials typically used for the particular application.

(9) Hardscape, including paths and patios, irrigation systems, landscaping systems, and drainage systems, that are installed as part of the original construction, shall not be installed in such a way as to cause water or soil erosion to enter into or come in contact with the structure so as to cause damage to another building component.

(10) Stucco, exterior siding, exterior walls, including, without limitation, exterior framing, and other exterior wall finishes and fixtures and the systems of those components and fixtures, including, but not limited to, pot shelves, horizontal surfaces, columns, and plant-ons, shall be installed in such a way so as not to allow unintended water to pass into the structure or to pass beyond, around, or through the designed or actual moisture barriers of the system, including any internal barriers located within the system itself. For purposes of this paragraph, "systems" include, without limitation, framing, substrate, flashings, trim, wall assemblies, and internal wall cavities, if any.

(11) Stucco, exterior siding, and exterior walls shall not allow excessive condensation to enter the structure and cause damage to another component. For purposes of this paragraph, "systems" include, without limitation, framing, substrate, flashings, trim, wall assemblies, and internal wall cavities, if any.

(12) Retaining and site walls and their associated drainage systems shall not allow unintended water to pass beyond, around, or through its designed or actual moisture barriers including, without limitation, any internal barriers, so as to cause damage. This standard does not apply to those portions of any wall or drainage system that are designed to have water flow beyond, around, or through them.

(13) Retaining walls and site walls, and their associated drainage systems, shall only allow water to flow beyond, around, or through the areas designated by design.

(14) The lines and components of the plumbing system, sewer system, and utility systems shall not leak.

(15) Plumbing lines, sewer lines, and utility lines shall not corrode so as to impede the useful life of the systems.

(16) Sewer systems shall be installed in such a way as to allow the designated amount of sewage to flow through the system.

(17) Shower and bath enclosures shall not leak water into the interior of walls, flooring systems, or the interior of other components.

(18) Ceramic tile and tile countertops shall not allow water into the interior of walls, flooring systems, or other components so as to cause damage.

(b) With respect to structural issues:

- (1) Foundations, load bearing components, and slabs, shall not contain significant cracks or significant vertical displacement.
- (2) Foundations, load bearing components, and slabs shall not cause the structure, in whole or in part, to be structurally unsafe.
- (3) Foundations, load bearing components, and slabs, and underlying soils shall be constructed so as to materially comply with the design criteria set by applicable government building codes, regulations, and ordinances for chemical deterioration or corrosion resistance in effect at the time of original construction.
- (4) A structure shall be constructed so as to materially comply with the design criteria for earthquake and wind load resistance, as set forth in the applicable government building codes, regulations, and ordinances in effect at the time of original construction.

(c) With respect to soil issues:

- (1) Soils and engineered retaining walls shall not cause, in whole or in part, damage to the structure built upon the soil or engineered retaining wall.
- (2) Soils and engineered retaining walls shall not cause, in whole or in part, the structure to be structurally unsafe.
- (3) Soils shall not cause, in whole or in part, the land upon which no structure is built to become unusable for the purpose represented at the time of original sale by the builder or for the purpose for which that land is commonly used.

(d) With respect to fire protection issues:

- (1) A structure shall be constructed so as to materially comply with the design criteria of the applicable government building codes, regulations, and ordinances for fire protection of the occupants in effect at the time of the original construction.
- (2) Fireplaces, chimneys, chimney structures, and chimney termination caps shall be constructed and installed in such a way so as not to cause an unreasonable risk of fire outside the fireplace enclosure or chimney.
- (3) Electrical and mechanical systems shall be constructed and installed in such a way so as not to cause an unreasonable risk of fire.

(e) With respect to plumbing and sewer issues:

Plumbing and sewer systems shall be installed to operate properly and shall not materially impair the use of the structure by its inhabitants. However, no action may be brought for a violation of this subdivision more than four years after close of escrow.

(f) With respect to electrical system issues:

Electrical systems shall operate properly and shall not materially impair the use of the structure by its inhabitants. However, no action shall be brought pursuant to this subdivision more than four years from close of escrow.

(g) With respect to issues regarding other areas of construction:

- (1) Exterior pathways, driveways, hardscape, sidewalls, sidewalks, and patios installed by the original builder shall not contain cracks that display significant vertical displacement or that are excessive. However, no action shall be brought upon a violation of this paragraph more than four years from close of escrow.
- (2) Stucco, exterior siding, and other exterior wall finishes and fixtures, including, but not limited to, pot shelves, horizontal faces, columns, and plant-ons, shall not contain significant cracks or separations.

(3) (A) To the extent not otherwise covered by these standards, manufactured products, including, but not limited to, windows, doors, roofs, plumbing products and fixtures, fireplaces, electrical fixtures, HVAC units, countertops, cabinets, paint, and appliances shall be installed so as not to interfere with the products' useful life, if any.

(B) For purposes of this paragraph, "useful life" means a representation of how long a product is warranted or represented, through its limited warranty or any written representations, to last by its manufacturer, including recommended or required maintenance. If there is no representation by a manufacturer, a builder shall install manufactured products so as not to interfere with the product's utility.

(C) For purposes of this paragraph, "manufactured product" means a product that is completely manufactured offsite.

(D) If no useful life representation is made, or if the representation is less than one year, the period shall be no less than one year. If a manufactured product is damaged as a result of a violation of these standards, damage to the product is a recoverable element of damages. This subparagraph does not limit recovery if there has been damage to another building component caused by a manufactured product during the manufactured product's useful life.

(E) This title does not apply in any action seeking recovery solely for a defect in a manufactured product located within or adjacent to a structure.

(4) Heating, if any, shall be installed so as to be capable of maintaining a room temperature of 70 degrees Fahrenheit at a point three feet above the floor in any living space.

(5) Living space air-conditioning, if any, shall be provided in a manner consistent with the size and efficiency design criteria specified in Title 24 of the California Code of Regulations or its successor.

(6) Attached structures shall be constructed to comply with interunit noise transmission standards set by the applicable government building codes, ordinances, or regulations in effect at the time of the original construction. If there is no applicable code, ordinance, or regulation, this paragraph does not apply. However, no action shall be brought pursuant to this paragraph more than one year from the original occupancy of the adjacent unit.

(7) Irrigation systems and drainage shall operate properly so as not to damage landscaping or other external improvements. However, no action shall be brought pursuant to this paragraph more than one year from close of escrow.

(8) Untreated wood posts shall not be installed in contact with soil so as to cause unreasonable decay to the wood based upon the finish grade at the time of original construction. However, no action shall be brought pursuant to this paragraph more than two years from close of escrow.

(9) Untreated steel fences and adjacent components shall be installed so as to prevent unreasonable corrosion. However, no action shall be brought pursuant to this paragraph more than four years from close of escrow.

(10) Paint and stains shall be applied in such a manner so as not to cause deterioration of the building surfaces for the length of time specified by the paint or stain manufacturers' representations, if any. However, no action shall be brought pursuant to this paragraph more than five years from close of escrow.

(11) Roofing materials shall be installed so as to avoid materials falling from the roof.

(12) The landscaping systems shall be installed in such a manner so as to survive for not less than one year. However, no action shall be brought pursuant to this paragraph more than two years from close of escrow.

(13) Ceramic tile and tile backing shall be installed in such a manner that the tile does not detach.

(14) Dryer ducts shall be installed and terminated pursuant to manufacturer installation requirements. However, no action shall be brought pursuant to this paragraph more than two years from close of escrow.

(5) Structures shall be constructed in such a manner so as not to impair the occupants' safety because they contain public health hazards as determined by a duly authorized public health official, health agency, or governmental entity having jurisdiction. This paragraph does not limit recovery for any damages caused by a violation of any other paragraph of this section on the grounds that the damages do not constitute a health hazard.

§ 897. The standards set forth in this chapter are intended to address every function or component of a structure. To the extent that a function or component of a structure is not addressed by these standards, it shall be actionable if it causes damage.

CHAPTER 3. OBLIGATIONS

§ 900. As to fit and finish items, a builder shall provide a homebuyer with a minimum one-year express written limited warranty covering the fit and finish of the following building components. Except as otherwise provided by the standards specified in Chapter 2 (commencing with Section 896), this warranty shall cover the fit and finish of cabinets, mirrors, flooring, interior and exterior walls, countertops, paint finishes, and trim, but shall not apply to damage to those components caused by defects in other components governed by the other provisions of this title. Any fit and finish matters covered by this warranty are not subject to the provisions of this title. If a builder fails to provide the express warranty required by this section, the warranty for these items shall be for a period of one year.

§ 901. A builder may, but is not required to, offer greater protection or protection for longer time periods in its express contract with the homeowner than that set forth in Chapter 2 (commencing with Section 896). A builder may not limit the application of Chapter 2 (commencing with Section 896) or lower its protection through the express contract with the homeowner. This type of express contract constitutes an "enhanced protection agreement."

§ 902. If a builder offers an enhanced protection agreement, the builder may choose to be subject to its own express contractual provisions in place of the provisions set forth in Chapter 2 (commencing with Section 896). If an enhanced protection agreement is in place, Chapter 2 (commencing with Section 896) no longer applies other than to set forth minimum provisions by which to judge the enforceability of the particular provisions of the enhanced protection agreement.

§ 903. If a builder offers an enhanced protection agreement in place of the provisions set forth in Chapter 2 (commencing with Section 896), the election to do so shall be made in writing with the homeowner no later than the close of escrow. The builder shall provide the homeowner with a complete copy of Chapter 2 (commencing with Section 896) and advise the homeowner that the builder has elected not to be subject to its provisions. If any provision of an enhanced protection agreement is later found to be unenforceable as not meeting the minimum standards of Chapter 2 (commencing with Section 896), a builder may use this chapter in lieu of those provisions found to be unenforceable.

§ 904. If a builder has elected to use an enhanced protection agreement, and a homeowner disputes that the particular provision or time periods of the enhanced protection agreement are not greater than, or equal to, the provisions of Chapter 2 (commencing with Section 896) as they apply to the particular deficiency alleged by the homeowner, the homeowner may seek to enforce the application of the standards set forth in this chapter as to those claimed deficiencies. If a homeowner seeks to enforce a particular standard in lieu of a provision of the enhanced protection agreement, the homeowner shall give the builder written notice of that intent at the time the homeowner files a notice of claim pursuant to Chapter 4 (commencing with Section 910).

§ 905. If a homeowner seeks to enforce Chapter 2 (commencing with Section 896), in lieu of the enhanced protection agreement in a subsequent litigation or other legal action, the builder shall have the right to have the matter bifurcated, and to have an immediately binding determination of his or her responsive pleading within 60 days after the filing of that pleading, but in no event after the commencement of discovery, as to the application of either Chapter 2 (commencing with Section 896) or the enhanced protection agreement as to the deficiencies claimed by the homeowner. If the builder fails to seek that determination in the timeframe specified, the builder waives the right to do so and the standards set forth in this title shall apply. As to any nonoriginal homeowner, that homeowner shall be deemed in privity for purposes of an enhanced protection agreement only to the extent that the builder has recorded the enhanced protection agreement on title or provided actual notice to the nonoriginal homeowner of the enhanced protection agreement. If the enhanced protection agreement is not recorded on title or no actual notice has been provided, the standards set forth in this title apply to any nonoriginal homeowners' claims.

§ 906. A builder's election to use an enhanced protection agreement addresses only the issues set forth in Chapter 2 (commencing with Section 896) and does not constitute an election to use or not use the provisions of Chapter 4 (commencing with Section 910). The decision to use or not use Chapter 4 (commencing with Section 910) is governed by the provisions of that chapter.

§ 907. A homeowner is obligated to follow all reasonable maintenance obligations and schedules communicated in writing to the homeowner by the builder and product manufacturers, as well as commonly accepted maintenance practices. A failure by a homeowner to follow these obligations, schedules, and practices may subject the homeowner to the affirmative defenses contained in Section 944.

CHAPTER 4. PRELITIGATION PROCEDURE

§ 910. Prior to filing an action against any party alleged to have contributed to a violation of the standards set forth in Chapter 2 (commencing with Section 896), the claimant shall initiate the following prelitigation procedures:

(a) The claimant or his or her legal representative shall provide written notice via certified mail, overnight mail, or personal delivery to the builder, in the manner prescribed in this section, of the claimant's claim that the construction of his or her residence violates any of the standards set forth in Chapter 2 (commencing with Section 896). That notice shall provide the claimant's name, address, and preferred method of contact, and shall state that the claimant alleges a violation pursuant to this part against the builder, and shall describe the claim in reasonable detail sufficient to determine the nature and location, to the extent known, of the claimed violation. In the case of a group of homeowners or an association, the notice may identify the claimants solely by address or other description sufficient to apprise the builder of the locations of the subject residences. That document shall have the same force and effect as a notice of commencement of a legal proceeding.

(b) The notice requirements of this section do not preclude a homeowner from seeking redress through any applicable normal customer service procedure as set forth in any contractual, warranty, or other builder-generated document; and, if a homeowner seeks to do so, that request shall not satisfy the notice requirements of this section.

§ 911. (a) For purposes of this title, except as provided in subdivision (b), "builder" means any entity or individual, including, but not limited to a builder, developer, general contractor, contractor, or original seller, who, at the time of sale, was also in the business of selling residential units to the public for the property that is the subject of the homeowner's claim or was in the business of building, developing, or constructing residential units for public purchase for the property that is the subject of the homeowner's claim.

(b) For the purposes of this title, "builder" does not include any entity or individual whose involvement with a residential unit that is the subject of the homeowner's claim is limited to his or her capacity as general contractor or contractor and who is not a partner, member of, subsidiary of, or otherwise similarly affiliated with the builder. For purposes of this title, these nonaffiliated general contractors and nonaffiliated contractors shall be treated the same as subcontractors, material suppliers, individual product manufacturers, and design professionals.

§ 912. A builder shall do all of the following:

(a) Within 30 days of a written request by a homeowner or his or her legal representative, the builder shall provide copies of all relevant plans, specifications, mass or rough grading plans, final soils reports, Department of Real Estate public reports, and available engineering calculations, that pertain to a homeowner's residence specifically or as part of a larger development tract. The request shall be honored if it states that it is made relative to structural, fire safety, or soils provisions of this title. However, a builder is not obligated to provide a copying service, and reasonable copying costs shall be borne by the requesting party. A builder may require that the documents be copied onsite by the requesting party, except that the homeowner may, at his or her option, use his or her own copying service, which may include an offsite copy facility that is bonded and insured. If a builder can show that the builder maintained the documents, but that they later became unavailable due to loss or destruction that was not the fault of the builder, the builder may be excused from the requirements of this subdivision, in which case the builder shall act with reasonable diligence to assist the homeowner in obtaining those documents from any applicable government authority or from the source that generated the document. However, in that case, the time limits specified by this section do not apply.

(b) At the expense of the homeowner, who may opt to use an offsite copy facility that is bonded and insured, the builder shall provide to the homeowner or his or her legal representative copies of all maintenance and preventative maintenance recommendations that pertain to his or her residence within 30 days of service of a written request for those documents. Those documents shall also be provided to the homeowner in conjunction with the initial sale of the residence.

(c) At the expense of the homeowner, who may opt to use an offsite copy facility that is bonded and insured, a builder shall provide to the homeowner or his or her legal representative copies of all manufactured products maintenance, preventive maintenance, and limited warranty information within 30 days of a written request for those documents. These documents shall also be provided to the homeowner in conjunction with the initial sale of the residence.

(d) At the expense of the homeowner, who may opt to use an offsite copy facility that is bonded and insured, a builder shall provide to the homeowner or his or her legal representative copies of all of the builder's limited contractual warranties in accordance with this part in effect at the time of the original sale of the residence within 30 days of a written request for those documents. Those documents shall also be provided to the homeowner in conjunction with the initial sale of the residence.

(e) A builder shall maintain the name and address of an agent for notice pursuant to this chapter with the Secretary of State or, alternatively, elect to use a third party for that notice if the builder has notified the homeowner in writing of the third party's name and address, to whom claims and requests for information under this section may be mailed. The name and address of the agent for notice or third party shall be included with the original sales documentation and shall be initialed and acknowledged by the purchaser and the builder's sales representative.

This subdivision applies to instances in which a builder contracts with a third party to accept claims and act on the builder's behalf. A builder shall give actual notice to the homeowner that the builder has made such an election, and shall include the name and address of the third party.

(f) A builder shall record on title a notice of the existence of these procedures and a notice that these procedures impact the legal rights of the homeowner. This information shall also be included with the original sales documentation and shall be initialed and acknowledged by the purchaser and the builder's sales representative.

(g) A builder shall provide with the original sales documentation, a written copy of this title which shall be initialed and acknowledged by the purchaser and the builder's sales representative.

(h) As to any documents provided in conjunction with the original sale, the builder shall instruct the original purchaser to provide those documents to any subsequent purchaser.

(i) Any builder who fails to comply with any of these requirements within the time specified is not entitled to the protection of this chapter, and the homeowner is released from the requirements of this chapter and may proceed with the filing of an action, in which case the remaining chapters of this part shall continue to apply to the action.

§ 913. A builder or his or her representative shall acknowledge, in writing, receipt of the notice of the claim within 14 days after receipt of the notice of the claim. If the notice of the claim is served by the claimant's legal representative, or if the builder receives a written representation letter from a homeowner's attorney, the builder shall include the attorney in all subsequent substantive communications, including, without limitation, all written communications occurring pursuant to this chapter, and all substantive and procedural communications, including all written communications, following the commencement of any subsequent complaint or other legal action, except that if the builder has retained or involved legal counsel to assist the builder in this process, all communications by the builder's counsel shall only be with the claimant's legal representative, if any.

§ 914.

(a) This chapter establishes a nonadversarial procedure, including the remedies available under this chapter which, if the procedure does not resolve the dispute between the parties, may result in a subsequent action to enforce the other chapters of this title. A builder may attempt to commence nonadversarial contractual provisions other than the nonadversarial procedures and remedies set forth in this chapter, but may not, in addition to its own nonadversarial contractual provisions, require adherence to the nonadversarial procedures and remedies set forth in this chapter, regardless of whether the builder's own alternative nonadversarial contractual provisions are successful in resolving the dispute or ultimately deemed enforceable.

At the time the sales agreement is executed, the builder shall notify the homeowner whether the builder intends to engage in the nonadversarial procedure of this section or attempt to enforce alternative nonadversarial contractual provisions. If the builder elects to use alternative nonadversarial contractual provisions in lieu of this chapter, the election is binding, regardless of whether the builder's alternative nonadversarial contractual provisions are successful in resolving the ultimate dispute or are ultimately deemed enforceable.

(b) Nothing in this title is intended to affect existing statutory or decisional law pertaining to the applicability, viability, or enforceability of alternative dispute resolution methods, alternative remedies, or contractual arbitration, judicial reference, or similar procedures requiring a binding resolution to enforce the other chapters of this title or any other disputes between homeowners and builders. Nothing in this title is intended to affect the applicability, viability, or enforceability, if any, of contractual arbitration or judicial reference after a nonadversarial procedure or provision has been completed.

§ 915. If a builder fails to acknowledge receipt of the notice of a claim within the time specified, elects not to go through the process set forth in this chapter, or fails to request an inspection within the time specified, or at the conclusion or cessation of an alternative nonadversarial proceeding, this chapter does not apply and the homeowner is released from the requirements of this chapter and may proceed with the filing of an action. However, the standards set forth in the other chapters of this title shall continue to apply to the action.

§ 916.

a) If a builder elects to inspect the claimed unmet standards, the builder shall complete the initial inspection and testing within 14 days after acknowledgment of receipt of the notice of the claim, at a mutually convenient date and time. If the homeowner has retained legal representation, the inspection shall be scheduled with the legal representative's office at a mutually convenient date and time, unless the legal representative is unavailable during the relevant time periods. All costs of builder inspection and testing, including any damage caused by the builder inspection, shall be borne by the builder. The builder shall also provide written proof that the builder has liability insurance to cover any damages or injuries occurring during inspection and testing. The builder shall restore the property to its pretesting condition within 48 hours of the testing. The builder shall, upon request, allow the inspections to be observed and electronically recorded, videotaped, or photographed by the claimant or his or her legal representative.

(b) Nothing that occurs during a builder's or claimant's inspection or testing may be used or introduced as evidence to support a spoliation defense by any potential party in any subsequent litigation.

(c) If a builder deems a second inspection or testing reasonably necessary, and specifies the reasons therefor in writing within three days following the initial inspection, the builder may conduct a second inspection or testing. A second inspection or testing shall be completed within 40 days of the initial inspection or testing. All requirements concerning the initial inspection or testing shall also apply to the second inspection or testing.

(d) If the builder fails to inspect or test the property within the time specified, the claimant is released from the requirements of this section and may proceed with the filing of an action. However, the standards set forth in the other chapters of this title shall continue to apply to the action.

(e) If a builder intends to hold a subcontractor, design professional, individual product manufacturer, or material supplier, including an insurance carrier, warranty company, or service company, responsible for its contribution to the unmet standard, the builder shall provide notice to that person or entity sufficiently in advance to allow them to attend the initial, or if requested, second inspection of any alleged unmet standard and to participate in the repair process. The claimant and his or her legal representative, if any, shall be advised in a reasonable time prior to the inspection as to the identity of all persons or entities invited to attend. This subdivision does not apply to the builder's insurance company. Except with respect to any claims involving a repair actually conducted under this chapter, nothing in this subdivision shall be construed to relieve a subcontractor, design professional, individual product manufacturer, or material supplier of any liability under an action brought by a claimant.

§ 917. Within 30 days of the initial or, if requested, second inspection or testing, the builder may offer in writing to repair the violation. The offer to repair shall also compensate the homeowner for all applicable damages recoverable under Section 944, within the timeframe for the repair set forth in this chapter. Any such offer shall be accompanied by a detailed, specific, step-by-step statement identifying the particular violation that is being repaired, explaining the nature, scope, and location of the repair, and setting a reasonable completion date for the repair. The offer shall also include the names, addresses, telephone numbers, and license numbers of the contractors whom the builder intends to have perform the repair. Those contractors shall be fully insured for, and shall be responsible for, all damages or injuries that they may cause to occur during the repair, and evidence of that insurance shall be provided to the homeowner upon request. Upon written request by the homeowner or his or her legal representative, and within the timeframes set forth in this chapter, the builder shall also provide any available technical documentation, including, without limitation, plans and specifications, pertaining to the claimed violation within the particular home or development tract. The offer shall also advise the homeowner in writing of his or her right to request up to three additional contractors from which to select to do the repair pursuant to this chapter.

§ 918. Upon receipt of the offer to repair, the homeowner shall have 30 days to authorize the builder to proceed with the repair. The homeowner may alternatively request, at the homeowner's sole option and discretion, that the builder provide the names, addresses, telephone numbers, and license numbers for up to three alternative contractors who are not owned or financially controlled by the builder and who regularly conduct business in the county where the structure is located. If the homeowner so elects, the builder is entitled to an additional noninvasive inspection, to occur at a mutually convenient date and time within 20 days of the election, so as to permit the other proposed contractors to review the proposed site of the repair. Within 35 days after the request of the homeowner for alternative contractors, the builder shall present the homeowner with a choice of contractors. Within 20 days after that presentation, the homeowner shall authorize the builder or one of the alternative contractors to perform the repair.

§ 919. The offer to repair shall also be accompanied by an offer to mediate the dispute if the homeowner so chooses. The mediation shall be limited to a four-hour mediation, except as otherwise mutually agreed before a nonaffiliated mediator selected and paid for by the builder. At the homeowner's sole option, the homeowner may agree to split the cost of the mediator, and if he

or she does so, the mediator shall be selected jointly. The mediator shall have sufficient availability such that the mediation occurs within 15 days after the request to mediate is received and occurs at a mutually convenient location within the county where the action is pending. If a builder has made an offer to repair a violation, and the mediation has failed to resolve the dispute, the homeowner shall allow the repair to be performed either by the builder, its contractor, or the selected contractor.

§ 920. If the builder fails to make an offer to repair or otherwise strictly comply with this chapter within the times specified, the claimant is released from the requirements of this chapter and may proceed with the filing of an action. If the contractor performing the repair does not complete the repair in the time or manner specified, the claimant may file an action. If this occurs, the standards set forth in the other chapters of this part shall continue to apply to the action.

§ 921.

(a) In the event that a resolution under this chapter involves a repair by the builder, the builder shall make an appointment with the claimant, make all appropriate arrangements to effectuate a repair of the claimed unmet standards, and compensate the homeowner for all damages resulting therefrom free of charge to the claimant. The repair shall be scheduled through the claimant's legal representative, if any, unless he or she is unavailable during the relevant time periods. The repair shall be commenced on a mutually convenient date within 14 days of acceptance or, if an alternative contractor is selected by the homeowner, within 14 days of the selection, or, if a mediation occurs, within seven days of the mediation, or within five days after a permit is obtained if one is required. The builder shall act with reasonable diligence in obtaining any such permit.

(b) The builder shall ensure that work done on the repairs is done with the utmost diligence, and that the repairs are completed as soon as reasonably possible, subject to the nature of the repair or some unforeseen event not caused by the builder or the contractor performing the repair. Every effort shall be made to complete the repair within 120 days.

§ 922. The builder shall, upon request, allow the repair to be observed and electronically recorded, videotaped, or photographed by the claimant or his or her legal representative. Nothing that occurs during the repair process may be used or introduced as evidence to support a spoliation defense by any potential party in any subsequent litigation.

§ 923. The builder shall provide the homeowner or his or her legal representative, upon request, with copies of all correspondence, photographs, and other materials pertaining or relating in any manner to the repairs.

§ 924. If the builder elects to repair some, but not all of, the claimed unmet standards, the builder shall, at the same time it makes its offer, set forth with particularity in writing the reasons, and the support for those reasons, for not repairing all claimed unmet standards.

§ 925. If the builder fails to complete the repair within the time specified in the repair plan, the claimant is released from the requirements of this chapter and may proceed with the filing of an action. If this occurs, the standards set forth in the other chapters of this title shall continue to apply to the action.

§ 926. The builder may not obtain a release or waiver of any kind in exchange for the repair work mandated by this chapter. At the conclusion of the repair, the claimant may proceed with filing an action for violation of the applicable standard or for a claim of inadequate repair, or both, including all applicable damages available under Section 944.

§ 927. If the applicable statute of limitations has otherwise run during this process, the time period for filing a complaint or other legal remedies for violation of any provision of this title, or for a claim of inadequate repair, is extended from the time of the original claim by the claimant to 100 days after the repair is completed, whether or not the particular violation is the one being repaired. If the builder fails to acknowledge the claim within the time specified, elects not to go through this statutory process, or fails to request an inspection within the time specified, the time period for filing a complaint or other legal remedies for violation of any provision of this title is extended from the time of the original claim by the claimant to 45 days after the time for responding to the notice of claim has expired. If the builder elects to attempt to enforce its own nonadversarial procedure in lieu of the procedure set forth in this chapter, the time period for filing a complaint or other legal remedies for violation of any provision of this part is extended from the time of the original claim by the claimant to 100 days after either the completion of the builder's alternative nonadversarial procedure, or 100 days after the builder's alternative nonadversarial procedure is deemed unenforceable, whichever is later.

§ 928. If the builder has invoked this chapter and completed a repair, prior to filing an action, if there has been no previous mediation between the parties, the homeowner or his or her legal representative shall request mediation in writing. The mediation shall be limited to four hours, except as otherwise mutually agreed before a nonaffiliated mediator selected and paid for by the

builder. At the homeowner's sole option, the homeowner may agree to split the cost of the mediator and if he or she does so, the mediator shall be selected jointly. The mediator shall have sufficient availability such that the mediation will occur within 15 days after the request for mediation is received and shall occur at a mutually convenient location within the county where the action is pending. In the event that a mediation is used at this point, any applicable statutes of limitations shall be tolled from the date of the request to mediate until the next court day after the mediation is completed, or the 100-day period, whichever is later.

§ 929.

(a) Nothing in this chapter prohibits the builder from making only a cash offer and no repair. In this situation, the homeowner is free to accept the offer, or he or she may reject the offer and proceed with the filing of an action. If the latter occurs, the standards of the other chapters of this title shall continue to apply to the action.

(b) The builder may obtain a reasonable release in exchange for the cash payment. The builder may negotiate the terms and conditions of any reasonable release in terms of scope and consideration in conjunction with a cash payment under this chapter.

§ 930.

(a) The time periods and all other requirements in this chapter are to be strictly construed, and, unless extended by the mutual agreement of the parties in accordance with this chapter, shall govern the rights and obligations under this title. If a builder fails to act in accordance with this section within the timeframes mandated, unless extended by the mutual agreement of the parties as evidenced by a postclaim written confirmation by the affected homeowner demonstrating that he or she has knowingly and voluntarily extended the statutory timeframe, the claimant may proceed with filing an action. If this occurs, the standards of the other chapters of this title shall continue to apply to the action.

(b) If the claimant does not conform with the requirements of this chapter, the builder may bring a motion to stay any subsequent court action or other proceeding until the requirements of this chapter have been satisfied. The court, in its discretion, may award the prevailing party on such a motion, his or her attorney's fees and costs in bringing or opposing the motion.

§ 931. If a claim combines causes of action or damages not covered by this part, including, without limitation, personal injuries, mass actions, other statutory remedies, or fraud-based claims, the claimed unmet standards shall be administered according to this part, although evidence of the property in its unrepaired condition may be introduced to support the respective elements of any such cause of action. As to any fraud-based claim, if the fact that the property has been repaired under this chapter is deemed admissible, the trier of fact shall be informed that the repair was not voluntarily accepted by the homeowner. As to any class action claims that address solely the incorporation of a defective component into a residence, the named and unnamed class members need not comply with this chapter.

§ 932. Subsequently discovered claims of unmet standards shall be administered separately under this chapter, unless otherwise agreed to by the parties. However, in the case of a detached single family residence, in the same home, if the subsequently discovered claim is for a violation of the same standard as that which has already been initiated by the same claimant and the subject of a currently pending action, the claimant need not reinstate the process as to the same standard. In the case of an attached project, if the subsequently discovered claim is for a violation of the same standard for a connected component system in the same building as has already been initiated by the same claimant, and the subject of a currently pending action, the claimant need not reinstate this process as to that standard.

§ 933. If any enforcement of these standards is commenced, the fact that a repair effort was made may be introduced to the trier of fact. However, the claimant may use the condition of the property prior to the repair as the basis for contending that the repair work was inappropriate, inadequate, or incomplete, or that the violation still exists. The claimant need not show that the repair work resulted in further damage nor that damage has continued to occur as a result of the violation.

§ 934. Evidence of both parties' conduct during this process may be introduced during a subsequent enforcement action, if any, with the exception of any mediation. Any repair efforts undertaken by the builder, shall not be considered settlement communications or offers of settlement and are not inadmissible in evidence on such a basis.

§ 935. To the extent that provisions of this chapter are enforced and those provisions are substantially similar to provisions in Section 1375 of the Civil Code, but an action is subsequently commenced under Section 1375 of the Civil Code, the parties are excused from performing the substantially similar requirements under Section 1375 of the Civil Code.

§ 936. Each and every provision of the other chapters of this title apply to general contractors, subcontractors, material suppliers, individual product manufacturers, and design professionals to the extent that the general contractors, subcontractors, material suppliers, individual product manufacturers, and design professionals caused, in whole or in part, a violation of a particular standard as the result of a negligent act or omission or a breach of contract. In addition to the affirmative defenses set forth in Section 945.5, a general contractor, subcontractor, material supplier, design professional, individual product manufacturer, or other entity may also offer common law and contractual defenses as applicable to any claimed violation of a standard. All actions by a claimant or builder to enforce an express contract, or any provision thereof, against a general contractor, subcontractor, material supplier, individual product manufacturer, or design professional is preserved. Nothing in this title modifies the law pertaining to joint and several liability for builders, general contractors, subcontractors, material suppliers, individual product manufacturers, and design professionals that contribute to any specific violation of this title. However, this section does not apply to any general contractor, subcontractor, material supplier, individual product manufacturer, or design professional to which strict liability would apply. However, the negligence standard in this section does not apply to any general contractor, subcontractor, material supplier, individual product manufacturer, or design professional with respect to claims for which strict liability would apply.

§ 937. Nothing in this title shall be interpreted to eliminate or abrogate the requirement to comply with Section 411.35 of the Code of Civil Procedure or to affect the liability of design professionals, including architects and architectural firms, for claims and damages not covered by this title.

§ 938. This title applies only to new residential units where the purchase agreement with the buyer was signed by the seller on or after January 1, 2003.

CHAPTER 5. PROCEDURE

§ 941. (a) Except as specifically set forth in this title, no action may be brought to recover under this title more than 10 years after substantial completion of the improvement but not later than the date of recordation of a valid notice of completion.

(b) As used in this section, "action" includes an action for indemnity brought against a person arising out of that person's performance or furnishing of services or materials referred to in this title, except that a cross-complaint for indemnity may be filed pursuant to subdivision (b) of Section 428.10 of the Code of Civil Procedure in an action which has been brought within the time period set forth in subdivision (a).

(c) The limitation prescribed by this section may not be asserted by way of defense by any person in actual possession or the control, as owner, tenant or otherwise, of such an improvement, at the time any deficiency in the improvement constitutes the proximate cause for which it is proposed to make a claim or bring an action.

(d) Sections 337.15 and 337.1 of the Code of Civil Procedure do not apply to actions under this title.

(e) Existing statutory and decisional law regarding tolling of the statute of limitations shall apply to the time periods for filing an action or making a claim under this title, except that repairs made pursuant to Chapter 4 (commencing with Section 910), with the exception of the tolling provision contained in Section 927, do not extend the period for filing an action, or restart the time limitations contained in subdivision (a) or (b) of Section 7091 of the Business and Professions Code. If a builder arranges for a contractor to perform a repair pursuant to Chapter 4 (commencing with Section 910), as to the builder the time period for calculating the statute of limitation in subdivision (a) or (b) of Section 7091 of the Business and Professions Code shall pertain to the substantial completion of the original construction and not to the date of repairs under this title. The time limitations established by this title do not apply to any action by a claimant for a contract or express contractual provision. Causes of action and damages to which this chapter does not apply are not limited by this section.

§ 942. In order to make a claim for violation of the standards set forth in Chapter 2 (commencing with Section 896), a homeowner need only demonstrate, in accordance with the applicable evidentiary standard, that the home does not meet the applicable standard, subject to the affirmative defenses set forth in Section 945.5. No further showing of causation or damages is required to meet the burden of proof regarding a violation of a standard set forth in Chapter 2 (commencing with Section 896), provided that the violation arises out of, pertains to, or is related to, the original construction.

§ 943: (a) Except as provided in this title no other cause of action for a claim covered by this title or for damages recoverable under Section 944 is allowed. In addition to the rights under this title, this title does not apply to any action by a claimant to enforce a contract or express contractual provision, or any action for fraud, personal injury, or violation of a statute. Damages awarded for the items set forth in Section 944 in such other cause of action shall be reduced by the amounts recovered pursuant to Section 944 for violation of the standards set forth in this title.

(b) As to any claims involving a detached single-family home, the homeowner's right to the reasonable value of repairing any nonconformity is limited to the repair costs, or the diminution in current value of the home caused by the nonconformity, whichever is less, subject to the personal use exception as developed under common law.

§ 944. If a claim for damages is made under this title, the homeowner is only entitled to damages for the reasonable value of repairing any violation of the standards set forth in this title, the reasonable cost of repairing any damages caused by the repair efforts, the reasonable cost of repairing and rectifying any damages resulting from the failure of the home to meet the standards, the reasonable cost of removing and replacing any improper repair by the builder, reasonable relocation and storage expenses, lost business income if the home was used as a principal place of a business licensed to be operated from the home, reasonable investigative costs for each established violation, and all other costs or fees recoverable by contract or statute.

§ 945. The provisions, standards, rights, and obligations set forth in this title are binding upon all original purchasers and their successors-in-interest. For purposes of this title, associations and others having the rights set forth in Section 383 of the Code of Civil Procedure shall be considered to be original purchasers and shall have standing to enforce the provisions, standards, rights, and obligations set forth in this title.

§ 945.5. A builder, general contract, subcontractor, material supplier, individual product manufacturer, or design professional, under the principles of comparative fault pertaining to affirmative defenses, may be excused, in whole or in part, from any obligation, damage, loss, or liability if the builder, general contractor, subcontractor, material supplier, individual product manufacturer, or design professional, can demonstrate any of the following affirmative defenses in response to a claimed violation:

(a) To the extent it is caused by an unforeseen act of nature which caused the structure not to meet the standard. For purposes of this section an "unforeseen act of nature" means a weather condition, earthquake, or manmade event such as war, terrorism, or vandalism, in excess of the design criteria expressed by the applicable building codes, regulations, and ordinances in effect at the time of original construction.

(b) To the extent it is caused by a homeowner's unreasonable failure to minimize or prevent those damages in a timely manner, including the failure of the homeowner to allow reasonable and timely access for inspections and repairs under this title. This includes the failure to give timely notice to the builder after discovery of a violation, but does not include damages due to the untimely or inadequate response of a builder to the homeowner's claim.

(c) To the extent it is caused by the homeowner or his or her agent, employee, general contractor, subcontractor, independent contractor, or consultant by virtue of their failure to follow the builder's or manufacturer's recommendations, or commonly accepted homeowner maintenance obligations. In order to rely upon this defense as it relates to a builder's recommended maintenance schedule, the builder shall show that the homeowner had written notice of these schedules and recommendations and that the recommendations and schedules were reasonable at the time they were issued.

(d) To the extent it is caused by the homeowner or his or her agent's or an independent third party's alterations, ordinary wear and tear, misuse, abuse, or neglect, or by the structure's use for something other than its intended purpose.

(e) To the extent that the time period for filing actions bars the claimed violation.

(f) As to a particular violation for which the builder has obtained a valid release.

(g) To the extent that the builder's repair was successful in correcting the particular violation of the applicable standard.

(h) As to any causes of action to which this statute does not apply, all applicable affirmative defenses are preserved.

Property Address: TR Westlake Villas (Subdivision No. P01-053), LOT 1 / 201
4800 WESTLAKE PKWY #2202, SACRAMENTO, CA 95835

NEW HOME PROPERTY DISCLOSURE REPORT

PDR

INFORMATION PAGE

PDR is a registered trademark.

THE COMPANY



PROPERTY
DISCLOSURE
SERVICES, INC.



A Member of The First American Family of Companies since 1997

1590 N. Batavia Street, Suite #1 Orange, CA 92865

PROPERTY IDENTIFICATION & PDR DATE

PLEASE VERIFY THAT THE PROPERTY INFORMATION BELOW IS CORRECT.

Property Address: TR Westlake Villas (Subdivision No. P01-053), LOT 1 / 201
4800 WESTLAKE PKWY #2202, SACRAMENTO, CA 95835

Property Assessor's Parcel Number:

PDR Date: Wednesday, December 08, 2004

ADDRESSEE

FIRST AMERICAN TITLE

ATTN: NANCY MILLER

2200-A DOUGLAS BLVD. #275
ROSEVILLE, CA 95661

MEER CAPITAL

ATTN: RON MEER

4100 NEWPORT PLACE
NEWPORT, CA 92660

NOTICE

The Company is pleased to provide Recipient with this New Home Property Disclosure Report ("PDR") for the Property identified above. Please note that this PDR is a contract subject to the Terms, Conditions, and Limitations on Liability set forth herein which should be reviewed carefully.

The information contained in this PDR is derived as of the PDR Date from certain specified Public Records within the control of the governmental entities described in Schedule A ("Natural Hazard Disclosure Summary") and Schedule B ("Summary of Additional Disclosures"). The information set forth in Schedule A (a) relates to the natural hazard zones specified in California Civil Code §1103.2, and (b) is provided by the Company in accordance with the requirements of Civil Code §1103.4(c). The information set forth in Schedule B is provided by the Company to facilitate compliance with those disclosures specified in Schedule B. A prospective purchaser may request a copy of a public report, if applicable, from the owner, subdivider, or agent to ascertain if other portions of a project, development, or common area/interests are located within a specified natural hazard zone/area. Please note this PDR is NOT based upon a physical inspection of the Property.

THE "NATURAL HAZARD DISCLOSURE STATEMENT" FORM REQUIRED BY CALIFORNIA CIVIL CODE §1103.2(a) ("THE LAW") HAS BEEN COMPLETED AS OF THE PDR DATE IN ACCORDANCE WITH THE TERMS OF THIS PDR AND IS PROVIDED WITH THIS PDR AS AN ACCOMMODATION ONLY AND IS NOT PART OF THE PDR. PLEASE NOTE THAT THE LAW REQUIRES THAT THE STATUTORY FORM BE COMPLETED, EXECUTED, AND DELIVERED BY THE SELLER AND RESPECTIVE REAL ESTATE AGENTS TO THE BUYER. IN ADDITION TO THESE STATUTORY NATURAL HAZARD DISCLOSURES, CERTAIN OTHER INFORMATION IS ALSO PROVIDED IN THIS PDR FOR THE BENEFIT OF THE RECIPIENTS.

*If you have any questions or comments regarding this PDR,
please contact the Company's Customer Service Department at (800) 200-2561.*

THIS PDR IS A CONTRACT. PLEASE READ IT CAREFULLY.

THIS PDR IS A REPORT PRODUCT AND IS NOT AN INSURANCE POLICY.

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SCHEDULE A
NATURAL HAZARD DISCLOSURE SUMMARY

SPECIAL FLOOD HAZARD AREA

Is any portion of the Property located within a Special Flood Hazard Area ("SFHA") according to the Public Record specified below as of the PDR Date?

Yes _____ No X Do not know / information not available from local jurisdiction _____

PUBLIC RECORD: Official Flood Insurance Rate Maps ("FIRM") compiled and issued by FEMA pursuant to 42 United States Code §4001, et seq.

Note: If the Property is subject to either a Letter of Map Amendment ("LOMA") or Letter of Map Revision ("LOMR") issued by the Federal Emergency Management Agency ("FEMA"), a copy of the LOMA or the LOMR must be attached to the Natural Hazard Disclosure Statement ("NHDS") or appropriate disclosure statement. The Company is not always able to determine if the Property is subject to a LOMA or a LOMR. Even if such information is available to the Company, the Company is unable to attach a copy of the LOMA or LOMR to the NHDS. If Seller is aware that the Property is subject to a LOMR or a LOMA, the Seller shall attach a copy to the NHDS and notify the Company.

AREA OF POTENTIAL FLOODING

Is any portion of the Property located within an Area of Potential Flooding according to the Public Record specified below as of the PDR Date?

Yes X No _____ Do not know / information not available from local jurisdiction _____

PUBLIC RECORD: Official dam inundation maps issued by the California Office of Emergency Services ("OES") pursuant to California Government Code §8589.5.

VERY HIGH FIRE HAZARD SEVERITY ZONE

Is any portion of the Property located within a Very High Fire Hazard Severity Zone according to the Public Record specified below as of the PDR Date?

Yes _____ No X

PUBLIC RECORD: Official maps issued by the California Department of Forestry and Fire Protection pursuant to California Government Code §51178.

WILDLAND – STATE RESPONSIBILITY AREA

Is any portion of the Property located within a Wildland – State Responsibility Area according to the Public Record specified below as of the PDR Date?

Yes _____ No X

PUBLIC RECORD: Official maps issued by the California Department of Forestry and Fire Protection pursuant to California Public Resources Code §4125.

EARTHQUAKE FAULT ZONE

Is any portion of the Property located within an Earthquake Fault Zone according to the Public Record specified below as of the PDR Date?

Yes _____ No X

PUBLIC RECORD: Official earthquake fault zone or special study zone maps approved by the State Geologist and issued by the California Department of Conservation, California Geological Survey pursuant to California Public Resources Code §2622.

SEISMIC HAZARD ZONE

Is any portion of the Property located within a Seismic Hazard Zone (Area of Potential Liquefaction) according to the Public Record specified below as of the PDR Date?

Yes _____ No _____ Maps not yet released by state X

Is any portion of the Property located within a Seismic Hazard Zone (Area of Potential Landslide) according to the Public Record specified below as of the PDR Date?

Yes _____ No _____ Maps not yet released by state X

PUBLIC RECORD: Official seismic hazard zone maps approved by the State Geologist and issued by the California Department of Conservation, California Geological Survey pursuant to California Public Resources Code §2696.

SCHEDULE B - SUMMARY OF ADDITIONAL DISCLOSURES

Schedule B-1: State of California - Airport Influence Area (CA CIVIL Code §§1102.16-1108.7, R-1355)

As of the PDR Date, is any portion of the Property located within one or more Airport Influence Area(s) ("AIA") according to the Public Record specified below?

Yes _____ No X

PUBLIC RECORD: Official land use maps and/or digital data made available to the Company by governing Airport Land Use Commission ("ALUC") or other designated body.

SCHEDULE B-3 DEFINITIONS AND REPORTING STANDARDS

This Schedule uses the following definitions in addition to those specified in Section 1 of the "Terms, Conditions and Limitations on Liability":

TERM	DEFINITION
Airport Influence Area ("AIA")	The area in which current or future airport-related noise, overflight, safety, or airspace protection factors may significantly affect land uses or necessitate restrictions on those uses determined by an airport land use commission. Also known as "Airport Referral Area." (California Business & Professions Code §11010). In most cases, this boundary is designated by an ALUC as the <i>planning area boundary</i> of the airport (California Airport Land Use Planning Handbook, January 2002). NOTE: An AIA is mapped as a <i>polygon</i> as represented in size, shape, and position in the Public Record.

This Schedule uses the following Reporting Standards in addition to those specified in Section 6 of the "Terms, Conditions and Limitations on Liability." The following information is **NOT** disclosed in this Schedule:

- o AIAs for airports located outside California.
- o AIAs for public use airports not identified in the Public Record.
- o AIAs for private airports or military air facilities unless specifically identified in the Public Record.

IMPORTANT NOTE: Airports located in a small number of communities in which the governing ALUC or other designated body has not delineated an AIA boundary in a publicly available map are not a part of the Public Record. Property owners in such communities should contact their ALUC or designated body for more information on statutory compliance.

STATUTORY DISCLOSURE REQUIREMENTS

Effective 1 January 2004 transferors of residential real property and their agents may use a report or opinion prepared by an expert as set forth in California Civil Code §1103.4 to disclose if a property is located within an Airport Influence Area according to the Public Record. If a Property is located within such an Airport Influence Area, the report or opinion shall contain statutory "Notice of Airport in Vicinity." In addition, California Civil Code §1102.17 requires the seller of residential real property who has "actual knowledge" that the property "is affected by or zoned to allow an industrial use described in §731a of the Code of Civil Procedure" to give written notice of that knowledge as soon as practicable before transfer of title. California Code of Civil Procedure §731(a) states:

"Whenever any city, city and county, or county shall have established zones or districts under authority of law wherein certain manufacturing or commercial or airport uses are expressly permitted, except in an action to abate a public nuisance brought in the name of the people of the State of California, no person or persons, firm or corporation shall be enjoined or restrained by the injunctive process from the reasonable and necessary operation in any such industrial or commercial zone or airport of any use expressly permitted therein, nor shall such use be deemed a nuisance without evidence of the employment of unnecessary and injurious methods of operation. Nothing in this act shall be deemed to apply to the regulation and working hours of canneries, fertilizing plants, refineries and other similar establishments whose operation produce offensive odors."

FOR MORE INFORMATION

For more information regarding a particular Airport Influence Area, please contact the Airport Land Use Commission or designated body in your community

INFORMATION ON NATURAL HAZARD DISCLOSURE

The following information is a summary of the most basic aspects of natural hazard disclosure requirements as set forth by the Residential Natural Hazard Disclosure Law. Please note that a property owner and his/her agent may still be subject to additional disclosures required by other State laws or county, city, or local ordinances.

Residential Natural Hazard Disclosure Law

The Residential Natural Hazard Disclosure Law (California Civil Code §1103 *et seq.*) requires the location of residential real property (defined as property containing 1-4 family dwelling units) in relation to six (6) natural hazard zones/areas be disclosed to a "transferee" of such property. A "transferee" is anyone acquiring an interest in residential real property whether by sale, exchange, installment land contract, lease with option to purchase, option to purchase, or ground lease coupled with the improvements. Certain specific types of transactions set forth in Civil Code §1103.1 are exempt, such as transfers ordered by a probate court, etc. Other than the excluded transactions, the specified disclosures are mandatory and can not be waived. Any such waiver is void as against public policy. The disclosures are to be made on the statutory form which is to be executed by the parties and agents.

The Residential Natural Hazard Disclosure Law states that the required disclosures under this particular statute do not limit or abridge any obligation for disclosure created by any other provision of law or that may exist in order to avoid fraud, misrepresentation, or deceit in the transfer transaction and shall not change the duty of a real estate broker or salesperson pursuant to Civil Code §2079.

Neither the transferor nor his/her agent is responsible for any error, inaccuracy, or omission of any information delivered pursuant to the law provided that such error, inaccuracy, or omission was not within their personal knowledge and was based on a report prepared by a licensed engineer, land surveyor, geologist, or expert in natural hazard discovery dealing with matters within the scope of the professional's license or expertise. In the event that the information provided becomes inaccurate due to changes caused by governmental action, map revisions, changed information, or other act of occurrence, the inaccuracy is not a violation of the Residential Natural Hazard Disclosure Law unless the transferor or agent has actual knowledge that the information has become inaccurate.

Any person who fails to perform any duty prescribed by any provision of the Residential Natural Hazard Disclosure Law shall be liable in the amount of actual damages suffered by the transferee.

The Six Natural Hazard Zones/Areas

California's Residential Natural Hazard Disclosure Law requires the transferor (if acting alone) or the transferor's agent to disclose to a prospective transferee if any portion of residential real property is located within any one of six designated natural hazard zones according to maps issued by the appropriate governmental agency:

NATURAL HAZARD	⇒	Code Section (§) Defining the Zone/Area
1. SPECIAL FLOOD HAZARD AREA	⇒	California Government Code §8589.3
2. AREA OF POTENTIAL FLOODING	⇒	California Government Code §8589.4/5
3. VERY HIGH FIRE HAZARD SEVERITY ZONE	⇒	California Government Code §51178
4. WILDLAND-STATE RESPONSIBILITY AREA	⇒	California Public Resources Code §4125
5. EARTHQUAKE FAULT ZONE	⇒	California Public Resources Code §2622
6. SEISMIC HAZARD ZONE	⇒	California Public Resources Code §2696

For more detailed information regarding these zones/areas, please see the section below entitled "The Six Natural Hazard Areas/Zones."

Statutory Disclosure Form(s)

The Residential Natural Hazard Disclosure Law specifies the required disclosures are to be made pursuant to a specific form set forth in Civil Code §1103.2(a). This form is commonly referred to the "Natural Hazard Disclosure Statement." This form is to be completed and executed by the property transferor, the transferee, and their respective agents. Another statutory form, "Local Option Real Estate Transfer Disclosure Statement," should be completed and executed by the same parties with respect to certain disclosures if and when mandated by local ordinance.

For more information, copies of applicable statutes may be obtained at your local law library or on the Internet at <http://www.leginfo.ca.gov/calaw.html>.

THE SIX NATURAL HAZARD AREAS/ZONES

Special Flood Hazard Area (California Government Code §8589.4, 42 U.S.C. §4001 *et seq.*)

Federal law requires the Federal Emergency Management Agency ("FEMA") to compile Flood Insurance Rate Maps ("FIRM") identifying areas of potential flooding from natural sources. Property located within a special flood hazard area ("SFHA"), designated as any Zone "A" or "V" on such maps, is subject to a one percent (1%) or greater chance of complete or partial flooding in any given year. FEMA defines this type of flood as the "base flood" which is more commonly known as a "100 year flood." A 100 year flood has a 26% chance of occurring during any 30 year period.

- Civil Code §1103.2(c) states that a transferor or transferor's agent MAY mark "No" on the SFHA component of the NHDS if FEMA has issued a Letter of Map Amendment ("LOMA") confirming that the property is no longer within a SFHA, even if the FIRM has not yet been updated. Seller must attach a copy of the LOMA to the NHDS.
- Civil Code §1103.2(d) states that a transferor or transferor's agent MUST mark "Yes" on the SFHA component of the NHDS if FEMA has issued a Letter of Map Revision ("LOMR") confirming that the property is within a SFHA and the location of the LOMR has been posted by appropriate local agencies, even if the FIRM has not yet been updated. Seller must attach a copy of the LOMR to the NHDS.
- Federal law (42 United States Code 4001 *et seq.*) requires lienholders of structures determined to be within a SFHA have adequate flood insurance coverage in place from either (1) the National Flood Insurance Program ("NFIP") which is administered by the Federal Insurance Administration ("FIA"), or (2) any licensed property/casualty insurance agent or any private insurance company that are writing flood insurance agreements with the FIA. In communities that participate in the NFIP, federally insured or regulated lenders require flood insurance for mortgages and other loans secured by structures located in a SFHA.
- A parcel of property located outside a SFHA may still be subject to severe flooding. FEMA reports that 20% to 25% of all flood insurance claims come from owners of property located outside of a SFHA.
- In both NFIP and non-participating communities, a lender has the discretion to require the purchase of flood insurance even if a property is not located within a SFHA.
- For ways to protect a house from flooding, refer to FEMA Publication 312, "Homeowner's Guide to Retrofitting."

For more information, please contact FEMA or visit their official website at www.fema.gov

Area of Potential Flooding (California Government Code §8589.4/5)

Local governmental agencies, utilities, and owners of a designated dam are required to prepare and submit inundation maps for review and approval by the California Office of Emergency Services ("OES"). These maps show areas of potential flooding in the event of sudden or total failure of any dam, failure of which would result in death or personal injury; however, these maps do not identify areas of potential flooding resulting from storms and other causes. The OES is required to review and approve maps that have been prepared and submitted to ensure that the maps meet all requirements before providing approved copies to appropriate public safety agencies of any local jurisdiction likely to be affected so that emergency procedures can be adopted for the evacuation and control of populated areas.

- OES has yet to review and submit approved maps for numerous dams to local authorities.
- Dam inundation maps depict a best estimate of water flow in the event of dam failure. Projected water flow is based on a scenario in which a full reservoir completely empties itself and does not account for run-off from other sources. These maps, most of which were created in the 1970's, do not employ newer assumptions and map-making methods.
- A property located outside an area of potential flooding may still be subject to severe flooding from other causes.

For more information, please contact the OES in Sacramento or visit their official website at www.oes.ca.gov

Very High Fire Hazard Severity Zone (California Government Code §51178)

Designated by the Director of the California Department of Forestry and Fire Protection ("CDFFP"), a Very High Fire Hazard Severity Zone ("VHFHS Zone") is defined as real property not deemed to be a state responsibility pursuant to Public Resources Code §4125 *et seq.* Based on consistent statewide criteria and the severity of the fire hazard expected to prevail, VHFHS Zones are designated by fuel loading, slope, fire weather, and other factors. Designation allows identification and implementation of measures to retard the rate of spread and reduce the potential intensity of uncontrolled fires.

- Government Code §51179 allows a "local agency" (defined as a city, county, city and county, or district responsible for fire protection within a VHFHS Zone), at its discretion, to make changes to the VHFHS Zone boundaries that may not be reflected on maps released by the CDFFP. For more information on this provision, please contact your local agency.
- Any person who owns, leases, controls, operates, or maintains any occupied dwelling or occupied structure in, upon, or adjoining any land that is covered with flammable material and located within a VHFHS Zone has certain statutory duties of property maintenance. Please refer to Government Code §51182 *et seq.* for more information.

For more information, contact your local fire protection agency, the CDFFP, or visit the official CDFFP website at www.fire.ca.gov

Wildland - State Responsibility Area (California Public Resources Code §4125 et seq.)

The State Board of Forestry classifies all lands within the State of California based on factors such as cover, beneficial use of water from watersheds, probable damage from erosion, and fire risks and hazards to determine those areas for which the financial responsibility of fire prevention and suppression is primarily the responsibility of the State. Fire prevention and suppression in all areas which are not within a Wildland - State Responsibility Area ("WSRA") is primarily the responsibility of the local or federal agencies, as applicable.

For property located within a WSRA, a transferor must also disclose that:

1. there may be substantial forest fire risks and hazards;
2. except for property located within a county which has assumed responsibility for prevention and suppression of all fires (California Public Resources Code §4129), it is NOT the state's responsibility to provide fire protection services to any building or structure located within wildlands unless the Department has entered into a cooperative agreement with a local agency (California Public Resources Code §4142); and
3. the property owner is subject to the imposition of fire mitigation measures which may substantially impact and limit construction and remodeling of improvements and landscaping (California Public Resources Code §4291).

WSRAs include lands which are:

- covered wholly or in part by forests or by trees producing or capable of producing forest products.
- covered wholly or in part by timber, brush, undergrowth, or grass, whether of commercial value or not, which protect the soil from excessive erosion, retard runoff of water or accelerate water percolation, if such lands are sources of water which is available for irrigation or for domestic or industrial use.
- in areas principally used or useful for range or forage purposes and are contiguous to the lands described above.

WSRAs do not include lands which are:

- owned or controlled by the federal government or any agency of the federal government.
- within the exterior boundaries of any city, except a city and county with a population of less than 25,000 if, at the time the city and county government is established, the county contains no municipal corporations.
- located within the State but do not come within any of the classes specifically described as being included.

For more information, contact your local fire protection agency, contact the CDFFP, or visit the official CDFFP website at www.fire.ca.gov

Earthquake Fault Zone (California Public Resources Code §2622)

The Alquist-Priolo Special Studies Zones Act of 1972, renamed the "Alquist-Priolo Earthquake Fault Zoning Act" in 1994 ("A-P Act"), regulates development and construction of buildings intended for human occupancy so as to mitigate hazards associated with surface fault rupture and/or fault creep. State law requires the disclosure of only active faults known to date and delineated on Earthquake Fault Zone ("EF Zone") (also known as "Special Study Zone") maps approved by the State Geologist. "Active" faults are classified by the State Mining and Geology Board as those having surface displacement within about the last 11,000 years. EF Zones vary in size, but average one-quarter mile in width (*i.e.*, the "typical" zone boundaries are set back approximately 660 feet on either side of the fault trace).

- California Public Resources Code §2624 allows cities and counties to establish policies and criteria stricter than those set by the State respecting, but not limited to, permitting, development, and mapping of EF Zones.
- A property that lies partially or entirely within a designated EF Zone may be subject to requirements for site-specific geologic studies and mitigation before any new or additional construction may take place. If an active fault is found on a property, structures generally will not be allowed to be constructed within 50 feet of the fault trace.
- Information on EF Zone maps is not a sufficient substitute for geologic and geotechnical site investigations.
- The A-P Act applies to new or renewed construction and development projects, including all divisions of land as well as most structures intended for human occupancy. Certain types of structures and developments are excluded, and exemptions may be granted, but such an exclusion or exemption does not excuse or limit disclosure obligations.

For more information, contact the California Department of Conservation, California Geological Survey in Sacramento, San Francisco, or Los Angeles, or visit their official website at www.consrv.ca.gov

Seismic Hazard Zone (California Public Resources Code §2696)

The Seismic Hazards Mapping Act ("SHM Act") requires the State Geologist to map areas subject to seismic hazards such as strong ground shaking, liquefaction, landslides, or other ground failure or other seismic hazards caused by earthquakes. The location and severity of seismic hazards resulting from earthquakes are based on technical evidence subject to debate among specialists. An earthquake capable of causing liquefaction or triggering a landslide may not uniformly affect all areas within a Seismic Hazard Zone ("SH Zone").

- California Public Resources Code §2698 allows cities and counties to establish policies and criteria stricter than those set by the State respecting, but not limited to, permitting, development, and mapping of SH Zones.
- A property that lies partially or entirely within a designated SH Zone may be subject to requirements for site-specific geologic studies and mitigation before any new or additional construction may take place.

Property Address: TR Westlake Villas (Subdivision No. P01-053), LOT 1 / 201
4800 WESTLAKE PKWY #2202, SACRAMENTO, CA 95835

- Information on SH Zone maps is not a sufficient substitute for geologic and geotechnical site investigations.
- Although property within a SH Zone should not be automatically excluded from development, a SH Zone is an area where the potential for damage from seismic hazards is great enough to make it prudent to conduct geologic investigations to identify and mitigate hazards prior to development.

For more information, contact the California Department of Conservation, California Geological Survey in Sacramento, San Francisco, or Los Angeles, or visit their official website at www.consrv.ca.gov

TERMS, CONDITIONS, AND LIMITATIONS ON LIABILITY

SECTION 1. Definition of Terms

TERM	DEFINITION
Buyer	The party acquiring the interest in the Property directly from the Seller as a result of the Transaction ("Original Buyer"). The term "Buyer" shall also be deemed to include, as applicable, (a) anyone who receives the Property as a result of the death of the Original Buyer by operation of law, and (b) the trustee or successor trustee of a trust in which the Original Buyer is the trustor/settlor to whom the Property is transferred by the Original Buyer after the Effective Date.
Company	The Company as specified (with its address) on the Information Page of this PDR.
Damages Limit	The limitation on liability under this PDR as defined in Section 7 ("Limitation on Damages") below.
Effective Date	The date on which the Transaction is consummated.
Information Page	The first page of this PDR which (a) identifies the Company; the PDR Date; and the Property; and (b) contains the name and address of who received this PDR.
PDR	This Property Disclosure Report ("PDR") which consists of (a) Information Page, (b) Schedule A ("Natural Hazard Disclosure Summary"), (c) Schedule B ("Summary of Additional Disclosures"), (d) "Information on Natural Hazard Disclosures," and (e) these "Terms, Conditions, and Limitations on Liability."
PDR Date	The date specified on the Information Page as of which the information in the PDR Summaries was obtained from the Public Records.
PDR Summaries	Schedule A ("Natural Hazard Disclosure Summary") and Schedule B ("Summary of Additional Disclosures"), both of which contain information about the specified Risk Elements for the Property as disclosed by the Public Records as of the PDR Date in compliance with the Reporting Standards.
Property	The real property identified on the Information Page provided either (i) a residential structure consisting of not more than four dwelling units is located on such real property, or (ii) the real property is zoned as of the PDR Date for residential use for not more than four dwelling units. The term "Property" does not include any interests beyond the lines described or referred to on the Information Page, nor any right, title, interest, estate or easement in abutting streets, alleys, or other rights of way, or water, watercourses, or waterways. The term "Property" may consist of more than one legal parcel if (1) each individual parcel is assigned an assessor's parcel number that is identified on the Information Page or on an addendum to this PDR; (2) parcels are contiguous; and (3) parcels are transferred between the same Buyer and same Seller in the same Transaction.
Public Record(s)	The records, data, or maps specified by the applicable governmental agency and which are publicly available as of the PDR Date and specified in the PDR Summaries.
Recipient	The Seller, Buyer, and each of their respective licensed real estate agents and brokers involved in the Transaction. This term does not include any third party.
Reporting Standards	The standards set forth in Section 6 below which are used for the reporting of the Risk Elements for the Property.
Residential Natural Hazard Disclosure Law	California Civil Code §1103 <i>et seq.</i>
Risk Element	Each specified risk element disclosed by the Public Records identified in the PDR Summaries which was reported in accordance with the Reporting Standards.
Seller	The owner of the Property interest involved in the Transaction on the PDR Date.
Transaction	The transaction between the Seller and the Buyer whereby on the Effective Date the Buyer acquires an interest in the Property as a result of the sale, exchange, installment land contract, lease with option to purchase, option to purchase, or ground lease coupled with the improvements.

SECTION 2. PDR Assurances and When the PDR is Effective

As of the PDR Date, this PDR accurately discloses the Risk Elements in the PDR Summaries for the Property in compliance with the Reporting Standards. This PDR shall be effective as of the Effective Date provided that (1) the fee for this PDR has been paid to the Company within thirty (30) days of the close of escrow, and (2) the Transaction was consummated. RECIPIENT IS ADVISED TO CONTACT THE COMPANY PRIOR TO THE CLOSE OF ESCROW TO VERIFY THE CURRENCY OF THIS PDR.

"TERMS, CONDITIONS, AND LIMITATIONS ON LIABILITY" CONTINUE ON NEXT PAGE.

SECTION 3: This PDR is NOT an Insurance Policy.

This PDR is NOT AN INSURANCE POLICY. THIS PDR IS NOT A SUBSTITUTE FOR THE BUYER OBTAINING PROPERTY & CASUALTY INSURANCE POLICIES which will provide coverage against losses incurred as a result of earthquakes, fires, flooding, environmental hazards, or any other kind of risks associated with the Property. If Recipient wishes to obtain insurance for physical risks to the Property, various forms of coverage are available from private and public sources, such as fire or environmental insurance through private insurance carriers, flood insurance through the National Flood Insurance Program, and earthquake insurance through the California Earthquake Authority.

SECTION 4: No Third-Party Reliance

This PDR may be relied upon only by the Recipient within the limitations specified herein. This PDR may not be relied upon by any person or entity other than Recipient without the express written consent of the Company. Recipient shall not take any action that may induce a third party to rely on the information in this PDR.

SECTION 5: Other Information Within the Knowledge of the Company.

The Recipient recognizes that while it is possible the Company may have knowledge of other facts concerning the Property, the Company is under no duty or responsibility to disclose such information to the Recipient.

SECTION 6: PDR REPORTING STANDARDS

6.1 This PDR is a Public Records Disclosure Report ONLY.

This PDR is a Public Records disclosure report designed to assist the Seller of the Property and the Sellers' agent to comply with those disclosure requirements as specified in the Residential Natural Hazard Disclosure Law and other specified laws. This PDR (a) may not satisfy disclosure obligations under other laws applicable to the transfer of the Property, and (b) does not disclose the specific or actual condition or character of the Property.

6.2 This PDR is NOT Based Upon an Inspection of the Property.

This PDR is NOT based upon an inspection of the Property and should not be used as a substitute for (1) appropriate inspection(s) conducted by a qualified professional, (2) geologic, geotechnical, or other reports required by governmental agencies, or (3) any other inspections or reports required by applicable laws in connection with the transfer of residential real property.

6.3 Maps Are NOT a Part of this PDR.

Maps that may be attached to this PDR are provided as an accommodation only and are NOT a part of this PDR. The locations of zones, areas, districts, the Property, and other information depicted on any maps, are APPROXIMATIONS ONLY. Recipient should rely only upon the reporting of the Risk Elements for the Property as set forth in the PDR Summaries.

6.4 Public Records Used as the Basis for this PDR and Disclosure as to the Property.

This PDR was prepared based upon a review of ONLY those Public Records specifically cited in the PDR Summaries. The Company makes no representation or warranty regarding the accuracy, completeness, validity, reliability, integrity, or accessibility of any Public Records used to prepare this PDR, nor does the Company assume any responsibility for any other information provided or not provided by the Seller, third parties or the Public Records.

6.5 The Public Records MAY Change After the PDR Date.

From time to time the Public Records released and made publicly available by appropriate authorities are modified and, therefore, information regarding the location of the Property with respect to the Risk Element may change. **The Company has no obligation to advise Recipient(s) of a change in the Public Records or to update the information in this PDR after the PDR Date.** The Residential Natural Hazard Disclosure Law states that a transferor or transferor's agent acting in compliance with California Civil Code §1103.2 is not required to notify to a transferee if the information provided subsequently becomes inaccurate as a result of governmental action, map revision, changed information, or other act of occurrence, unless the transferor or agent has actual knowledge of the inaccuracy.

6.6 NATURAL HAZARD DISCLOSURES

A. "Property-Specific" versus "Structure-Specific" Reporting Standard.

California's Residential Natural Hazard Disclosure Law is "property-specific." Therefore, if any portion of the Property is located within a specified natural hazard zone/area, then the entire Property is regarded as being located in that zone/area. This is different from the "structure-specific" standard for flood zone determinations under the National Flood Insurance Program which only identifies if the structure or mobile home on the Property is located within a special flood hazard area.

B. Reporting of Risk Elements for Condominium Projects, Planned Unit Developments, and Other Properties with Common or Undivided Interests.

Because California's Residential Natural Hazard Disclosure Law requires disclosure if any portion of the Property is located within a specified natural hazard area/zone, "Yes" must be marked on the natural hazard disclosure statement if any portion of such a condominium project, planned unit development, or common area is located within a specified hazard area/zone, even if the primary lot comprising the Property is not directly affected by or located within the same hazard area/zone.

"TERMS, CONDITIONS, AND LIMITATIONS ON LIABILITY" CONTINUE ON NEXT PAGE.

C. Reporting of Risk Elements for Multiple Parcel Transactions

A PDR may be issued for a Property with multiple legal parcels so long as all parcels (1) are assigned a valid assessor's parcel number that is identified on the Information Page or on an addendum to this PDR; (2) are contiguous; and (3) are transferred between the same Buyer and same Seller in the same Transaction. Therefore, if one or more of said parcels constituting the Property is located within a specified Risk Element, then all parcels identified shall be considered to be affected by this Risk Element.

D. Location of a Property Relative to a Specified Natural Hazard Zone

The fact that the Property is located outside of a natural hazard area/zone according to the Public Records does not necessarily mean that the Property may not be subject to the effects of that natural hazard. Regardless of the Property's location with respect to a given natural hazard area/zone, the potential risk associated with such a natural hazard should be assessed and appropriate measures should be considered to minimize the impact of that natural hazard on the Property.

E. Reasonableness Standard

If the Public Record for a Risk Element is not of sufficient accuracy or scale that a reasonable person can determine if the Property is within the Risk Element area or zone, "yes" will be marked for that Risk Element in the PDR Summaries.

F. Specific Reporting Practices regarding the Risk Element Information

A. Special Flood Hazard Area (California Government Code §8589.3)

Federal law established the Federal Emergency Management Agency ("FEMA") to compile Flood Insurance Rate Maps ("FIRM") identifying areas of potential flooding from natural sources. FIRMs specify certain "zones" and are commonly used to determine requirements for flood insurance. Any type of zone "A" or "V" is classified by FEMA as a special flood hazard area ("SFHA"). Federal law mandates flood insurance if any part of the structure is located within a SFHA. However, the Residential Natural Hazard Disclosure Law mandates disclosure if any portion of the residential property is located within a SFHA. **Therefore, even though a property may not be deemed to be located within a SFHA for federal flood insurance purposes, it may be within a SFHA for disclosure purposes under the Residential Natural Hazard Disclosure Law.**

If the Property has been (a) excluded from the applicable FIRM due to a Letter of Map Revision ("LOMR"); or (b) included in the applicable FIRM due to a Letter of Map Amendment ("LOMA"), and the LOMR or LOMA has been provided to the Company, then this PDR will indicate the appropriate answer on Schedule A ("Natural Hazard Disclosure Summary").

Please note: The Company does **not** attach the LOMR or the LOMA to the statutory form. A copy of the LOMR or LOMA must be attached to the statutory disclosure form by the Seller or the Buyer must request that it be provided by the Seller.

B. Area of Potential Flooding (California Government Code §8589.5)

The California Office of Emergency Services ("OES") provides the official maps with respect to areas of potential flooding under California Government Code §8589.4 but has yet to review and submit approved maps for numerous dams. Please note: (1) although dams may exist, if maps regarding a specific dam are not a part of the OES information, then this PDR may not reference all dams within an area of potential inundation for the Property; (2) if a map in the OES records shows areas of potential flooding, whether or not the map has been formally marked "approved" by the OES, the area is reported in this PDR as being within a potential flood area; and (3) although federal dams are not subject to state laws, the federal authorities have voluntarily provided maps or information for some dams and to the extent such information is part of the OES official records, the information on those dams is reported in this PDR.

C. Earthquake Fault Zone (California Public Resources Code §2622)

California's Residential Natural Hazard Disclosure Law requires the disclosure of only those faults known to date that are classified as "active" by the State Geologist and delineated on Earthquake Fault Zone or Special Study Zone maps issued by the California Department of Conservation, California Geological Survey ("CGS"). However, such maps have only been created and approved for a portion of California. Therefore, if there is no official map for the area of the Property, the Earthquake Fault Zone element of the Schedule A ("Natural Hazard Disclosure Summary") will be marked "No."

D. Seismic Hazard Zone (California Public Resources Code §2696)

California's Residential Natural Hazard Disclosure Law also requires the disclosure of seismic hazard zones identified on official seismic hazard zone maps issued by the California Department of Conservation, California Geological Survey ("CGS") as compiled by the State Geologist in compliance with California Public Resources Code §2696. These maps identify areas of potential liquefaction and areas of potential earthquake-induced landslides. Please note: (1) because official seismic hazard zone maps are currently available only for selected portions of the Bay Area and Southern California, "Maps Not Available" will be marked in the Seismic Hazard Zone Risk Element of the PDR Summary if the Property is located in an area for which there is no official map; (2) currently available official maps that include coastal communities do not identify potential areas of tsunami or seiche; and (3) CGS advises that "seismic hazard zones identified on these maps may include developed land where delineated hazards have already been mitigated to city or county standards. Check with your local building/planning department for information regarding the location of such mitigated areas."

"TERMS, CONDITIONS, AND LIMITATIONS ON LIABILITY" CONTINUE ON NEXT PAGE.

6.7 Additional Disclosures

Any additional disclosures contained in the Schedule B are subject to the Reporting Standards set forth in Schedule B with that specific disclosure.

SECTION 7: Limitation on Damages - PLEASE READ CAREFULLY

Recipient recognizes that the fee charged for this PDR is not of a magnitude or in the nature of an insurance premium and does not cover the potential liability associated with any such risks. Therefore, as part of the consideration for this PDR, each Recipient understands and agrees to the following damage limitations ("Damages Limit"):

- (a) the Company's liability to the Recipient shall only be for losses and damages suffered by that Recipient which are a direct result of any material error or omission contained in this PDR and shall be limited to the LESSER OF: (1) actual provable damages measured by diminution in the fair market value or fair rental value of the Property as of the Effective Date suffered by the Recipient as a result of such error, or (2) TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00); **and**
- (b) the Company shall not be liable for indirect, special, consequential, multiple, exemplary, or punitive damages (including but not limited to, personal injury, property damage, etc.) or other type of damage not listed and described in subparagraph (a) of this provision.

The Damages Limit shall apply to any and all claims, actions, or proceedings by Recipient(s) regardless of whether (i) this PDR contains multiple errors or omissions, (ii) the Property identified in this PDR consists of more than one parcel, and/or (iii) there is more than one Recipient. In no event shall the Company be liable for more than the Damages Limit on a cumulative basis for any and all claims made by any or all Recipients under this PDR. **Each Recipient acknowledges that the Company shall have no responsibility or liability to the Recipient for any matters known to the Recipient (including errors in this PDR) and not disclosed to all other Recipients and the Company in writing prior to the Effective Date.** The Company's obligations under this PDR shall not be affected or reduced as to the Recipient who has no knowledge of any such information which is not disclosed by another Recipient. The Company shall also not be liable for loss or damages (a) incurred by reason of the delay Recipient to file a claim to the extent that such delay prejudices the right of the Company or increases the amount of damages; and (b) voluntarily assumed by the Recipient in settling any claim or suit without the prior written consent of the Company. The Company shall be subrogated to any and all rights that the Recipient may have against any other person or entity (including any other Recipient) and such Recipient shall be obligated to cooperate with the Company in pursuing such rights.

SECTION 8: No Duty to Defend Recipient

In the event of any omission or inaccuracy in this PDR, the Company shall have NO DUTY TO DEFEND RECIPIENT or pay any costs or expenses incurred by a Recipient in defense of a claim by reason of any omission or inaccuracy in this PDR. Each Recipient acknowledges that Company has no obligation to defend Recipient based upon California Civil Code §2778 or any other law. The Company shall not be responsible or otherwise liable for any attorneys' fees, expenses, and costs incurred in connection with any lawsuit, action, or proceeding based upon this PDR or a Recipient's failure to comply with any state or federal disclosure requirements.

SECTION 9: Claims and Notices to the Company

All claims and notices shall be sent by Recipient as soon as practicable to the Company, Attn.: Legal Department. All claims must be initiated in a timely and efficient manner but, in no event, more than six (6) months after the discovery by the Recipient of the alleged error, claim, breach, or omission. Failure to make such claim within this period constitutes an absolute bar to the institution of any proceeding, claim, or action against the Company.

SECTION 10: Arbitration

Unless prohibited by applicable law, either the Company or the Recipient may require the other party to submit to binding arbitration pursuant to the commercial arbitration rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Recipient arising out of or relating to this PDR or arising from any service of the Company performed in connection with its issuance of this PDR. Arbitration shall be governed by the commercial arbitration rules in effect on the date the demand for arbitration is made and the parties shall be entitled to discovery as permitted by applicable law. Arbitration shall be binding. In no event shall the arbitration award (a) exceed the Damages Limit (defined in Section 7 above), or (b) include attorneys' fees. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. California law shall apply to an arbitration under this PDR. Under no circumstances shall the parties' arbitration rights constitute a waiver of, or diminish in any way, the Damages Limit

END OF "TERMS, CONDITIONS, AND LIMITATIONS ON LIABILITY." END OF PDR.



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DATA BASE DISCLOSURE Regarding Registered Sex Offenders

The following terms and conditions are hereby incorporated in and made a part of the: ☐ Residential Purchase Agreement and Receipt for Deposit, ☐ Residential Lease or Month-to-Month Rental Agreement, ☒ other Westlake Villas Purchase Agreement, dated January 2, 2005, on property known as:

4800 Westlake Parkway #2202, Sacramento CA 95835,

in which Jeffrey E. Suneson, Anna S. Talalayeva is referred to as Buyer/Tenant and Westlake Villas LLC is referred to as Seller/Landlord.

Notice: The California Department of Justice, sheriff's departments, police departments serving jurisdictions of 200,000 or more and many other local law enforcement authorities maintain for public access a data base of the locations of persons required to register pursuant to paragraph (1) of subdivision (a) of Section 290.4 of the Penal Code. The data base is updated on a quarterly basis and a source of information about the presence of these individuals in any neighborhood. The Department of Justice also maintains a Sex Offender Identification Line through which inquiries about individuals may be made. This is a "900" telephone service. Callers must have specific information about individuals they are checking. Information regarding neighborhoods is not available through the "900" telephone service.



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DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIPS

(As required by the Civil Code)
(C.A.R. Form AD, Revised 10/04)

When you enter into a discussion with a real estate agent regarding a real estate transaction, you should from the outset understand what type of agency relationship or representation you wish to have with the agent in the transaction.

SELLER'S AGENT

A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or a subagent of that agent has the following affirmative obligations:

To the Seller:

A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.
- (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties.

An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

BUYER'S AGENT

A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations:

To the Buyer:

A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.
- (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties.

An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

AGENT REPRESENTING BOTH SELLER AND BUYER

A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer.

In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:

- (a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the Seller or the Buyer.
- (b) Other duties to the Seller and the Buyer as stated above in their respective sections.

In representing both Seller and Buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered.

The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

Throughout your real property transaction you may receive more than one disclosure form, depending upon the number of agents assisting in the transaction. The law requires each agent with whom you have more than a casual relationship to present you with this disclosure form. You should read its contents each time it is presented to you, considering the relationship between you and the real estate agent in your specific transaction.

This disclosure form includes the provisions of Sections 2079.13 to 2079.24, inclusive, of the Civil Code set forth on the reverse hereof. Read it carefully.

I/WE ACKNOWLEDGE RECEIPT OF A COPY OF THIS DISCLOSURE AND THE PORTIONS OF THE CIVIL CODE PRINTED ON THE BACK (OR A SEPARATE PAGE).

CIVIL CODE SECTIONS 2079.13 THROUGH 2079.24 (2079.16 APPEARS ON THE FRONT)

2079.13 As used in Sections 2079.14 to 2079.24, inclusive, the following terms have the following meanings:

(a) "Agent" means a person acting under provisions of title 9 (commencing with Section 2295) in a real property transaction, and includes a person who is licensed as a real estate broker under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code, and under whose license a listing is executed or an offer to purchase is obtained. (b) "Associate licensee" means a person who is licensed as a real estate broker or salesperson under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code and who is either licensed under a broker or has entered into a written contract with a broker to act as the broker's agent in connection with acts requiring a real estate license and to function under the broker's supervision in the capacity of an associate licensee. The agent in the real property transaction bears responsibility for his or her associate licensees who perform as agents of the agent. When an associate licensee owes a duty to any principal, or to any buyer or seller who is not a principal, in a real property transaction, that duty is equivalent to the duty owed to that party by the broker for whom the associate licensee functions. (c) "Buyer" means a transferee in a real property transaction, and includes a person who executes an offer to purchase real property from a seller through an agent, or who seeks the services of an agent in more than a casual, transitory, or preliminary manner, with the object of entering into a real property transaction. "Buyer" includes vendee or lessee. (d) "Dual agent" means an agent acting, either directly or through an associate licensee, as agent for both the seller and the buyer in a real property transaction. (e) "Listing agreement" means a contract between an owner of real property and an agent, by which the agent has been authorized to sell the real property or to find or obtain a buyer. (f) "Listing agent" means a person who has obtained a listing of real property to act as an agent for compensation. (g) "Listing price" is the amount expressed in dollars specified in the listing for which the seller is willing to sell the real property through the listing agent. (h) "Offering price" is the amount expressed in dollars specified in an offer to purchase for which the buyer is willing to buy the real property. (i) "Offer to purchase" means a written contract executed by a buyer acting through a selling agent which becomes the contract for the sale of the real property upon acceptance by the seller. (j) "Real property" means any estate specified by subdivision (1) or (2) of Section 761 in property which constitutes or is improved with one to four dwelling units, any leasehold in this type of property exceeding one year's duration, and mobilehomes, when offered for sale or sold through an agent pursuant to the authority contained in Section 10131.6 of the Business and Professions Code. (k) "Real property transaction" means a transaction for the sale of real property in which an agent is employed by one or more of the principals to act in that transaction, and includes a listing or an offer to purchase. (l) "Sell," "sale," or "sold" refers to a transaction for the transfer of real property from the seller to the buyer, and includes exchanges of real property between the seller and buyer, transactions for the creation of a real property sales contract within the meaning of Section 2985, and transactions for the creation of a leasehold exceeding one year's duration. (m) "Seller" means the transferor in a real property transaction, and includes an owner who lists real property with an agent, whether or not a transfer results, or who receives an offer to purchase real property of which he or she is the owner from an agent on behalf of another. "Seller" includes both a vendor and a lessor. (n) "Selling agent" means a listing agent who acts alone, or an agent who acts in cooperation with a listing agent, and who sells or finds and obtains a buyer for the real property, or an agent who locates property for a buyer or who finds a buyer for a property for which no listing exists and presents an offer to purchase to the seller. (o) "Subagent" means a person to whom an agent delegates agency powers as provided in Article 5 (commencing with Section 2349) of Chapter 1 of Title 9. However, "subagent" does not include an associate licensee who is acting under the supervision of an agent in a real property transaction.

2079.14 Listing agents and selling agents shall provide the seller and buyer in a real property transaction with a copy of the disclosure form specified in Section 2079.16, and, except as provided in subdivision (c), shall obtain a signed acknowledgement of receipt from that seller or buyer, except as provided in this section or Section 2079.15, as follows: (a) The listing agent, if any, shall provide the disclosure form to the seller prior to entering into the listing agreement. (b) The selling agent shall provide the disclosure form to the seller as soon as practicable prior to presenting the seller with an offer to purchase, unless the selling agent previously provided the seller with a copy of the disclosure form pursuant to subdivision (a). (c) Where the selling agent does not deal on a face-to-face basis with the seller, the disclosure form prepared by the selling agent may be furnished to the seller (and acknowledgement of receipt obtained for the selling agent from the seller) by the listing agent, or the selling agent may deliver the disclosure form by certified mail addressed to the seller at his or her last known address, in which case no signed acknowledgement of receipt is required. (d) The selling agent shall provide the disclosure form to the buyer as soon as practicable prior to execution of the buyer's offer to purchase, except that if the offer to purchase is not prepared by the selling agent, the selling agent shall present the disclosure form to the buyer not later than the next business day after the selling agent receives the offer to purchase from the buyer.

2079.15 In any circumstance in which the seller or buyer refuses to sign an acknowledgement of receipt pursuant to Section 2079.14, the agent, or an associate licensee acting for an agent, shall set forth, sign, and date a written declaration of the facts of the refusal.

2079.17 (a) As soon as practicable, the selling agent shall disclose to the buyer and seller whether the selling agent is acting in the real property transaction exclusively as the buyer's agent, exclusively as the seller's agent, or as a dual agent representing both the buyer and the seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller, the buyer, and the selling agent prior to or coincident with execution of that contract by the buyer and the seller, respectively. (b) As soon as practicable, the listing agent shall disclose to the seller whether the listing agent is acting in the real property transaction exclusively as the seller's agent, or as a dual agent representing both the buyer and seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller and the listing agent prior to or coincident with the execution of that contract by the seller.

(c) The confirmation required by subdivisions (a) and (b) shall be in the following form.

(DO NOT COMPLETE, SAMPLE ONLY) _____ is the agent of (check one): ☐ the seller exclusively; or ☐ both the buyer and seller.
(Name of Listing Agent)

(DO NOT COMPLETE, SAMPLE ONLY) _____ is the agent of (check one): ☐ the buyer exclusively; or ☐ the seller exclusively; or ☐ both the buyer and seller.
(Name of Selling Agent if not the same as the Listing Agent)

(d) The disclosures and confirmation required by this section shall be in addition to the disclosure required by Section 2079.14.

2079.18 No selling agent in a real property transaction may act as an agent for the buyer only, when the selling agent is also acting as the listing agent in the transaction.

2079.19 The payment of compensation or the obligation to pay compensation to an agent by the seller or buyer is not necessarily determinative of a particular agency relationship between an agent and the seller or buyer. A listing agent and a selling agent may agree to share any compensation or commission paid, or any right to any compensation or commission for which an obligation arises as the result of a real estate transaction, and the terms of any such agreement shall not necessarily be determinative of a particular relationship.

2079.20 Nothing in this article prevents an agent from selecting, as a condition of the agent's employment, a specific form of agency relationship not specifically prohibited by this article if the requirements of Section 2079.14 and Section 2079.17 are complied with.

2079.21 A dual agent shall not disclose to the buyer that the seller is willing to sell the property at a price less than the listing price, without the express written consent of the seller. A dual agent shall not disclose to the seller that the buyer is willing to pay a price greater than the offering price, without the express written consent of the buyer. This section does not alter in any way the duty or responsibility of a dual agent to any principal with respect to confidential information other than price.

2079.22 Nothing in this article precludes a listing agent from also being a selling agent, and the combination of these functions in one agent does not, of itself, make that agent a dual agent.

2079.23 A contract between the principal and agent may be modified or altered to change the agency relationship at any time before the performance of the act which is the object of the agency with the written consent of the parties to the agency relationship.

2079.24 Nothing in this article shall be construed to either diminish the duty of disclosure owed buyers and sellers by agents and their associate licensees, subagents, and employees or to relieve agents and their associate licensees, subagents, and employees from liability for their conduct in connection with acts governed by this article or for any breach of a fiduciary duty or a duty of disclosure

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SMOKE DETECTOR STATEMENT OF COMPLIANCE

As required by California State Health and
Safety Code §13113.8(b)

Property Address: 4800 Westlake Parkway #2202, Sacramento CA 95835

- 1. STATE LAW:** California law requires that every single-family dwelling and factory built housing unit sold on or after January 1, 1986, must have an operable smoke detector, approved and listed by the State Fire Marshal, installed in accordance with the State Fire Marshal's regulations. (Health and Safety Code §13113.8)
- 2. LOCAL REQUIREMENTS:** Some local ordinances impose more stringent smoke detector requirements than does California law. Therefore, it is important to check with local city or county building and safety departments regarding the applicable smoke detector requirements for your property.
- 3. TRANSFEROR'S WRITTEN STATEMENT:** California Health and Safety Code § 13113.8(b) requires every transferor of any real property containing a single-family dwelling, whether the transfer is made by sale, exchange, or real property sales contract (installment sales contract), to deliver to the transferee a written statement indicating that the transferor is in compliance with California state law concerning smoke detectors.
- 4. EXCEPTIONS:** Exceptions to the state law are generally the same as the exceptions to the Transfer Disclosure Laws.
- 5. CERTIFICATION:** Seller represents that the Property, as of the close of escrow, will be in compliance with Health and Safety Code §13113.8 by having operable smoke detector(s) approved and listed by the State Fire Marshal installed in accordance with State Fire Marshal's regulations and in accordance with applicable local ordinance(s).

Seller _____ Westlake Villas LLC _____ Date _____
(Signature) (Print Name)

Seller _____ _____ Date _____
(Signature) (Print Name)



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WATER HEATER STATEMENT OF COMPLIANCE

Water Heater Bracing, Anchoring, or Strapping

As required by California Health and Safety Code §19211

Property Address: 4800 Westlake Parkway #2202, Sacramento CA 95835

- 1. STATE LAW:** California law requires that all new and replacement water heaters and existing residential water heaters be braced, anchored, or strapped to resist falling or horizontal displacement due to earthquake motion. (Health and Safety Code §19211)
- 2. LOCAL REQUIREMENTS:** Some local ordinances impose more stringent water heater bracing, anchoring, or strapping requirements than does California law. Therefore, it is important to check with local city or county building and safety departments regarding the applicable water heater bracing, anchoring, or strapping requirements for your property.
- 3. TRANSFEROR'S WRITTEN STATEMENT:** California Health and Safety Code §19211 requires the seller of any real property containing a water heater to certify, in writing, that the seller is in compliance with California state law.
- 4. EXCEPTIONS:** There are no exceptions to the state law.
- 5. CERTIFICATION:** Seller represents that the Property, as of the close of escrow, will be in compliance with Health and Safety Code §19211 by having water heaters braced, anchored, or strapped in place, in accordance with those requirements.

Seller _____ Westlake Villas LLC _____ Date _____
(Signature) (Print Name)

Seller _____ _____ Date _____
(Signature) (Print Name)

The undersigned hereby acknowledges receipt of a copy of this document.

RECEIPT FOR PUBLIC REPORT OR CALIFORNIA PERMIT

The Laws and Regulations of the California Real Estate Commissioner require that you as a prospective purchaser or lessee be afforded an opportunity to read the public report or permit for this subdivision before you make any written offer to purchase or lease a subdivision interest or before any money or other consideration toward purchase or lease of a subdivision interest is accepted from you.

In the case of a preliminary or interim public report or permit, you must be afforded an opportunity to read the public report or permit before a written reservation or any deposit in connection therewith is accepted from you.

In the case of a conditional public report or permit, delivery of legal title or other interest contracted for will not take place until issuance of a final public report or permit. Provision is made in the sales agreement and escrow instructions for the return to you of the entire sum of money paid or advanced by you if you are dissatisfied with the final public report or permit because of a material change. (See California Business and Professions Code §11012.)

**DO NOT SIGN THIS RECEIPT UNTIL YOU HAVE RECEIVED
A COPY OF THE PUBLIC REPORT OR PERMIT AND HAVE READ IT.**

I read the Commissioner's Public Report or Permit on 110537SA-A01

[FILE NUMBER]

"WESTLAKE VILLAS" - LOT 1 PHASE 1

[TRACT NUMBER OR NAME]

I understand the public report or permit is not a recommendation or endorsement of the subdivision, but is for information only.

The issue date of the public report or permit which I received and read is: 10/14/2004



**ACKNOWLEDGMENT OF UNDERSTANDING AND
ACCEPTANCE OF
BUILDERS ONE-YEAR FIT & FINISH
EXPRESS LIMITED WARRANTY**

By signing below, the undersigned homeowner(s) acknowledge that they have received, reviewed and understand the One Year Fit & Finish Express Limited Warranty provided by the Builder. Homeowner(s) further acknowledge and understand that PHWS has contracted with the Builder to respond to homeowner warranty claims but has no direct or independent contractual relationship with homeowner and provides no separate warranties, whether express or implied.

By signing below, the undersigned homeowner(s) further acknowledge that they have received, read and understand the warranty claim procedures set forth in the One Year Fit & Finish Limited Warranty provided by the Builder and will follow said procedures in making any warranty claims. Failure to follow the procedures set forth in the Limited Warranty may void the Limited Warranty.

ACKNOWLEDGED AND AGREED:

I found the booklet, *The Homeowner's Guide to Environmental Hazards and Earthquake Safety* (with gas shut-off valve update) which includes the Federal Lead booklet and Toxic Mold Update:

☐ Helpful	☐ Clearly written
☐ Too detailed	☐ Confusing
☐ Not detailed enough	
☐ The booklet helped me to locate earthquake weaknesses in my home.	
☐ I have strengthened my home to resist earthquakes.	
☐ I plan to fix my home's earthquake weaknesses.	
☐ The booklet helped me find out that my home did not have any earthquake weaknesses.	

The year my home was built was _____.

Comments: _____

We Want To Hear From You!

California Seismic Safety Commission
1900 K Street, Suite 100
Sacramento, California 95814-4186

NATURAL HAZARD DISCLOSURE STATEMENT

This statement applies to the following property:

Property Address: TR Westlake Villas (Subdivision No. P01-053)
LOT 1 / 201
4800 WESTLAKE PKWY #2202, SACRAMENTO, CA 95835

APN Number:

The transferor and his or her agent(s) disclose the following information with the knowledge that even though this is not a warranty, prospective transferees may rely on this information in deciding whether and on what terms to purchase the subject property. Transferor hereby authorizes any agent(s) representing any principal(s) in this action to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the property. The following are representations made by the transferor and his or her agent(s) based on their knowledge and maps drawn by the state and federal governments. This information is a disclosure and is not intended to be part of any contract between the transferee and the transferor.

THIS REAL PROPERTY LIES WITHIN THE FOLLOWING HAZARDOUS AREA(S):

A SPECIAL FLOOD HAZARD AREA (Any type Zone "A" or "V") designated by the Federal Emergency Management Agency.

Yes _____ No X Do not know and information not available from local jurisdiction _____

AN AREA OF POTENTIAL FLOODING shown on a dam failure inundation map pursuant to Section 8589.5 of the Government Code.

Yes X No _____ Do not know and information not available from local jurisdiction _____

A VERY HIGH FIRE HAZARD SEVERITY ZONE pursuant to Section 51178 or 51179 of the Government Code. The owner of this property is subject to the maintenance requirements of Section 51182 of the Government Code.

Yes _____ No X

A WILDLAND AREA THAT MAY CONTAIN SUBSTANTIAL FOREST FIRE RISKS AND HAZARDS pursuant to Section 4125 of the Public Resources Code. The owner of this property is subject to the maintenance requirements of Section 4291 of the Public Resources Code. Additionally, it is not the state's responsibility to provide fire protection services to any building or structure located within the wildlands unless the Department of Forestry and Fire Protection has entered into a cooperative agreement with a local agency for those purposes pursuant to Section 4142 of the Public Resources Code.

Yes _____ No X

AN EARTHQUAKE FAULT ZONE pursuant to Section 2622 of the Public Resources Code.

Yes _____ No X

A SEISMIC HAZARD ZONE pursuant to Section 2696 of the Public Resources Code.

Yes _____ (Landslide Zone) Yes _____ (Liquefaction Zone)

No _____ Maps not yet released by state X

THESE HAZARDS MAY LIMIT YOUR ABILITY TO DEVELOP THE REAL PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE AFTER A DISASTER. THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ESTIMATE WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT A PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. TRANSFEE(S) AND TRANSFERORS(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT THE PROPERTY.

"The representations made in this Natural Hazard Disclosure Statement and the report are based upon information provided by a third party report as a substituted disclosure pursuant to California's Civil Code Section 1103.4. Neither the transferor nor the transferor's agent has (1) independently verified the information contained in this form and report, or (2) is personally aware of any inaccuracies in the information contained on the form."

Transferor represents that the information herein is true and correct to the best of the transferor's knowledge as of the date signed by the transferor.

Signature of Transferor _____ Date _____

Agent represents that the information herein is true and correct to the best of the agent's knowledge as of the date signed by the agent. Agent hereby represents that he or she has received a copy of the Property Disclosure Report (PDR No. 04SAC3233/Control No.



NEW HOME PDR® PACKAGE RECEIPT

Report Number
04SAC3233

Date of Report
Wednesday, December 08, 2004

Escrow Number
UNIT 201/2202 WESTLAKE VILLAS

The undersigned hereby acknowledge receipt of the following documents:

Property Disclosure Report
(prepared by Property Disclosure Services, Inc.)

AND

Natural Hazard Disclosure Statement

WESTLAKE VILLAS DISCLOSURE STATEMENT

Welcome to Westlake Villas (the "*Community*"). We are pleased you have decided to purchase a condominium in the Community.

This Disclosure Statement (the "*Disclosure*") discloses to you as "Buyer" various matters that might affect your decision to purchase. Please read it carefully. Because much of the information included in this Disclosure has been obtained from other sources (e.g., governmental and other public agencies, public records, etc.) and because the information is subject to change for reasons beyond Seller's control, Seller cannot guarantee the accuracy or completeness of any information disclosed. Further, Seller is not obligated to advise you of any changes. Buyer should independently verify the information regarding any matter of concern to Buyer regarding this purchase. Seller also strongly recommends that Buyer visit the Community and drive around the general vicinity surrounding the Community on at least several occasions on different days and at different times to familiarize yourself with physical and other conditions to determine whether there are material factors that might affect your decision to purchase a condominium in the Community. Since Seller cannot predict every circumstance which may be material to you, it is imperative that you investigate matters of concern to you, to insure that you are satisfied with the decision to purchase.

As part of Buyer's purchase of a home in the Community, you will receive other documents and disclosures (the "*Purchase Documents*"). This Disclosure is not intended as a substitute for Buyer's review of the Purchase Documents, nor does it amend, modify or supersede the Purchase Documents. If there is an inconsistency between the Purchase Documents and this Disclosure, unless otherwise expressly provided in the Purchase Documents, the Purchase Documents will control. Except as otherwise provided herein, capitalized words and phrases used herein have the meanings given them in the Condominium Declaration of Covenants, Conditions, Restrictions and Reservation of Easement for Westlake Villas (the "*Declaration*").

INTRODUCTION TO SELLER

Westlake Villas, LLC, a California limited liability company, is the Declarant under the Declaration and is called the "*Seller*" in this Declaration.

INTRODUCTION TO THE COMMUNITY

1. **Westlake Villas.** The Community was originally constructed in 2003 in the City of Sacramento (the "*City*") in Sacramento County (the "*County*"). Seller has obtained the requisite approvals from the California Department of Real Estate to sell condominium units (the "*Units*") to the public in 5 phases. If completed as planned, the Community will contain (a) 285 Units, (b) certain Improvements owned by the Westlake Villas Association (the "*Association*"), including the buildings in which the Units are located, the recreational facilities and the Community streets and landscaping (collectively, the "*Association Property*") and (c) volumes

of airspace above the Units in each Phase (the "**Common Area**"). The Units, the Association Property and the Common Area in each Phase are shown on the Condominium Plan for that Phase (each, a "**Condominium Plan**" and collectively, the "**Condominium Plans**").

2. **Condominium Ownership.** Upon Close of Escrow, Buyer will have purchased a Condominium composed of (a) fee title to a Unit (the "**Unit**"), (b) exclusive easements for patio, deck and air conditioning compressor pad purposes (the "**Exclusive Use Area**") as shown on the applicable Condominium Plan, and (c) an undivided interest in the Common Area.

3. **The Association.** As a part of Buyer's Condominium ownership, Buyer will automatically receive membership in the Association which is the management body for the Community and is responsible for owning, maintaining and administering the Association Property and for administering and enforcing the covenants, conditions and restrictions in the Declaration. The maintenance responsibilities are set forth in the Declaration. The Association's affairs are managed by a Board of Directors (the "**Board**") elected by the members of the Association as provided in the Association Documents (defined below). Buyer is entitled to vote for the members of the Board, and if nominated and elected, Buyer may serve on the Board.

4. **Membership in Association.** As a member of the Association, Buyer has various rights and obligations as set forth in the Association Documents. Buyer's obligations include, but are not limited to, paying Assessments to the Association. Buyer should anticipate that these Assessments may increase in the future because of inflation and changing maintenance needs. The Association's ability to increase Annual Assessments and to levy Special Assessments without the consent of the Membership is subject to certain limitations set forth in the Declaration. The Board is obligated to provide you with an annual budget and other financial statements for the Association as provided in the Bylaws.

5. **Master Community.** The Community is within Westlake, a master planned community being developed by Winncrest Natomas, LLC, a Nevada limited liability company. The Community is subject to the Amended and Restated Master Declaration of Establishment of Conditions, Covenants and Restrictions for Westlake Villas (the "**Master Declaration**") and is designated as a "High Density Area" by the Master Declaration. As such, the Community will be subject to High Density Payments, as provided in the Master Declaration. Buyers in the Community will not be a part of the Westlake Master Association.

ASSOCIATION DOCUMENTS

Buyer's Condominium and membership in the Association will be subject to the following documents (the "**Association Documents**"):

- (a) The Articles of Incorporation of the Association;
- (b) The Bylaws of the Association (the "**Bylaws**");
- (c) The Declaration;

(d) The Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions for the Phase in which Buyer's Condominium is located, if applicable; and

(e) Any Association rules and regulations and architectural guidelines that may be adopted from time to time by the Board of Directors or the Design Review Committee pursuant to the Declaration or the Bylaws (the "**Association Rules**").

Buyer should carefully review the Association Documents to understand Buyer's specific rights and obligations as an Association member. Among other things, these Association Documents establish limits on the use of the Condominium Buyer is purchasing. Buyer will also be provided with a preliminary title report. The title report will list other recorded documents affecting the use of the Condominium Buyer is purchasing. Buyer should review the title report and the documents referenced in the report closely and understand that Buyer's Condominium will be affected by all matters of record not removed before Close of Escrow.

SPECIFIC PROVISIONS OF THE DECLARATION

6. **Use Restrictions.** Buyer must comply with various use restrictions set forth in the Declaration. These restrictions include, among other things, restrictions on nonresidential uses of Buyer's Condominium, animals, Improvements to Buyer's Condominium, vehicle parking, etc.

7. **Prohibited Dwelling Structures.** Buyer may not use any garage, outbuilding, tent, shack, shed, trailer, camper, motor home or any other structure in the Community for a living area except the Unit.

8. **Maintenance.** Buyer must maintain Buyer's Condominium in a neat, clean, safe and attractive condition at all times. All areas not designated as Association Property and located within the boundaries of a Condominium are the responsibility of each Owner. The Association has an easement over Buyer's Condominium for maintenance of the Association Property. Buyer should refer to Section 4.6 and Exhibit C of the Declaration and the Maintenance Manual for additional information concerning the Owners and the Association's relative maintenance responsibilities.

9. **Insurance.** The Association is obligated to maintain policies of fire and casualty insurance for the Association Property Improvements. The Association is also obligated to maintain policies of public liability insurance regarding its ownership and maintenance of the Association Property. The Association will not carry earthquake insurance for the Association Property. The Association's insurance coverage does not insure any of Buyer's personal property. The Association's insurance obligations are set forth in the Declaration. Buyer is solely responsible for insuring Buyer's personal property and all other property and Improvements in Buyer's Condominium for which the Association has not purchased insurance. If any insurance is required, Buyer is responsible for obtaining that insurance before Close of Escrow.

10. **Design Review.** Buyer may not build, construct, install or plant any Improvements on Buyer's Condominium (or modify or alter any Improvements located thereon)

unless Buyer has submitted plans and specifications and obtained approval from the Association's Design Review Committee. The Design Review Committee may collect a fee to review the plans and may require a cash deposit or that bonds be posted to assure installation and clean up in conformance with the provisions of the Declaration and requirements of the Design Review Committee. All Improvements must comply with any applicable guidelines promulgated by the Design Review Committee, as well as with all requirements imposed by the City. City regulations may change from time to time and Buyer will be subject to the regulations in effect at the time plans are submitted. Upon obtaining written approval of the Design Review Committee, Buyer shall thereafter submit Buyer's plans and specifications to the City, provided that the proposed Improvements require the issuance of a building permit or other approval by the City. The Declaration contains further information regarding Buyer's responsibilities thereunder; Buyer should read the procedures and follow them before constructing any Improvements.

11. **Drainage.** The Seller has provided for surface, subsurface, and/or underground drainage of water from all Condominiums in the Community in accordance with City requirements. Buyer's Condominium may have "sub-drains" and/or area drains to carry the water from the rear and sides of the Condominium to the street or other designated outlet points. Buyer must not modify these drainage devices. Seller will not be responsible for damage resulting from Buyer's actions in modifying the drainage or inaction in failing to maintain the drainage and the drainage devices on Buyer's Condominium. Any drainage modifications are subject to applicable codes of the City, subject to the approval of the Design Review Committee established by the Declaration and the terms of any drainage easements that may be of record. Seller is not responsible for the effects of any drainage modifications.

12. **Utility and Other Easements.** Buyer's Condominium may be subject to easements and/or other rights in favor of utility companies, local governmental agencies and other persons. These easements and rights may include access onto Buyer's Condominium for purposes of installing, constructing, inspecting, maintaining and repairing facilities which are customary for residential developments (including, but not limited to, water lines, sewer lines, electrical lines and facilities, natural gas pipelines, telephone lines and facilities, cable television lines, street lights, mailboxes, traffic signs, fire hydrants, etc.). These facilities may be located above ground or below ground. In either case, the foregoing easements, rights and facilities may restrict the use and type of Improvements Buyer can make to Buyer's Condominium, and the utility company, local government agency or other persons benefited by such easement or right may have the right to remove Improvements made by Buyer on the easement area without any obligation to repair or restore them. Buyer should review the policy of title insurance, the title report and tract map for Buyer's Condominium, and Article VI of the Declaration to determine what easements and other rights, if any, affect Buyer's Condominium. The locations of the facilities planned for Buyer's Condominium are subject to change based on site specific issues. Seller cannot ensure the final location of the facilities until the Close of Escrow for Buyer's Condominium. Such easements may preclude construction of structures or other Improvements.

13. **Parking.** Buyer may not park, store or keep any large commercial type vehicle, any recreational vehicle (including, but not limited to, any camper, motor home, trailer, boat trailer, mobile home or other reasonably similar vehicle, watercraft or aircraft) or any vehicle other than a private passenger vehicle within the Community unless such vehicle is parked as permitted pursuant to the terms of Section 2.5 of the Declaration. It is Buyer's responsibility to

determine whether the garages and parking spaces provided in the Community are satisfactory to Buyer before Close of Escrow. Garages must be maintained such that the garage accommodates the number of Authorized Vehicles for which it was originally constructed by Seller. Garages are subject to quarterly inspection by the Board to ensure that any personal property is being stored such that the garages are still able to accommodate the number of Authorized Vehicles for which they were originally constructed. Curbside parking may be restricted as required by any local governmental agency and in no event shall parking be permitted along any street designated as a fire lane by the applicable Fire Authority. Parking and vehicular restrictions are also set forth in local ordinances. The Association has the right to adopt additional parking regulations pursuant to Section 2.5 of the Declaration.

14. **Boundaries.** Buyer may not rely upon any written or oral statements by Seller or Seller's agents regarding the exact boundaries of Buyer's Condominium or whether any Fencing has been constructed exactly on the boundaries of Buyer's Condominium. The boundaries of each Condominium are delineated on the Condominium Plans that are public records and are available at the office of the County Recorder. Seller has reserved easements for encroachments in Subsection 6.1.3 of the Declaration.

15. **Residence and Condominium Square Footage Representations.** Representations of square footage are approximate only. You may not rely upon any written (brochures and other sales documents) or oral statements by Seller or Seller's agents regarding the exact square footage of your Residence or Condominium. The computation of square footage varies based upon the criteria used. By acceptance of a deed to a Condominium, Buyer agrees to hold Seller harmless in any dispute arising over representations concerning the square footage of Buyer's Residence or Condominium.

16. **Leasing.** Buyer's ability to rent or lease your Condominium will be subject to the limitation that it cannot be rented or leased for transient or hotel purposes, or for a period of less than thirty (30) days. All permitted rental and lease agreements must be in writing and must provide that the terms of the lease are subject in all respects to the provisions of the Declaration. The lease must also state that any failure by the tenant or lessee to comply with the terms of the Declaration constitutes default under the lease.

COMMUNITY DISCLOSURES

17. **Prior Use of the Property.** Portions of the Community have been previously used for rental apartment purposes. Some Units in the Community have never been rented or otherwise occupied. A portion of the Community will continue to be rented for an indefinite period of time. Various components of the improvements in the Community have been repaired, and Seller has made and may continue to make certain additional repairs, replacements and renovations in connection with the conversion of the Community into a condominium project; however, many of the improvements are in their originally constructed condition. Accordingly, the Association and the Owners should expect these improvements to operate and to require maintenance in a manner appropriate to their age and existing condition, and not as new construction.

18. **Recreation Area.** The Community includes a recreation area with a swimming pool, community building and restrooms. Buyer acknowledges, understands and accepts that Buyer is solely responsible for acting safely and keeping Buyer's family and guests safe within the recreation area. The Association will not provide lifeguards. Buyers of Condominiums adjacent to and in the vicinity of the recreation area can expect to hear noise from use of the recreation area and may experience light overflow from the recreation area during evening hours, if lighted. Renters in the Community have the right to use the recreation facilities in the Community.

19. **Natural Hazard Zone Disclosures.**

(a) ***Earthquakes Generally.*** California is subject to a wide range of earthquake activity. California has many known faults as well as yet undiscovered faults. Seller has been advised that the Community is not located within an Earthquake Fault Zone as defined by California Public Resources Code Section 2621.9. However, Buyer must evaluate the potential for future seismic activity that might seriously damage Buyer's Condominium. A major earthquake, which some have predicted will occur in our lifetimes, could cause very serious damage to Condominiums located even many miles from the epicenter of the earthquake. A more moderate earthquake occurring on a more minor fault, or on an as yet undiscovered fault, could also cause substantial damage.

Seller makes no representations or warranties concerning the degree of earthquake risk within the Community. Buyer is advised to consult with the City or other public agencies and appropriate experts to evaluate the potential risk.

(b) ***Seismic Hazard Zone.*** Many portions of Southern California are subject to risks associated with seismic activity or "earthquakes." Seller has been informed that no map showing seismic hazard areas that may impact the Community has yet been released by the State. Seismic Hazard Zones are defined in the Seismic Hazards Mapping Act (California Public Resources Code Section 2690 et seq.), and shown on maps released by the California Department of Conservation, Division of Mines and Geology. All maps that have been released or are to be released will be available on file with the City. For more information concerning seismic activity and risks, read "The Homeowner's Guide to Earthquake Safety." Additional information is available on the following website: www.consrv.ca.gov.

(c) ***Area of Potential Flooding.*** Seller has been informed that the Community is located within an Area of Potential Flooding (or Dam Inundation Zone) pursuant to applicable maps. The Office of Emergency Services is required to designate areas within which personal injury or death would, in its determination, result from the partial or total failure of any dam. These areas of potential flooding, as defined in the California Emergency Services Act (California Government Code Section 8984.4 et seq.), shown on maps released by the Office of Emergency Services, copies of which are also on file with the City. These maps are updated periodically, and Seller makes no representations, guarantees or warranties concerning any future dam inundation zone determinations. Please contact the Office of Emergency Services for further information concerning Areas of Potential Flooding.

(d) **Compliance with Civil Code Section 1103 et seq.** In addition to the foregoing natural hazard disclosures, Seller has provided or will provide Buyer with the Natural Hazard Disclosure Statement in compliance with Article 1.7, commencing at Section 1103 of the California Civil Code.

20. **Wind.** All of Northern California is subject to periods of high winds. Wind speeds in the Community may exceed that experienced in other areas of the surrounding region. Any structures or other Improvements Buyer installs on Buyer's Condominium are subject to prior approval of the Design Review Committee and must be designed and constructed to withstand high winds. Buyer should consult with experienced architects and engineers in the design and specification of any structures or Improvements that Buyer plans to add.

21. **Electric Power Lines.** Underground and/or overhead electric transmission and distribution lines and transformers are located in and around the Community. Power lines and transformers produce extremely low-frequency electromagnetic fields ("**ELF-EMF**") when operating. For some time, there has been speculation in the scientific community about health risks associated with living near ELF-EMF sources. In 1992, the United States Congress authorized the Electric and Magnetic Fields Research and Public Information Dissemination Program ("**EMF-RAPID Program**") to perform research on these issues and to analyze the existing scientific evidence in order to clarify the potential for health risks from exposure to ELF-EMF. In May of 1999, the National Institute of Environmental Health Sciences ("**NIEHS**") issued a report to Congress summarizing its review of scientific data from over three hundred (300) studies on ELF-EMF health risks. The ELF-EMF studies consist of both epidemiological studies (studies of exposure in human populations) and controlled laboratory experiments on animal and cell models. While some epidemiological studies suggested some link between certain health effects and exposure to ELF-EMF, the laboratory experiments did not support such a link. According to the NIEHS report, the scientific evidence shows no clear pattern of health hazards from ELF-EMF exposure, and the NIEHS report did not find evidence of any link sufficient to recommend widespread changes in the design or use of electrical transmission equipment. However, because the evidence does not clearly rule out any effect, NIEHS advocated continuing inexpensive and safe reductions in exposure to ELF-EMF and endorsed current utility practices regarding design and siting of new transmission and distribution lines. Additional information on ELF-EMF and copies of the NIEHS report are available from the EMF-RAPID website at <http://www.niehs.nih.gov/emfrapid/home.htm>.

22. **Patios/Balconies.** Buyer's Condominium may include an Exclusive Use Area patio or balcony. Although these areas are for the exclusive use of each Condominium, they are visible to other residents of the Community and must be kept clean and clear of debris and clutter. Furniture, plants, and other approved personal property may only be kept in the Exclusive Use Areas patios, balconies or other locations if authorized in the rules and regulations. Buyers may be allowed to keep an electric barbecue on the patio or balcony, provided the barbecue meets the rules and regulations.

23. **Supplemental Real Property Taxes.** California law requires real property to be revalued whenever it changes ownership or when improvements are newly constructed. After the Close of Escrow for Buyer's Condominium, the County Tax Assessor (the "**Assessor**") will determine a new taxable value for Buyer's Condominium based on current market values. The

Assessor will then subtract the prior assessed value of Buyer's Condominium from its current market value. The difference is a net supplemental value that is the basis for any change in real property taxes. If the net supplemental value is a positive number, the property tax will increase and Buyer will receive one or more supplemental tax bills depending upon the time of the year in which Escrow closed for the sale of Buyer's Condominium. The Seller has no control over the valuation, timing or the amount of the supplemental bill resulting from the reassessment. Buyer is solely responsible for the payment of any supplemental tax bills.

Neither Seller nor any of its authorized agents, representatives, employees or sales people have made any representations or warranties concerning the amount of the supplemental assessment or the Assessor's opinion of Buyer's improved Condominium. If Buyer has any questions or concerns relating to supplemental taxes, Buyer should consult with the County Assessor or Buyer's legal or other advisors before the Close of Escrow to satisfy such questions or concerns.

24. **Soil Conditions.** In purchasing your Condominium you should review soils reports for the Community and take into consideration the following:

(a) **Soil Expansion.** Soils in the Community have medium to high expansion potential. This type of soil will expand when it becomes wet and contract when it dries. This expansion and contraction may cause movement, lifting, cracking and distress in slabs, patios, sidewalks and other flatwork Improvements. Maintaining positive drainage of irrigation water and rainfall is essential when the soil is expansive. If Buyer modifies or damages the installed swales and/or drainage devices, Buyer may cause flooding within Buyer's Residence, damage to the foundation system, to the structural framing system, to the exterior wall finish, to the interior wall finish, and to flooring materials (i.e., carpet, vinyl, wood, natural stone, ceramic tile, etc.). The increased presence of water beneath your home may lead to high levels of water vapor passing through your concrete floor slab. Imbalances in soil moisture from Buyer's Condominium to adjacent Condominiums will contribute to horizontal and vertical movement of the soil. By its very nature, concrete will crack.

(b) **Fill Soil.** Some of the Condominiums in the Community are constructed on fill soil in accordance with the recommendations and inspection of licensed civil and soils engineers. After placement of the fill, Condominiums will demonstrate some post placement settlement. A report certifying the compaction of the fill soils is on file and available for review at the Information Center and at the City Public Works Department, telephone: (805) 654-2030.

(c) **Soils Experts.** Before constructing any concrete or other flatwork, you must consult with a licensed soils engineer to ensure that such work is constructed correctly in light of current soils conditions. Although consulting with a soils expert may add substantially to the cost of installation of Improvements, failure to do so may result in significant breaking, lifting, separating, tilting and/or cracking in Improvements.

(d) **Groundwater.** The current groundwater level in the Community is approximately three (3) to thirteen (13) feet below the ground surface. Groundwater may rise during the rainy season.

(e) **Undesired Gases and Other Contaminants.** The aging process of soil and other elements created by nature, as well as building materials developed by man, may create unwanted and undesired gases and other contaminants in homes, both new and previously occupied. In addition, a lower air exchange between outdoor and indoor environments has resulted from construction assemblies built in accordance with energy conservation laws and standards enacted by the State of California. A lower air exchange can result in the build-up of unwanted gases and other contaminants in varying degrees. As the quality of the air we breathe can affect our health, Seller recommends that Buyer frequently ventilate Buyer's Residence by opening the windows.

25. **Post-Tension Concrete System.** Buyer's Residence has been built using a post-tension concrete system ("**System**"). The System involves placing steel cables under high tension in the concrete slab located beneath the Residence. Therefore, any attempt to alter or pierce the foundation (e.g., sawing, cutting or drilling) could damage the integrity of the System and/or cause serious injury or damage to persons and personal property. Seller shall not be responsible for any damage or injury resulting from or arising in connection with the alteration of the slab or foundation of any Residence in the Community. Buyer shall: (a) not cut into or otherwise tamper with the System; (b) not knowingly permit or allow any other person to cut into or tamper with the System so long as you own any interest in the Condominium; (c) disclose the existence of the System to any person who rents, leases or purchases your Residence; and (d) indemnify and hold Seller, and its officers, employees, contractors and agents, free and harmless from and against any and all claims, damages, losses or other liability (including attorneys' fees and costs of court) arising from any breach of this covenant. If any portion of Buyer's Residence has been constructed using the System, a placard or stamp will be placed in the garage signifying the existence of such System.

26. **Sound Attenuation.**

(a) **Generally.** Individuals have varying sensitivity to noise. Buyers must investigate the level of noise within the Community and on the Condominium they propose to purchase to determine whether the noise levels are acceptable to them. Buyers have differing levels of sensitivity to noise and Seller cannot guarantee that the level of noise within the Community, or the measures taken to diminish these noise levels, will be acceptable to every Buyer.

(b) **Condominium Environment.** Condominiums have been constructed such that the living areas of the Condominium are located adjacent to the living areas of one or more other Condominiums. As a result, Buyers of Condominiums in the Community will experience noise and vibrations from Buyer's neighbors. Although the Condominiums' walls, floors and ceilings have been designed to meet applicable building codes at the time of original construction, Buyers will hear noise from adjacent Condominiums, and from other Condominiums within the Community, including, but not limited to, noise from showers, bathtubs, sinks, toilets or other sources of running water and appliances such as washers, dryers, dishwashers and refrigerators. Also, Buyers may hear airborne noise from items such as vacuum cleaners, stereos or televisions, doors opening and closing, voices, or from people running, walking or exercising.

(c) **Urban Environment.** Living in an attached condominium community within a densely populated City entails living in very close proximity to other persons and businesses, with attendant limitations on solitude. Buyers can expect to hear noise from nearby residential and commercial areas in the City. Buyers may also experience light entering the Condominium from street lights located in close proximity to the windows and doors of the Condominiums. Seller has no control over the transmission of noise or light from outside sources and their potential effects on Condominiums within the Community.

27. **Sub-Metered Utilities.** Certain utilities in the Community, including water, may be sub-metered. The cost of reading these sub-meters and billing Buyers for their portion of any sub-metered utility will be paid for through the Common Expenses.

28. **Special Tax Assessment Or Mello-Roos Community Facilities Districts.** The Community lies within the boundaries of special tax assessment districts and Mello-Roos Community Facilities Districts, including, without limitation, Community Facilities District No. 97-01, Community Facilities District No. 3, Community Facilities District No. 99-01, Community Facilities District No. 99-02 (Annexation No. 1), Community Facilities District No. 2000-01, SAFCA Assessment District No. 1, SAFCA Assessment District No. 2, City Landscaping and Lighting District No. 2, City Additional Library Services District No. 96-02, Reclamation District #1000 Operations and Maintenance District; the districts require the levy of a special tax for repayment of bonds issued for the purpose of paying the cost of services or capital improvements. The amount of the special tax and any other information pertaining to any such district can be obtained from the County Assessor's office.

ADJOINING AREA DISCLOSURES

29. **Adjacent Property Future Development.** All of the adjacent land within the influence of the City has uses designated on the City's General Plan. The real property in the vicinity of the Community includes, but is not limited to the following uses:

- (a) North: Future residential
- (b) South: Future residential and commercial/school
- (c) East: I-5 Freeway and future commercial
- (d) West: Future commercial center/park and schools

Seller cannot predict the type of future development with any degree of accuracy. Seller has no control over use or changes in use of adjacent property. Buyer should contact the City Planning Department for further information regarding designated land use and zoning.

30. **Local Freeways and Road Improvements.** The regional, local arterial and interior road system improvements are subject to modifications, approvals, and determinations made by the applicable local governmental agencies. For example, alignments may be changed, proposed extensions may be deleted or changed and roadway improvements within the vicinity of the Community may be added. Buyer should evaluate the impact of the foregoing road issues on Buyer's proposed use of Buyer's Condominium.

31. **Westlake.** Westlake is a private lake located on approximately twenty-two (22) acres of land northwest of the Community. Buyers of Condominiums in the Community have no right to use the lake by virtue of their ownership in the Community. Seller has no control over the use or maintenance of the lake.

32. **Commercial Area.** Property located south and east of the Community is zoned for and is anticipated to be developed for retail and other commercial purposes. Such development will generate noise, dust, traffic, vibrations and other construction related impacts affecting the Community. Commercial uses resulting from such development may result in increased noise and traffic in and around the Community. Also, businesses within the commercial area may operate at early morning and/or late night hours. Seller has no control over future construction in the commercial area or the operation of any businesses therein.

33. **Arco Arena.** ARCO Arena ("**Arena**") is located approximately two (2) miles southeast of the Community. The Arena is an indoor arena; however, Buyers may hear noise from events held at the Arena. In addition, there will be increased traffic in and around the Community when events are held at the Arena.

34. **Sacramento International Airport.** The Sacramento International Airport ("**Airport**") is located approximately three (3) miles northwest of the Community. Buyers of Condominiums in the Community may experience noise, dust, light, fumes and vibrations from commercial, military and general aviation and cargo flights at all times of the day and night. The Airport operates seven (7) days a week, three hundred sixty-five (365) days a year. The Airport presently serves over eight (8) million passengers per year.

35. **Transit Station.** A light rail transit station is planned to be located approximately one-quarter (1/4) mile from the Community, east of the I-5 Freeway.

36. **Schools.** A high school is currently being constructed on Del Paso Road, east of the 5 Freeway. As currently planned, the high school will open in the fall of 2004. A middle school is currently located approximately 500 yards southwest of the Community. In addition, two elementary schools are located in the vicinity of the Community—Two Rivers Elementary School and Natomas Charter School.

37. **Refurbishment and Sales Activity.** Refurbishment and sales activities will be occurring within and in the vicinity of the Community. This may result in inconvenience to residents, due to increased light, noise, and dust from construction activities. As a result of refurbishment and sales activities, public and private utilities (water, electrical, cable television, sewers, storm drain, etc.), and/or servicing Buyer's home may be temporarily interrupted and/or adversely affected. Buyer must exercise extreme caution, to observe all signs while driving through construction areas, and to observe the temporary closure of streets and rerouting of traffic.

38. **Freeways and Major Thoroughfares.** Several freeways and major thoroughfares are located within the vicinity of the Community, including without limitation, the I-5 Freeway and El Centro Road. Seller has no control over the use or maintenance of these

freeways and thoroughfares. Buyers may experience noise, dust and traffic within and in the vicinity of the Community based on the public's use of these freeways and thoroughfares.

39. **Natomas Basin Habitat.** The Community is approximately ½ mile from the area known as the Natomas Basin Habitat. This Basin is covered by the Natomas Basin Habitat Conservation Plan ("**NBHCP**"). The primary goal of the NBHCP is to create a system of reserves that will support viable populations of special status species, especially the giant garter snake and the Swainson's Hawk. The NBHCP and the incidental take permits issued to Seller and other developers are the subject of unresolved state and federal lawsuits alleging certain perceived deficiencies in the NBHCP. Community residents and their children, guests and pets should abide by all posted regulations and restrictions concerning the Natomas Basin Habitat.

GENERAL DISCLOSURES

40. **Right to Repair Law.** The Community is subject to the "**Right to Repair Law**" set forth in Division 2, Part 2, Title 7 (commencing with Section 895) of the California Civil Code. The Right to Repair Law prescribes the rights and obligations of Buyer and Seller concerning claims for defective construction. Buyer acknowledges that Buyer has received a copy of the Right to Repair Law from Seller. Buyer is solely responsible to make certain before purchasing a home in the Community that Buyer understands Buyer's rights and obligations under the Right to Repair Law, and Buyer will take whatever steps are necessary to do so, including without limitation, consulting an attorney, interpreter, or any other person whose advice or assistance may be necessary to fully understand the matters set forth in the Right to Repair Law. Chapter 2 of the Right to Repair Law establishes basic performance standards (collectively, the "**Functionality Standards**") for all of the components of the Condominium constructed by Seller. As long as these components perform to the level, and for the period of time, specified in the Functionality Standards, they will be considered to be operating properly.

41. **Fit and Finish Warranty.** The Right to Repair Law requires that Seller provide Buyer with a one-year limited "**Fit and Finish Warranty.**" The Fit and Finish Warranty applies to cabinets, mirrors, flooring, interior and exterior walls, countertops, paint finishes and trim. Under the Fit and Finish Warranty, Seller warrants that the non-structural, cosmetic appearance and alignment of cabinets, mirrors, flooring, interior and exterior walls, countertops, paint finishes and trim will be free from deficiencies which significantly fail to meet the standards of quality established in documents or manuals provided to Buyer, or established by other standards set forth in the Fit and Finish Warranty. The Fit and Finish Warranty includes a detailed description of items excluded from warranty coverage, and it is not an "**Enhanced Protection Agreement**" as defined under Section 901 of the California Civil Code. The Fit and Finish Warranty is in lieu of all other warranties or guaranties, including, but not limited to, any implied warranty of merchantability, habitability or fitness for a particular purpose, and it is the only warranty given by Seller that is applicable to Buyer's Condominium.

42. **Buyer's Maintenance Obligations.** Portions of this Disclosure Statement include maintenance requirements for certain improvements constructed by Seller. Buyer must read and follow all maintenance requirements provided by Seller in the Disclosure Statement, as well as any other maintenance requirements or schedules Seller may provide to Buyer before the Close of Escrow. Such maintenance requirements are intended by Seller to be responsive to the

requirements of the Functionality Standards under the Right to Repair Law. Seller will not be responsible for violations of the Functionality Standards caused by the failure of Buyer, or Buyer's successive owners, to follow all maintenance requirements and commonly-accepted homeowner maintenance obligations.

43. **No Enhanced Protection Agreement.** Neither the maintenance requirements nor any other provisions in this Disclosure Statement are intended, or shall be interpreted, to be an Enhanced Protection Agreement. If any of the maintenance requirements in this Disclosure Statement are inconsistent with any of the maintenance requirements set forth in any maintenance manual provided by the Community to Buyer, the maintenance requirements in the maintenance manual shall control and prevail.

44. **Model Homes.** The model Condominiums reflect typical exterior elevations, floor plans, and workmanship, and also illustrate possibilities for future interior decoration. The exterior elevations, architectural treatments, floor plans and colors shown in any plans or brochures provided to Buyer may be different than those displayed in the models. The models have also been professionally decorated to show various decor ideas and upgrades. Decoration items such as furnishings, draperies and other window treatments, any window tinting, wallpaper, custom carpet, coordinated paint, built-in shelves, beams, certain lighting fixtures (including halogen lighting), special ceiling treatments and some mirrors are for display purposes only, and are not included in the purchase price for Buyer's Condominium. Any options and upgrades displayed in the models are not included in the purchase price for Buyer's Condominium unless expressly agreed to in writing by Seller.

45. **Right of Substitution.** Seller reserves the right to make any changes or substitutions Seller deems necessary or desirable to the color schemes, building materials, fixtures, appliances and other components of the homes. The foregoing substitutions may include, without limitation, kitchen appliances, household fixtures, electrical outlets and switches, hardware, wall surfaces, painting and other similar items. Seller shall have the right to make the substitutions described above without adjustment to the purchase price of Buyer's home.

46. **Non-Standard Construction.** Buyer may not make any changes of any kind to Buyer's Condominium during refurbishment and before the Close of Escrow (e.g. alarm systems, home intercoms, stereo wiring, built-ins, installation of flooring, etc.). Only those options and upgrades specifically listed on the option list provided by Seller will be made. Any other changes and non-approved options found in a Residence during the refurbishment period will be removed by Seller and the cost of removal and any repairs shall be Buyer's responsibility.

47. **Drainage and Utility Line Capacity.** Buyer's Unit has been constructed to the standards of the Uniform Building Code and the requirements of the jurisdiction where it is located (collectively, the "**Building Code Requirements**"). Among other things, the drains, conduit, ducts, wiring, water, gas and other utility lines (collectively, the "**Drain and Utility Components**") were installed in compliance with the Building Code Requirements in effect at the time of construction. Some manufacturers produce products whose specifications for energy consumption, discharge of water and other features exceed the maximum capacity of the Drain and Utility Components installed in Buyer's Unit. For example, some washing machines have

been designed with quick discharge cycles that drain more water than the capacity of your home's drain lines. If Buyer installs one of these types of washing machines in Buyer's Unit without increasing the size of the drain lines, the drain could overflow and cause water damage to the Unit. BEFORE Buyer purchases any appliance, it is extremely important that Buyer carefully review the product features and specifications to make sure the appliance is compatible with the Drain and Utility Components in your home. Seller is not responsible for damages caused by any appliance or product that exceeds the capacities of the Drain and Utility Components constructed in compliance with Building Code Requirements, and repair of damages caused by any such appliance or product is not included in Buyer's Fit and Finish Warranty.

48. Changes In Development Plan. The residential real estate market continually fluctuates due to changes in economic, social and political conditions that directly affect the supply of and demand for housing. As a result, the plan for the Community, home prices as well as the terms and conditions of sale are also subject to change. Therefore:

(a) Except for Buyer's Condominium, Seller reserves the right at any time before or after the Close of Escrow for the sale of a Condominium and without notice, to increase or decrease the sale price, adjust incentives and/or otherwise adjust the terms and conditions of sale for Condominiums in the Community (or in the vicinity thereof);

(b) Seller is not obligated to offer Buyer the same price, incentives and/or other terms and conditions of sale that Seller has previously offered or may subsequently offer to another buyer;

(c) Seller has neither offered nor agreed to any price protection or other similar commitment to Buyer regarding the value or resale value of Buyer's Condominium (or any other property), and Seller shall not have any obligation or liability whatsoever to Buyer in the event any price changes directly or indirectly affect the value of Buyer's Condominium; and

(d) When Buyer entered into the contract to purchase Buyer's selected Condominium, Seller may have owned other properties which may have been off the market and may not have been shown to or otherwise made available for purchase by Buyer. Seller has no obligation to notify Buyer if any of such properties come on the market or are otherwise available for purchase nor any obligation to notify Buyer of any future properties Seller may develop and make available for purchase.

49. Floor Plan Specification. Buyer's Condominium floor plan may vary from the configuration of the model Condominium for Buyer's Condominium in terms of layout, color, size of certain rooms and elevation features.

50. Windows. Windows will vary by elevation and floor plan. Standard windows included with the purchase of Buyer's home will vary in style to suit different elevations. Window jamb and sill dimensions will vary by elevation. Buyer must maintain Buyer's windows in accordance with the Maintenance Manual requirements.

51. Window Tinting. The manufacturer of dual glazed windows will not warrant these windows if a tinting has been added to them. Tinting causes heat gain between the glass

panels, which may result in the failure of the window. Such failure can result in water intrusion, cracks in the glass, or in extreme cases, the dual glass unit can explode. Neither Seller, nor the manufacturer of the dual glazed windows are responsible for water intrusion, breakage, or other damages caused by tinting the dual glazed windows.

52. **Bedroom Floor Load Limit - Waterbeds.** The upper floors in the Condominium, if any, are designed to support a limited load. If Buyer currently owns or is planning to purchase a waterbed, Buyer must confirm with the manufacturer that the bed does not exceed the upper floor load limits. Seller has no responsibility for damage resulting from Buyer placing a waterbed or anything else in the upper floors of the Condominium that exceeds the applicable weight limit.

53. **Financing.** If you are financing the purchase of your Condominium, you will be required to provide Seller's approved lender with all documents necessary to obtain loan approval. You are not obligated to accept a loan from Seller's approved lender, but you are required to submit documentation to that lender to permit Seller to determine whether it is likely that you will qualify to purchase the Condominium you desire. You may select your lender independently; however, if you select a lender other than Seller's approved lender, you must ensure that the lender can meet the time limitations and requirements imposed on lenders in the Purchase Agreement. Seller has not reviewed or approved any lender's sales or marketing materials, and does not make any representations or warranties whatsoever regarding any matters set forth therein or your ability to obtain any financing under any particular terms. You should make your own independent evaluation of the rates and loan programs offered by all lenders, including Seller's approved lender. The interest rate and loan fees for the loan applied for will be determined at the time of the Close of Escrow and may be higher or lower than on the date you signed Purchase Agreement for your Condominium. You also acknowledge that the interest rate and loan fees referenced on the loan application are approximate only and do not constitute a binding commitment.

54. **Move-In Date.** The date for Close of Escrow/move-in of Buyer's Condominium is only an estimate. As refurbishment progresses, the date may be adjusted by Seller in its sole discretion. The actual Close of Escrow/move-in date will be set by Seller as the Condominium nears completion. Buyer may occupy Buyer's Condominium only after Close of Escrow.

55. **Schools.** Due to the rate of population change, the Natomas School District may find it necessary to change boundaries and designated schools periodically, before or after Buyer's Close of Escrow. Seller has no control or responsibility for such changes should they occur. The Community is expected to be served by the following schools:

(K-5) **Elementary School:**
Natomas Park Elementary
4700 Crest Drive
Sacramento, California 95835
(916) 928-5234

(6-8) **Middle School:**
Natomas Middle School
3700 Del Paso Road
Sacramento, California 95834
(916) 928-5204

(9-12) **High School*:**
Inderkum High School
2500 New Market Drive
Sacramento, California 95834

*new high school

Please contact the School District for the most current information regarding school assignments, facilities and bus service.

56. **Mailboxes.** Mailboxes in the Community are clustered in a single group as required by the United States Postal Service. The location of mailboxes are determined by governmental agencies. Buyer may not change the type of mailbox being used or the location. Seller reserves the right to modify such locations as may be dictated by field conditions without prior notice.

57. **Brass Plumbing/Light Fixtures/Hardware.** Brass, bronze or other finishes have their limitations. In time, the protective lacquer may deteriorate from exposure to weather, perspiration, cleaning agents, frequency of use and other factors. Tarnishing or excessive wear of these finishes is not a defect, but a normal, unavoidable process. Under the circumstances, these finishes cannot be guaranteed and products will not be repaired or replaced under the manufacturer's warranties for tarnishing or wear of finishes.

58. **View.** Neither Seller nor any of its counselors, agents, representatives or employees have made any representations, warranties or promises concerning any view, present or future, that may be enjoyed from all or any portion of Buyer's Condominium located thereon. The view from Buyer's Condominium may change or may be fully or partially obstructed by (a) the construction of other homes, Improvements, structures, fences, walls and/or landscaping by Seller or other Owners within the Community and by the owners of properties adjacent to the Community, (b) activities and Improvements on real property outside the Community, and/or (c) the growth of trees and/or other vegetation within or outside the Community. Seller makes no representations or warranties concerning any open space on property adjacent to Buyer's Condominium, or the Community as a whole, whether this property is owned or controlled by Seller, government agencies, or private property owners.

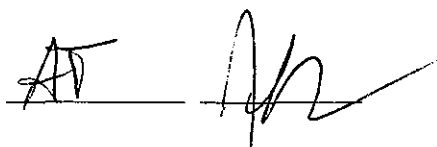
59. **Improvements and Alterations.** The alteration and construction of many Improvements within the Community requires written approval of the City Building Department (as applicable) and the Design Review Committee. In addition:

(a) **No Liability to Seller.** Any alterations or Improvements made by Buyer to Buyer's Condominium or any drainage devices in the Unit shall be made at Buyer's sole risk. Seller assumes no responsibility for any damage caused by the design, construction, installation or alteration and maintenance by Buyer of any Improvement on the Condominium or its drainage devices.

(b) **Alterations to Condominium.** No alterations may be made to the walls, floors, or ceilings of Buyer's Condominium that impair the sound attenuation measures or fire safety measures installed by Seller.

(c) **Licensed Agents.** If Buyer desires to alter or install any Improvement on Buyer's Condominium, Buyer must obtain the advice of a licensed architect or civil, soil or structural engineer, as applicable, and should design and complete the alteration or installation of the Improvement in accordance with such expert's advice and specifications. Any such Improvements are subject to prior approval by the Design Review Committee and the City (if applicable).

60. **Satellite Dishes.** Satellite dish antennas may be installed and used within the Community in accordance with the Declaration. Satellite dish antennas may only be installed within Buyer's Exclusive Use Areas or entirely within Buyer's Unit. **Buyer is prohibited from installing, attaching or otherwise affixing any satellite dish antenna to the structure or the roof of the building containing Buyer's Condominium because these areas are owned by the Association and penetration of the building exterior could result in water intrusion or structural damage to the building.** The proposed installation of any satellite dish to be located outside of the Unit must be of the type and in a location approved by the Association's Design Review Committee before installation to ensure that the visibility of the satellite dish is minimized concerning other Owners. However, Seller has provided no assurances or guarantees that any satellite dish or other antenna installed within the Community will remain unobstructed. Antennae signals may become obstructed by the installation and maintenance of Improvements within and outside of the Community including, without limitation, homes, walls, fences, trees and other landscaping.

BUYER INITIALS: 

61. **Manufacturers' Warranties for Consumer Products.** The manufacturers' warranties for the consumer products included in Buyer's Condominium (e.g., air conditioning system, dishwasher, garbage disposal and other household appliances) will be provided directly to Buyer before or at the time of close of escrow.

62. **Benefit of Home Ownership.** Although the purchase of a home has traditionally been considered a wise decision, Seller has made no representations, guarantees or warranties to Buyer concerning the tax, investment or other benefits of home ownership, or regarding appreciation in the value or equity accrual in Buyer's Condominium.

63. **Notice of Sex Offender Data Base.** The California Department of Justice, sheriff's departments, police departments serving jurisdictions of 200,000 or more and many other local law enforcement authorities maintain for public access a data base of the location of

persons required to register pursuant to paragraph (1) of subdivision (a) of Section 290.4 of the Penal Code. The data base is updated on a quarterly basis and a source of information about the presence of those individuals in any neighborhood. The Department of Justice also maintains a Sex Offender Identification Line through which inquiries about individuals may be made. This is a "900" telephone service. Callers must have specific information about individuals they are checking. Information regarding neighborhoods is not available through the "900" telephone service. Seller makes no representations or warranties or guarantees regarding the presence or absence of registered sex offenders within the Community or in the surrounding area. Seller has no obligation or duty to investigate existing residents or buyers to determine whether they are sex offenders. Buyer is solely responsible for making his or her own investigation.

64. **Amendments to the Declaration.** Notwithstanding the fact that Buyer has received a copy of the Declaration, certain changes or amendments may be made to the Declaration, and correspondingly, in the rights and responsibilities of certain parties, including buyer, as a result of such changes. These changes may have been made to accommodate the requirements of certain governmental and quasi-governmental agencies, including without limitation, the FHA, VA, Fannie Mae and GNMA federally sponsored mortgage guarantee entities and the DRE.

65. **Proposition 65.** The State of California requires Seller to inform Buyer of the potential hazards associated with exposure to certain chemicals in the environment. Buyer hereby acknowledges and agrees that Buyer has read the posted warning relating to exposure to chemicals known to cause cancer, birth defects or reproductive harm.

66. **Assumption of Risk and Liability.** By acceptance of this Disclosure, Buyer assumes all risk and liability for injuries to persons and property that may be sustained by Buyer, members of Buyer's family and Buyer's guests and invitees by reason of all conditions or circumstances disclosed in this Disclosure.

VISITING THE COMMUNITY BEFORE MOVE-IN

If Buyer wants to visit the Community and Buyer's Condominium before Buyer moves in, Buyer must be aware that the Condominium is located within a construction area and that construction sites are potentially dangerous. Seller will permit Buyer to enter Buyer's Condominium and the construction area provided that Buyer is fully aware of the risks of such entry. It may be necessary to deny Buyer access if work is in progress, or site conditions are too hazardous to permit Buyer's visit. Buyer must be accompanied by a sales counselor, or another representative of Seller on any and all visits to Buyer's Condominium. Seller further requests that such visits be limited to non-construction hours. By signing this Disclosure, Buyer acknowledges that there are numerous risks associated with visiting Buyer's Condominium during construction including without limitation, open trenches, construction traffic, potential falling debris, exposed nails and electrical wiring, incomplete construction and certain other potential hazards. Buyer shall use due care, including, without limitation, the wearing of a hard hat, while visiting Buyer's Condominium. Buyer agrees that Buyer shall proceed at Buyer's own risk and Buyer releases and waives any claims against Seller and all of its affiliates, parent and subsidiary companies, officers, directors, employees, attorneys, assigns and any and all other persons or entities that could be potentially liable

to Buyer as a result of an injury which may occur during Buyer's visit to Buyer's Condominium or to any portion of the Community.

NO ADDITIONAL REPRESENTATIONS

No sales counselor, employee or agent of Seller has the authority to interpret, change or modify the terms of any documents whatsoever, including, but not limited to, any Purchase Documents or the Declaration. Additionally, no representation or promise, whether oral or in writing, made by any sales counselor, employee or agent shall be binding on Seller, unless provided in writing by an authorized officer of Seller. No representation or promise has been made to Buyer by any sales counselor, employee or agent upon which Buyer is relying in connection with the purchase of Buyer's Condominium. To ensure that Buyer and Seller are in complete agreement concerning the terms and conditions of Buyer's purchase, please indicate below any representation or promise made by a sales counselor, employee or agent upon which Buyer is relying that is not set forth in the Purchase Documents or the Declaration (if no such significant representations have been made, either leave blank or write the word "none" on the following lines):

The undersigned represent that I/we have read and understand the matters set forth in this Disclosure and have received a copy for my/our records. I/we acknowledge and agree that I/we are solely responsible to make certain that I/we understand the contents of this Disclosure and will take whatever steps are necessary to do so, including without limitation, consulting an attorney, interpreter, engineer, or any other person whose advice or assistance may be necessary to fully understand the matters set forth herein. I/we acknowledge and agree that I/we have considered the possible effect of such matters in my/our decision to purchase a Condominium in the Community.

Date: Jan 2, 2005

Date: Jan 2, 2005

Buyer(s) of Unit _____ of Westlake Villas

HOMEOWNER RESOURCE GUIDE



CONGRATULATIONS

Congratulations on the purchase of your new home! We are delighted to be able to help you achieve your dream of home ownership. Owning your own home instills a certain feeling of responsibility – we call it “Pride of Home Ownership”. We have prepared this manual in order to educate you in the various obligations, maintenance practices and schedules that come along with buying a new home.

While we have a certain responsibility to build a quality product, you have a certain responsibility to maintain your investment. We are providing you a schedule of reasonable maintenance practices that will enable you to retain the beauty and value of your home for many years to come.

Please take time to review this material thoroughly. We suggest that you reference this manual on a regular basis. As time progresses, you may add new items to it. When complete, your manual can provide a useful record of information about your home.

If you need clarification or additional details about any topic discussed, please give us a call. We are delighted to welcome you as part of our family and are always ready to serve you.

Sincerely,

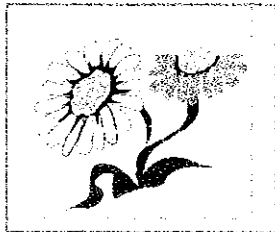
Westlake Villas, L.L.C.

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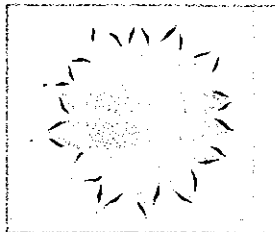
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I.

INTRODUCTION



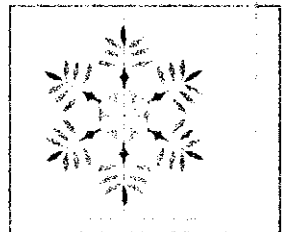
Spring



Summer



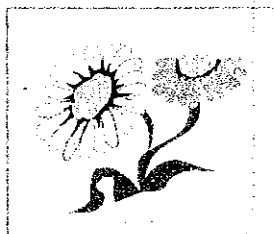
Fall



Winter

II.

HOME MAINTENANCE INFORMATION



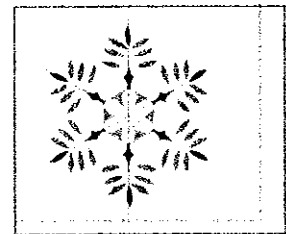
Spring



Summer



Fall



Winter

completed in the summer during high temperatures and cracks will appear in the winter; or vice versa. These are results of climatic conditions over which Builders have no control.

3. Stucco

Some of the material used on the outside of your residence consists of base coats of cement plaster and a finish coat of prepared factory-mixed colored material. The 3-coat system is generally referred to as "scratch", "brown" and "color coats", and collectively known as "stucco." Due to the drying out process, hairline cracks may form on the surface. This cannot be remedied. It is a very normal action, similar to the hairline cracks found in concrete flatwork such as patios, sidewalks and driveways. Again, cracks greater than one-quarter inch shall be brought to the attention of the builder.

The stucco coating on your house requires regular inspections and in some instances painting. It may also require cleaning, if stains appear from the splashing of dirt and water during rain or irrigation.

4. Siding

Some of the material used on the outside of your residence may consist of natural or manmade wood shingles or plank siding. Due to the natural characteristics of wood, slight imperfections are to be expected and weathering, or graying of the wood, will occur during the aging process. One may decide to stain or seal the wood shingles. It is important to verify that the irrigation system does not sprinkle the siding.

5. Thermal and Moisture Protection

a. Condensation

Condensation on interior surfaces of the windows and frames comes from high humidity within the home combined with low outside temperatures and inadequate ventilation. Family lifestyle significantly influences these conditions. If your home includes a humidifier, closely observe manufacturer's directions for its use, especially during periods of cooler temperatures. It is very important to utilize the existing ventilation systems in your house. Proper use and maintenance includes not covering or interfering with the fresh air supply to the furnace; running the range hood when cooking; operating the bath fans when bathing or showering, and opening windows to air out the house.

d. Drainage

Large quantities of water must be diverted from roofs, patios/decks, hardscapes, and landscaped areas into drainage systems or highly absorbent areas to prevent flooding and water damage to buildings, foundations, and neighboring properties.

Clogged, modified and/or damaged drainage systems can cause significant quantities of runoff water to back up. If the water is not diverted offsite safely it can accumulate on building surfaces and overflow into common areas and possibly the residences, causing leaks. Water accumulation can also lead to stucco discoloration, mold, algae growth and damage to building materials. Area flooding from blocked drains can drown plants and cause root rot, prematurely killing plant material. This can require early plant removal as well as replacement costs.

It is extremely important that you do not alter or otherwise impede the drainage patterns on your property. Do not increase the height of the soil or a hard surface adjacent to a wall or fence. Do not cover the weep screed of any stucco surface.

e. Mold

Molds are simple, microscopic organisms, present virtually everywhere, indoors and outdoors. Mold requires a food source (such as paper, wood, leaves or dirt), a source of moisture and a suitable temperature (generally 40-100 degrees Fahrenheit) to grow. Individuals are exposed to molds on a daily basis, and in most instances there are no harmful effects.

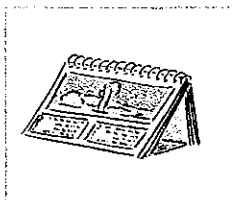
Sources of indoor moisture that may lead to mold problems include, but are not limited to flooding, leaks, seepage, sprinkler spray hitting a home, overflow from sinks or sewers, damp basement or crawl space, steam from shower or cooking, humidifiers, wet clothes drying indoors, watering house plants, and clothes dryers exhausting indoors. You must take precautions to prevent the growth of mold in your home from these and other sources. Preventative measures include, but are not limited to the following: (1) regularly cleaning your home; (2) regularly checking for accumulated moisture in corners and unventilated areas; (3) running fans, dehumidifiers and air conditioners to reduce indoor humidity; (4) stopping the source of any leak or flooding; (5) removing excess water with mops or a wet vacuum; (6) moving wet items to a dry, well ventilated area; (7) regularly cleaning and disinfecting

B. Maintenance Schedule/Check List

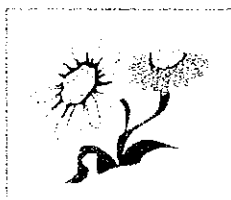
Maintaining your home is critically important to protect your investment and prolong its useful life. Below are checklists to follow for the various components of your home. Many such tasks can be accomplished with little or no experience. Some items, such as the furnace, roof and chimney, require outside professionals. If you do not have the expertise to safely conduct the work, contact a reputable licensed contractor for maintenance repairs.

Please do not attempt to perform any work which you are not qualified, nor have the experience to perform properly. You could easily cause injury to yourself and others by performing improper maintenance on your home.

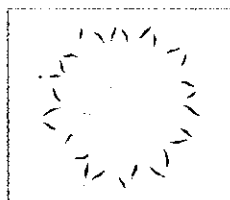
You should copy each checklist, fill them out appropriately, and keep them as a record of your maintenance activities. It is also a good idea to take pictures of the ongoing maintenance performed.



Monthly



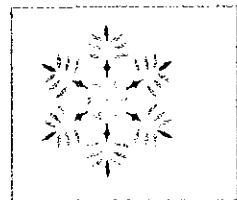
Spring



Summer



Fall



Winter



2. Spring Inspections & Maintenance

Items	Inspection / Maintenance / Action	Adequate	Need Follow-up	N/A
Dryer	Clean vent hose & check outside flapper.			
Doors & Windows	Lubricate all door locks & hinges - do NOT use oil			
	Clean weep holes and tracks of windows and doors, keep free of obstructions.			
	Clean & inspect screens, tighten and repair any loose or damaged frames and hardware.			
	Inspect interior doors, refinish as necessary, polish tarnished hardware			
Hood Vent	Clean grease filter, more often depending on use			
Plumbing	Clean aerators of calcium, lime, rust, or other particulate matter.			
	Re-charge seldom or unused drain traps, as on laundry room floor for clothes washer overflow pan.			
Caulking & Sealants	Seal tile grout, regROUT as necessary			
Cabinets	Lubricate drawer guides with silicone-based lubricant, do NOT use oil.			
Water Heater	Drain several gallons of water heater; be careful of hot water discharge.			
Deck Fences	Inspect ornamental iron fence for safety, finish and structural integrity.			
Flooring	Clean carpet professionally, more often as necessary depending on use.			
Pest Control	Inspect and evaluate for pest control of ants, rodents, and other pests. Eradicate or control as necessary. Hire a professional to make termite inspection.			
Thermal & Moisture	Check for evidence of water penetration in attic, ceilings and all windows and doors.			
	Check for efflorescence, fungus, and mold in the crawlspace, basement, and attic.			





4. Fall Inspections & Maintenance

Items	Inspection/ Maintenance Activity	Adequate	Need Follow-up	N/A
Dryer	Clean vent hose and check flapper.			
Doors & Windows	Lubricate all door locks & hinges - do NOT use oil			
	Clean weep holes and tracks of windows and doors, keep free of obstructions.			
	Clean & inspect screens, tighten and repair any loose or damaged frames and hardware.			
	Inspect weatherstripping on exterior doors and garage doors, replace as necessary.			
Hood Vent	Clean grease filter, more often depending on use			
Plumbing	Clean aerators on faucets of calcium, lime, rust, or other particulate matter			
Water Heater	Inspect gas water heater flue assembly, repair any leaks and corrosion as necessary.			
Deck	Keep deck surface clean and drains clear.			
Caulking & Sealants	Inspect caulking per "Caulking" section in this manual.			
	Inspect for any possible gaps or recaulking needs on the exterior of the house. Pay close attention to door and window frames, patio cover attachment header on house, vents, light fixtures, post for gate or fences, chimney / fireplace, air conditioning piping, meters and any penetrations.			
Thermal & Moisture	Check for evidence of water penetration in attic, ceilings and all windows and doors.			



C. Inside Home Care

Westlake Villas, L.L.C. has carefully designed and planned your new home while constructing it with quality materials utilizing the labor of experienced craftsmen. Before our use of any material, it must meet stringent specifications for quality and durability. All work is done under our supervision to attain the best possible results for your investment.

A home is one of the last hand-built products left in the world. Once we have assembled the natural and manufactured materials, the components interact with each other and the environment. Although quality materials and workmanship have been used in your home, this does not mean that it will require no upkeep or maintenance. A home, like an automobile, requires care and attention from day one. General maintenance is essential to providing a quality home for a lifetime of enjoyment.

Maintenance Guidelines

We are proud of the homes we build and we want you to be pleased with your investment. We strive to create long-lasting value, but this cannot be accomplished unless you properly maintain your home and all of its components.

There are various factors that affect your home's need for maintenance, including:

- normal wear and tear
- natural fluctuations in temperature and humidity
- characteristics of specific construction materials
- ordinary service required by the various mechanical systems

Many times a minor adjustment or repair done in the short term saves a more serious, time-consuming, and sometimes costly repair over the long term. Note also that neglect of routine maintenance can void applicable limited warranty coverage on all or part of your home. By caring for your new home attentively, you ensure your enjoyment of it for years. The attention provided by each homeowner contributes significantly to the overall desirability of the community.

It is important to note the necessity of reading the manufacturer provided owner's manual for the various appliances and systems in your home. The information contained in that material was provided to you at closing. Although much of the information may seem common sense, some points may differ significantly from previous products you have owned or operated.

While we make every effort to keep our information current and accurate, if any

1. Appliances/ Equipment

a. Alarm System

The alarm system should be tested once per month by following the directions your alarm company provided. Many systems include a backup battery, which needs checking and periodic replacement; a keypad, horn (or siren), which needs cleaning; sensitivity levels that should be adjusted properly; and perhaps, a fire-sensing capability that must be checked and maintained. The owner's manual will outline and specify the correct procedures for your particular system.

b. Appliances

Read and follow all manufacturers' instructions for the use and maintenance of each appliance in your residence and keep them available for reference.

Manufacturer's Service

If a problem arises with an appliance, call the customer service number listed in the manufacturer's warranty. When reporting warranty items to the appliance manufacturer, be prepared to supply the following details:

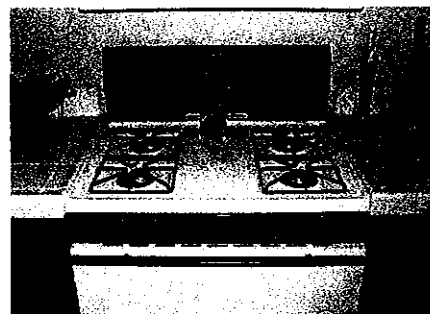
- Date of purchase (your closing date)
- Serial and model numbers, found on a metal plate or sticker on the side or bottom of each appliance
- Description of the problem

Registration

Complete and mail all warranty registration cards directly to the manufacturer as soon as possible.

Cooktop

The key to maintaining a gas or electric cooktop is to clean it often, before grease or burnt food particles begin to build up. Food spills that reach into the cooktop and clog the pilot light burners or settle in the main burners



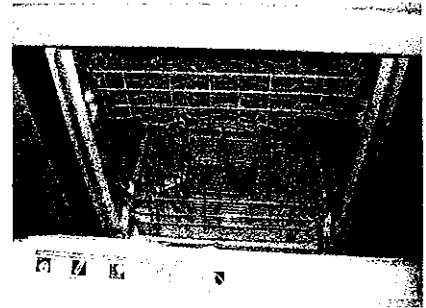
Clean Spray Holes

The holes in the rotating spray arm in the center of the dishwasher can also get clogged. Remove the spray arm. The lower arms will most likely lift off their brackets, but they may be held in place with a nut. The overhead arms will probably snap in place or be secured with a nut. Check your owner's manual, but in either case, these arms are easily removable.

Use a straightened paper clip or piece of thin wire to unclog any holes that you cannot see through in the spray arms. Poke the wire through the hole and wiggle it back and forth to dislodge the dirt or food particles, being careful not to damage or enlarge the hole. When all the holes are open, turn the arm so the large center opening that fits on the shaft faces down. Then shake the hollow arm so all the small particles fall out of the opening. If you don't get most of these loose particles out of the arm, they will re-clog it as soon as you run the dishwasher.

Clean Surfaces

Periodically clean the interior sides and inside of the door by washing it down with a paste of baking soda and water. Use a sponge to wipe off stains (if they're stubborn let the paste set for a while) and remove tough areas with a scrubbing pad.



Keep the soap dispenser compartment clean and check that the door closes easily. If the door to this compartment sticks, the soap is not released and it cakes up in the compartment. Usually all that is needed to get the door working again is to clean the excess soap from the compartment. Remove the excess soap and clean the compartment and the area around the door.

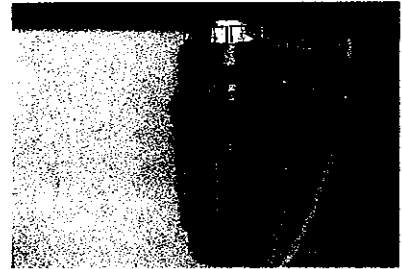
Keep the door panel and door seal clean by washing with a mild soap and water solution. For spotted areas that are especially noticeable on black glass fronts, use a damp sponge dipped in borax. Rinse with water and dry with a soft rag.

Water Matters

Daily use of your dishwasher keeps water in the bottom of the tub, which lubricates the rubber seals in the unit and pump. If you're going to be away for several months, pour an ounce of cooking oil into the puddle of standing water in the bottom to keep the water from evaporating. This helps prevent

small bones and fruit pits can actually clean and sharpen the grinders.

If the disposer clogs or stops operating, unplug the unit. If something is jammed in the disposer, dislodge it with the end of a wooden spoon or broomstick. Do not reach into the disposer with your hand.



After you have unclogged the disposal, press the red reset button, located on the bottom or side of the unit under the sink, until you hear a click. Turn the power on to the unit and test it.

You can help keep a garbage disposal odor-free by periodically throwing in half of a lemon or orange and running the unit with warm water or by adding a cup of ice cubes made out of vinegar and running the unit with cool water.

Caution: Do not allow metal, glass or crockery items to go into your disposal. Never put lye or drain-cleaning materials into it. Always make certain your disposal is free of waste before turning on your dishwasher as the dishwasher's water exits through this passage and may back up the waste into your sink.

Hood Vent

Aluminum Filter

For greatest efficiency, the filter should be removed and cleaned periodically. To clean, the filter should be soaked in hot water and detergent and thoroughly rinsed. An aluminum filter can be cleaned in a dishwasher.



Combination Filter

This filter should be inspected periodically and when it becomes saturated, it should be replaced. There are no effective means of reactivating this filter.

Lights

Do not use a bulb larger than 75 watts, or what is recommended by the manufacturer.

Exterior Surfaces

Clean your hood with a mild detergent suitable for painted surfaces. Do not use abrasive cleaners or scouring pads.

Oven

Be sure the oven is off and cool before cleaning or servicing the oven.

If this is a self-cleaning oven, do not use any commercial oven cleaning solutions. Do not rub or clean the door gasket – it has an extremely low resistance to abrasion. Do not use abrasive cleansers.



You may clean the outside of the oven with soap and water. Do not let water drip into the vent openings. Spillages of materials containing acids on the inside surfaces should be wiped up immediately. When surface is cool, clean and rinse.

If this is a self-cleaning oven, the oven must be cool in order to set the self-clean cycle. You should vent your kitchen during the first cleaning cycle. Remove any accessories, such as broiler pans, from the oven. *Remove any pet birds or animals to another well-ventilated room.* Follow the directions in the owner's manual to set the cycle. After the cycle you may notice a white ash in the oven. Wipe it up with a damp cloth after the oven cools. If the oven is not clean after one cycle, you may repeat the cycle.

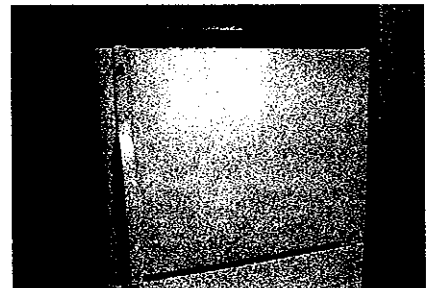
It is a good idea to wipe the control panel after each use. A 50/50 solution of vinegar and hot water works well.

If the shelves become hard to slide, lightly wipe the shelf supports with cooking oil.

Follow directions in the owner's manual for changing out the specific light bulb in your oven. Be sure to disconnect the power to the oven at the circuit breaker panel before replacing bulb. Replace bulb, when cool, with a 40-watt appliance bulb only or as recommended by the manufacturer. For improved lighting inside the oven, clean the glass cover frequently (when cool).

Refrigerator

It is best to unplug the refrigerator before cleaning. If this is impractical, be sure to wring excess moisture out of a soft cloth when cleaning around switches, bulbs, and



2. Doors and Windows

a. Doors and Locks

Due to the inherent characteristics of the natural wood products installed in your home and due to natural fluctuations in humidity, interior doors occasionally shrink, swell and warp, may possibly requiring minor adjustments.



Exterior Finish

Plan to repaint exterior wood doors at least once every two or three years. Stained exterior doors with clear finishes tend to weather faster than painted doors. Treat the finish with a wood preserver every six (6) months to preserve the varnish and to prevent the door from drying and cracking. Reseal stained exterior doors whenever the finish begins cracking or crazing or at least once every one to two years.

Caulking and Weather Stripping

Check the caulking around the exterior trim, jambs, head, and threshold to ensure that it has not dried out, cracked, or fallen out. Also, check the weather stripping and vinyl door sweeps around doors and windows. Reattach or replace any defective weather stripping that no longer makes an effective seal, same with the caulking.

Hinges

Door hinges may require adjustment periodically. Interior door and cabinet door hinges may become loose after repeated use and/or develop a squeak. Lubricate the hinges with a silicone lubricant. Avoid using oil, as it can gum up or attract dirt.



Locks

Lubricate door locks with graphite or other waterproof lubricant. Avoid oil, as it will gum up the mechanism. You can rub the tip of a pencil over a key and work the lock mechanism to lubricate (wiping off the key before putting away).

Cleaning

Clean aluminum metal or vinyl surfaces with warm, clear water. Do not use a powdered cleaner. Keep the window tracks free of dirt and debris. After each cleaning, apply a silicone lubricant to the track. Inspect surfaces for possible repainting needs for wood windows, touchup as needed.

Clean glass as needed with vinegar and water, a commercial glass cleaner, or the product recommended by the window manufacturer.

Keep the weep holes free of dirt and debris. Do not spray the windows from the outside with a hose as water may enter the home through the weep holes.

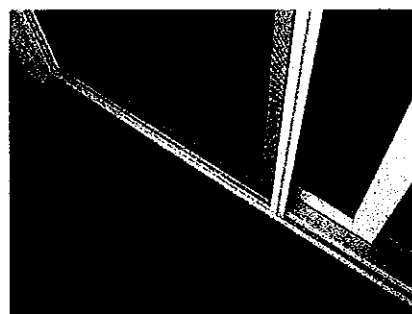
Condensation may form on the interior surfaces of the window and frame and is the result of high humidity within the home and low outside temperature. Individual living habits can impact humidity levels. It is important to utilize the exhaust fans when cooking or using the bathrooms. Open windows periodically to air out the house. Any condensation that drips into the track should not be allowed to sit for any length of time. Mildew or mold may form and must be eradicated.

Caulking and Weather Stripping

Check the caulking around the interior and exterior trim and sills to ensure that it has not dried out, cracked, or fallen out. Also, check the weather stripping and vinyl sweeps around doors and windows. Adjust or replace any defective weather stripping that no longer makes an effective seal, same with the caulking.

Window Tracks

Keep the window tracks and any weep holes free of dirt and debris. After each cleaning, apply a silicone lubricant to the track.



Screens

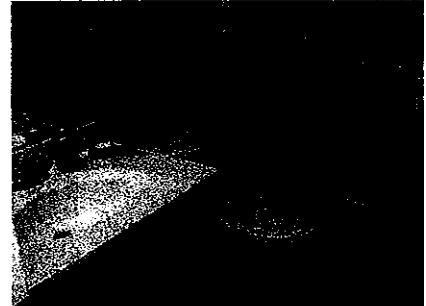
Inspect screens for proper fit, tears and rips. Make repairs as necessary. Be careful storing or removing screens, they tear easily and the frames may bend. Screens may be removed and cleaned with a hose.

latex caulking will take paint and polyurethane or silicone sealant is good where water is an issue.

Caulking that has mildewed must be removed and replaced. Water or moisture must not be allowed to get into the joint that the caulk is protecting.

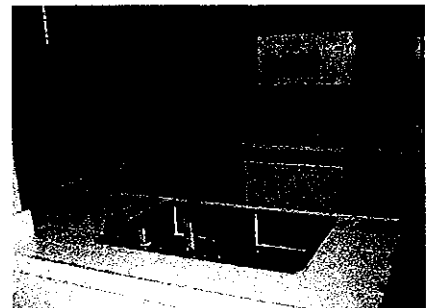
Typical caulk locations to be inspected and repaired if necessary:

1. Tub and shower surrounds
2. Countertop backsplashes
3. Sinks and faucets
4. Window sills and trim
5. Door trim, jambs, head, and threshold
6. Moldings
7. Roof flashings, including chimney and spark arrestor
8. Penetrations on outside of house, such as vents, light fixtures, gate posts, air conditioning piping, meters, and patio cover attachment header or ledger.



c. Countertops

Use a cutting board to protect your counters when you cut or chop. Protect the counter from heat and from extremely hot pans (except for stone and granite). If you cannot put your hand on it, do not put it on the counter. Do not use countertops as ironing boards and do not set lighted cigarettes on the edge of the counter.



Caulking

The caulking between the countertop and the wall, along the joint at the backsplash, and around the sink, may shrink, leaving a slight gap. Maintaining a good seal in these locations is important to keep moisture from reaching the wood under the laminates and to prevent warping.

Cleaning

Avoid abrasive cleaners that will damage the luster of the surface.

Granite countertops require very little maintenance other than keeping the

e. Fiberglass/Acrylic Tubs and Showers

Fiberglass tub-shower units and acrylic tubs are easily damaged and therefore require special care and maintenance from you, the homeowner. Please refer to your warranty/maintenance manual from the manufacturer.



Cleaning Instructions

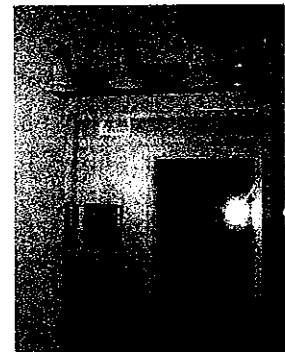
Do not use abrasive cleaners such as scouring powders or pads, steel wool, scrapers or sandpaper since all of these products will dull and scratch the surfaces.

To remove stubborn stains, paint or wax, use acetone. Any hardened residue or adhesive can be removed with 3-M Natural Cleaner, De-Solve-It or similar materials.

To restore the original luster, if dulled, use any good automotive-type body-cleaning compound such as Dupont #7 and polish out with a light application of paste wax. Do not apply wax to the bottom of the tub or shower without having a non-slip surface applied. Clean out the hair trap at the drain regularly.

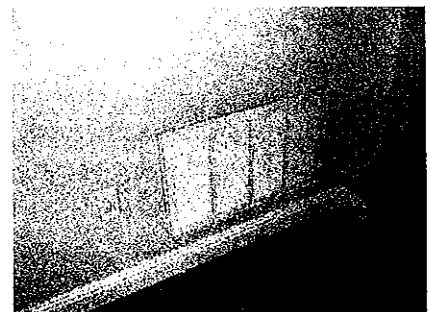
g. Mirrors

To clean your mirrors, use any reliable liquid glass cleaner or polisher available at most hardware or grocery stores. Avoid acidic cleaners and splashing water under the mirror; either can cause the silvering to deteriorate. Avoid getting glass cleaners on plumbing fixtures as some formulas can deteriorate the finish.



h. Trim and Moldings

Due to the inherent characteristics of the natural wood products installed in your home and due to natural fluctuations in humidity, wood trim and moldings occasionally shrink and warp and may require minor caulking and touch-up painting.



Sealing Grout

Sealing grout is one of the best ways to prevent stains. Once grout has been sealed, ongoing maintenance is necessary and sealing will need to be reapplied on a regular basis.

Separations

Expect slight separations and cracking to occur in the grout between tiles. The grout does not hold the tile in place and will give with minor fluctuations in the substrate. Cracks in the grout can be filled using premixed grout purchased from flooring or hardware stores. Follow package directions.

c. Hardwood Floors

The resilience of wood fibers makes a hardwood floor extremely durable, but also susceptible to changes caused by moisture and aging. A properly finished wood floor requires little maintenance other than regular vacuuming or sweeping.



Cleaning

Vacuum on a daily basis, or as needed. Do not wet mop a hardwood floor. Excessive water causes wood to expand and can possibly damage the floor. Wipe up spills immediately.

Placing heavy furniture, dropping heavy or sharp objects, and walking with high heels on hardwood floors can result in dimples. Regularly clean any protectors under furniture or chair legs to remove any grit that may have accumulated.

Sealing

Determine what type of sealer with which your particular floor has been finished. Refer to the manufacturer's recommendations. Whether lacquer, shellac, or varnish, if it is worn off in traffic areas, usually the whole floor has to be sanded and refinished. Refinishing hardwood floors should be done by an experienced professional.

g. Vinyl Flooring

Also known as resilient flooring, sheet vinyl or vinyl tile floors, are easy to care for. Regular inspection for cleanliness and evidence of moisture problems are required.

Cleaning

Vacuum or sweep regularly to remove the abrasive dirt and sand from the surface. Wipe up all spills immediately. Mop regularly with a damp mop and a non-abrasive floor cleaner, preferably one recommended by the manufacturer. If your no-wax floor loses its shine, reapply wax. Do not strip wax from floor more than once per year.

Repairs

Inspect flooring for curling edges, bubbles, separations, ridges, and stains that are visible just under the surface of the vinyl. Make repairs as necessary. The stains may be indicative of an underlying moisture problem. The source of the moisture must be determined and eliminated.

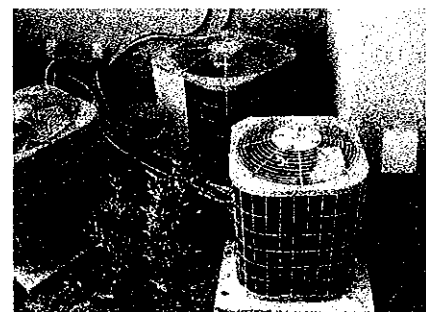
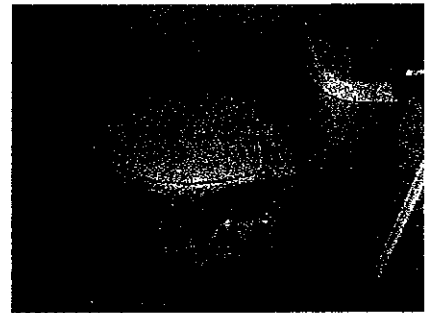
h. Stairs

No known method of installation prevents all vibration or squeaks in a staircase. A shrinkage crack may develop where the stairs meet the wall. If this occurs, apply a thin bead of latex caulk and, when dry, touch up with paint. Refer to repair books on how to fix squeaks.

5. HVAC/Plumbing/Electrical/Mechanical

a. Air Conditioning

Air conditioning can greatly enhance the comfort of your home, but if it is used inefficiently or is improperly maintained, wasted energy and frustration will result. The air conditioning components must be regularly inspected and serviced. It is best for a licensed heating/cooling contractor to perform an annual inspection and tune-



It is important to know the location of the breaker panel(s); it includes a main shut-off that controls all the electrical power to the home. Individual breakers control the separate circuits. Each breaker should be marked to help identify which breaker is connected to which major appliances, outlets or other service. Should a failure occur in any part of your home, always check the breakers in the main panel box.

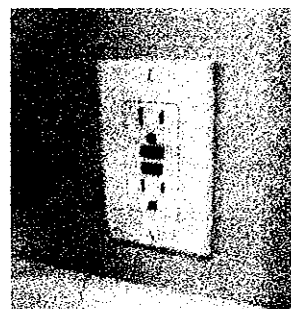
Breakers

Circuit breakers have three positions: on, off and tripped. When a circuit breaker trips, it must first be turned off before it can be turned on. Switching the breaker directly from "tripped" to "on" may not restore service. The service panel should be kept clean and free of cobwebs. If the meter or fuse panel are located inside a utility closet, keep free of dirt and debris and any flammable products.

GFCI (Ground Fault Circuit Interrupter)

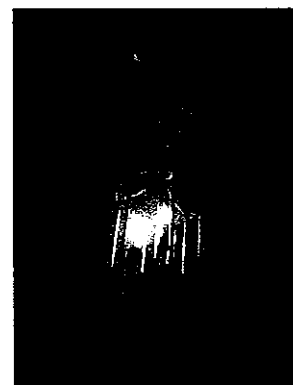
GFCI receptacles were developed to help save people from getting shocked. The GFCI senses variations in current and will trip within one-fortieth of a second.

Each GFCI receptacle has a test and reset button. Once each month, press the test button. This will trip the circuit. To return service, press the reset button. If a GFCI breaker trips during normal use, it may indicate a faulty appliance and you will need to investigate the problem. One GFCI breaker can control up to three or four outlets.



Light Bulbs

You are responsible for replacing burned-out bulbs. Inspect all your bulbs during the nighttime at least once a month to insure proper operation and safety. Replace only with the size and type bulb called out for.



Receptacles

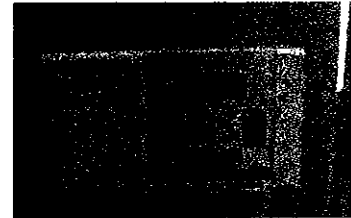
Overloading and tripping a circuit most often occurs at the receptacles by plugging in too many appliances or plugging in a defective appliance. Use only polarized, grounded receptacles with a proper plug. Never force a plug into a receptacle. Install plug covers to help protect small children. Inspect

Cool Air Return Vent

The cool air return vent is usually a larger vent or grill than the registers and must be kept free of obstructions. The registers should also be kept clear and may require seasonal adjustments for airflow.

Thermostat

Thermostats should be kept clean and unobstructed.



Humidifier

Operate a humidifier with the furnace only, not with the air conditioner. Properly adjust humidifier to avoid condensation on windows and walls. Clean the moisture pad according to manufacturer's recommendations.

f. Plumbing

As a result of installing the standard 1.6 gallon per flush toilets, flushing twice is occasionally necessary to completely clear the toilet bowl. Similarly, flow restrictors are manufactured into most faucets and all showerheads and cannot be removed.

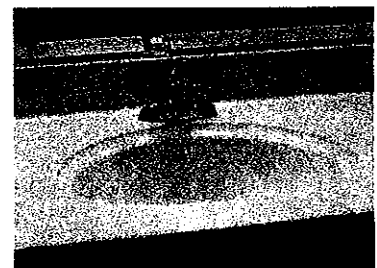


Aerators

Aerators are located on the faucets to strain debris from your water. Minerals caught in these screens may cause the faucets to drip because washers wear more rapidly when they come in contact with foreign matter. Aerators must be cleaned periodically by removing the calcium, lime, or rust as needed. Follow all directions on the cleaner container.

Fixtures

Follow manufacturer's directions for cleaning fixtures. Avoid abrasive cleansers. Care for brass or gold fixtures with a good-quality cleaner recommended by the manufacturer. Inspect fixtures for leaks and repair immediately. Keep all fixtures free and clear running, prevent clogs and slow running toilets.



Plumbing backups which may occur at clogged toilets, sinks, tubs, dishwasher

Safety

Keep the area around a water heater clear of stored household items. Never use the top of the water heater as a storage shelf. Check to make sure earthquake restraining straps are properly connected (California). Do not set the temperature so high as to scald children while bathing.

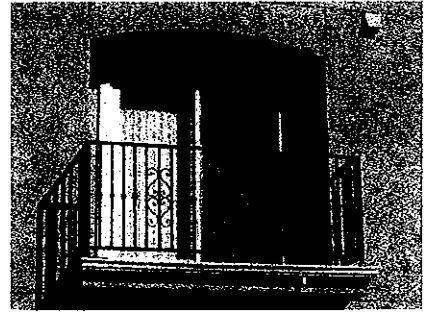
Hot Water Recirculating Pump

These pumps are virtually maintenance free. They usually have built-in motor protection and are sealed. It is important to keep the system free of air and may require bleeding when necessary. Please read the owner's manual for full warranty and maintenance information.



2. Decks

Balconies and/or decks need regular maintenance to help ensure a safe environment and a long service life. Wood that has been over-exposed to the elements begins to lose structural integrity. The initial signs of deterioration include color fading, chalky residue buildup, bubbling, cracking and peeling followed by delamination, splitting, and eventually warping and dry rot.

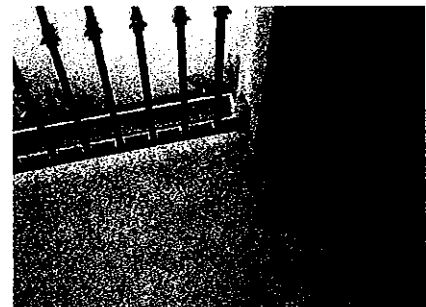


If you have a coated deck system breaching the waterproof coating will subject the wood decking underneath to rot and fungus attack, thereby losing structural strength. A competent, professional and properly licensed company or individual must be utilized if chemical treatment becomes necessary for extermination purposes.

Do not place potted plants on the deck without raising them off the surface to allow air movement underneath the pot. Table and chair legs should have caps or pads, and barbeques should be placed on metal pans to avoid burns and grease stains. Be sure to keep decks clean.

a. Coated Decks

Coated, or elastomeric, decks may be cleaned with mild soap and water to remove pollutants and dirt. Do not use solvents. Regular cleaning will help prevent build-up of residue, which can become slippery when wet.



Inspect deck-waterproofing system for surface integrity and proper slope at least annually, checking for blisters, cuts, tears and ponds. Repair and reseal immediately. Do not allow standing water to occur. Any ponding must be dried within 24 hours.

Re-apply deck sealer every three to five years as per warranty schedule. Do not lay carpet, tile, or any other impermeable surface over the decking system.

Maintain wood and metal components as described above.

E. Equipment List (and Replacement Records)

See separate file for manufacturers' Owner Manuals (originals)

Fill in information below for future reference:

APPLIANCE/EQUIPMENT	MODEL NUMBER	SERIAL NUMBER
Air Conditioner Condensing Unit		
Cooktop		
Dishwasher		
Dryer		
Furnace		
Garbage Disposal		
Garage Door Opener		
Microwave		
Oven		
Refrigerator		
Washer		
Water Heater		

F. Glossary of Terms

- Acoustical Tile** – Special tile for walls and ceiling made of mineral, wood, vegetable fibers, cork, or metal. Its purpose is to control sound volume, while providing cover.
- Aerator** – Located at the end of the kitchen and bathroom faucets. It mixes air with the water in order to provide a smooth, splash free flow of water. Debris and mineral deposits may gradually collect in the aerator, restricting water flow.
- Air Duct** – Pipes that carry warm air and cold air to rooms and back to furnace or air conditioning system.
- Ampere** – The rate of flow of electricity through electrical wiring.
- Apron** – A paved area, such as the juncture of a driveway with the street or with a garage entrance.
- Backfill** – The gravel or earth replaced in the space around a building wall after foundations are in place.
- Balusters** – Upright supports of a balustrade rail.
- Balustrade** – A row of balusters topped by a rail, edging a balcony or a staircase.
- Base/Baseboard** – The strip of molding or trim at bottom of walls. The baseboard adds an attractive finish and protects the walls from scuffs and damage from furniture and vacuum cleaners.
- Beam** – One of the principle horizontal wood or steel members of a building.
- Bearing Wall** – A wall that supports a floor or roof of a building.
- Bibb or Bibcock** – A water faucet to which a hose may be attached, also called a hose bibb or sill cock.
- Bleeding** – Seeping of resin or gum from lumber. This term is also used in referring to the process of drawing air from water pipes.
- Brick Veneer** – Brick used as the outer surface of a framed wall.
- Building Paper** – Heavy paper used in walls or roofs to dampproof.
- Build-Up Roof** – A roofing material applied in sealed, waterproof layers, where there is only a slight slope to the roof, also called low-slope roof.
- Butt Joint** – Joining point of two pieces of wood or molding.
- Cantilever** – A projecting beam or joist, not supported at one end, used to support an extension of structure.
- Casement** – A window sash that opens on hinges at the vertical edge.
- Casing** – Door and window framing.
- Caulking** – A widely used filler material. Primarily, it is used as a sealant around sinks, tubs, showers and countertops. Other applications for caulking include sealing window and door frames. Filling minor cracks in drywall and gaps between wood members.
- Chimney Cap** – Concrete or metal capping around the top of chimney bricks and around the floors to protect the masonry from the elements.
- Chair Rail** – Wooden molding on a wall around a room at the level of a chair back.
- Chase** – A groove in a masonry wall or through a floor to accommodate pipes or ducts.
- Circuit** – The electrical system in your unit is separated into individual units referred to as circuits. Depending on the layout of your home and electrical codes in your area, each circuit may be designed to operate a specific area of the home or a single appliance.
- Circuit Breakers** – Prevent electrical overload or shorting. The circuit breaker stops the flow of electricity along a circuit when an overload or short occurs. It can be reset manually.

located inside your unit. Individual electrical circuit breakers are located in the electrical panel box. Also, see Utility Controls.

Fascia – A flat horizontal member of a cornice placed in a vertical position.

FAU – Abbreviation for Forced Air Unit. The FAU is your furnace or heating unit.

Fill-Type Insulation – Loose insulating material which is applied by hand or blown into wall spaces mechanically.

Flashing – Non-corrosive metal used around angles or junctions in roofs and exterior walls to prevent leaks.

Floor Joists – Framing pieces which rest on outer foundation walls and interior beams or girders.

Flue – A passageway in a chimney for conveying smoke, gases or fumes to the outside air.

Fluorescent – The lighting fixtures that provide an even soft illumination, typically in kitchens and bathrooms. Florescent tubes are more efficient than traditional incandescent bulbs.

Footing – Concrete base on which a foundation sits.

Foundation – Lower parts of walls on which the structure is built. Foundation walls of masonry or concrete are mainly below ground level.

Framing – The rough lumber of a house including joists, studs, rafters and beams.

Furring – Thin wood, or metal applied to a wall to level on plumb the surface for lathing, boarding, or plastering, to create an insulating air space, and to damp proof the wall.

Fuse – A short plug in an electric panel box which opens (breaks) an electrical circuit when it becomes overloaded.

Gable – The triangular part of a wall under the inverted “V” of the roof line.

GFCI – Abbreviation for Ground Fault Circuit Interrupt. It is a device similar to a circuit breaker in that it is designed to interrupt the flow of electricity. GFCI circuit or outlets are usually located near sinks and tubs or where the threat of electrical shock or electrocution is a risk. In the event of a short circuit such as dropping an appliance into a filled tub or sink, the GFCI will immediately stop the flow of electricity along the circuit and prevent a serious electrical shock.

Girder – A main member in a framed floor supporting the joists which carry the flooring boards. It carries the weight of a floor or partition.

Glazing – Fitting glass into windows or doors.

Grade Line – The point at which the ground rests against the foundation wall.

Graphite – A carbon-based powdered substance that is used as a lubricant for applications in which oil is unsuitable. Graphite is recommended for use on your window and door hinges and locks.

Grout – The material visible between the squares of ceramic tile.

Gusset – A brace or bracket used to strengthen a structure.

Gutter – A channel at the eaves for conveying away rain water to a downspout.

Gypsum board – See Drywall

Hardware – The hinges, locks, handles and other metal attachments to doors cabinets and drawers.

Hardwood – The close-grained wood from broad-leaved trees such as oak or maple.

Headers – Double wood pieces supporting joists in a floor or double wood members placed on edge over windows and doors to transfer the roof and floor weight to the studs.

Heel – The end of a rafter that rests on the wall plate.

Plates – Pieces of wood placed on wall surfaces as fastening devices. The bottom member of the wall is the sole plate and the top member is the rafter plate.

Plenum – A chamber which can serve as a distribution area for heating or cooling systems, generally between a false ceiling and the actual ceiling.

Pointing – Treatment of joints in masonry by filling with mortar to improve appearance or protect against weather.

Porcelain Enamel – The typical finish of cook tops and other appliances. Refer to the booklets furnished by the manufacturers for proper maintenance and care.

Post and Beam Construction – Wall construction in which beams are supported by heavy posts rather than many smaller studs.

Post-Tension Slab – The concrete slab in your unit is under tension from stretched steel cables that run horizontally through the slab. The tension from the cables strengthens the slab and prevents serious cracking. Severe damage to the slab can result if the cables are cut. Therefore, DO NOT drill or cut into your concrete slab more than ¾ of an inch.

Prefabrication – Construction of components such as walls, trusses, or doors, before delivery to the building site.

Rabbet – A groove cut in a board to receive another board.

Radiant Heat – Coils of electricity, hot water or steam pipes embedded in floors, ceilings, or walls to heat rooms.

Rafter – One of a series of structural roof members spanning from an exterior wall to a center ridge beam or ridge board.

Reinforced Concrete – Concrete strengthened with wire or metal bars.

Request for Service – A form used by the homeowner to request service under the terms of the Limited Warranty. All such requests should be in writing and on the proper form. Only those items covered by the Limited Warranty should be listed.

Return Air Vent – The heating and air conditioning system requires return air vents to draw air back into the system. These vents look like regular air vents, but bigger.

Ridge Pole – A thick longitudinal plank to which the ridge rafters of a roof are attached.

Ridging – A filled joint in drywall which becomes visible due to natural expansion and contraction of the materials.

Riser – The upright piece of a stair step, from tread to tread.

Roof Sheathing – Sheets, usually of plywood, which are nailed to the top edges of trusses or rafters to the roof together and support the roofing material.

Sash – The movable part of a window- the frame in which panes of glass are set in a window or door.

Scuttle Hole – A small opening either to the attic, to the crawl space or to the plumbing pipes.

Sealant – Commercial products that are used to seal porous materials or gaps between materials from the invasion of moisture.

Septic Tank – A sewage settling tank in which part of the sewage is converted into gas and sludge before the remaining waste is discharged by gravity into a leaching bed underground.

Shakes – Hand cut wood shingles.

Sheathing – The first covering of boards or material on the outside wall or roof prior to installing the finished siding or roof covering.

Shim – Thin tapered piece of wood used for leveling or tightening a stair or other building

Vapor Barrier – Material such as paper, metal or paint which is used to prevent vapor from passing from rooms into the outside walls.

Venetian Window – A window with one large fixed central pane and smaller panes at each side.

Vent Pipe – A pipe which allows gas to escape from plumbing systems.

Verge – The edge of tiles, slates or shingles, projecting over the gable of a roof.

Vitreous China – the material that is used in most toilet bowls, tanks, and sometimes in bathroom sinks. It is very durable and impervious to water but can be broken by sharp blows from hard objects.

Wainscoting – The lower three or four feet of an interior wall when lined with paneling, tile or other material different from the rest of the wall.

Walk-through inspection – At this event, you and a Customer Service Representative record the condition of your unit. For more information, refer to the Customer Service section.

Wallboard – See Drywall

Wall Sheathing – Sheets of plywood, gypsum board, or other material nailed to the outside face of studs as a base for exterior siding.

Weather Stripping – Metal, wood, plastic or other material installed around door and window openings to prevent air infiltration.

Weep holes – Small holes in door and window frames that allow water to drain out. They shall be kept free of dirt and debris.

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**WESTLAKE VILLAS
COMMUNITY ASSOCIATION**

HANDBOOK

And

RULES & REGULATIONS

May 18, 2005

Supersedes: January 2005

WHAT IS A HOMEOWNER'S ASSOCIATION?

It is a nonprofit corporation registered with the State of California and managed by a duly elected Board of Directors. Its purpose is to maintain all common areas and to make the community an enjoyable place to live.

WHAT ARE THE CC&R'S?

The recorded Declaration of Covenants, Conditions and Restrictions, commonly referred to as CC&R'S, are the guidelines established for the Common Interest Community. These guidelines usually cannot be changed without a specified majority vote. This change then becomes an amendment and is recorded with the County Recorder's office. Failure to abide by the CC&R'S may result in a fine if the Board determines a violation has occurred. You should carefully review the CC&R'S.

WHAT ARE THE BYLAWS?

The Bylaws are the adopted guidelines and rules established for the operation of the Homeowner's Association. These Bylaws aid in the election of the Board of Directors, define duties and responsibilities of the Board and Officers and set other specifics that are necessary to properly operate the Association. You should carefully review the Association's Bylaws.

WHAT ARE DEFINED AS COMMON AREAS AND FACILITIES?

The common areas and facilities for which the Association is responsible generally include the unit exteriors and roofs, private streets, garage driveways, landscaping, clubhouse, pool, barbecues, exercise room, fences, walls, signs, site lights and the like.

The "exclusive use common areas," which are set aside for the exclusive use of the occupants of the units, include the balconies and patio areas. These areas are to be kept in a neat and clean condition at all times. In addition, each owner shall be responsible for the cleaning, maintenance and replacement of windows and doors, garage doors, fireplace/flue, air conditioning equipment and other utilities that serves the unit and the interior of a garage, including the automatic opener, if any.

WHAT IS THE BOARD OF DIRECTORS?

The Homeowner's Association is a corporation by law; therefore, a governing body is needed. The Board of Directors is the elected governing body of the community. These directors create the rules and regulations for enforcement within the community, ensure that money is being properly budgeted and spent and work with the management company to maintain Association common areas.

The Board of Directors usually organizes several committees to aid in decision making including, but not limited to: Activities Committee, Rules Committee, Architectural and Landscaping Committees, Nominating and Election Committees, etc.

WHO MAKES UP THE BOARD OF DIRECTORS?

It is not uncommon for the initial Board of Directors to consist of representatives from the development company. This is done to adequately protect the interests of the individuals holding the majority ownership of the project, especially when the project entails several phases.

However, the positions on this Board are held only until there are enough closings to hold an election. This usually happens within six to twelve months from the first closing. At that time, the homeowners will have an opportunity to elect peer representatives to the Board.

WHEN DOES THE BOARD OF DIRECTORS HOLD MEETINGS?

The Bylaws for each Association indicate the frequency of the Board meetings. Board meetings are open to all homeowners, but the Board has the right to limit the amount of participation by individual homeowners.

Board meeting dates are sometimes set month to month, with the exact date being determined by the Board. Depending upon the amount of business to be transacted, Board meetings may occur only once a quarter.

WHAT IS MY ASSESSMENT?

The assessment is the monthly installment of the annual assessment due from each homeowner. This assessment is used to maintain the property that is commonly owned or controlled by the Association. The annual assessment is based upon the estimated expenses required to operate the Association and maintain the common areas and facilities (budget). Only homeowners are assessed; renting tenants are not billed.

HOW IS THE AMOUNT OF MY ASSESSMENT DETERMINED?

The Department of Real Estate requires a pro-forma operating budget be submitted from the developer for the first year's operation of the Association. This budget is reviewed by the Department of Real Estate, utilizing their guideline figures, for all common areas and facilities under the responsibility of the Association. The budget is divided into two sections: the Operating accounts for monthly expenses such as utilities, landscaping, etc., and the Reserve accounts for the replacement and maintenance of components such as roofing, paving, painting, etc. These amounts are difficult to predict accurately; however, even if accurately estimated initially, these amounts can increase with the age of facilities and increased costs of living. Additional cumulative budgets for proposed additional units and common areas for future phases have also been prepared and reviewed by the Department of Real Estate.

WILL MY ASSESSMENT GO UP?

The assessments may increase after the first year due to unforeseen changes in the operations and cost increases for utilities and services. Your Board of Directors will prepare a new budget each year to reflect changes and cost increases or decreases. The Board must obtain a majority vote of the members to increase the budget more than 20% from the prior year's budget.

WHAT HAPPENS IF I DON'T PAY MY ASSESSMENT?

The CC&R'S state that not paying the monthly assessment will result in the homeowner being subject to late fees and interest. Additionally, if there is no payment from the homeowner within the time frames set forth in the Association's "Assessment Collection Policy," a lien can be filed which could eventually result in foreclosure of your unit.

A homeowner may also lose their Association privileges (use of the pool and clubhouse, voting rights and the like) as a result of failure to pay their dues in a timely manner. Remember that all owners share in the responsibility of assuring payment to the Association so that the property can be properly maintained. **Be sure to closely review the Association's adopted Assessment Collection Policy.**

WHAT IS A MANAGEMENT COMPANY AND WHAT DOES IT DO?

A Management Company is hired to act as the agent for the Homeowner's Association. Typical responsibilities include:

Assessment Collection: Collection of current and delinquent assessments.

Oversee Subcontractors: Overseeing and working with the landscape maintenance company, pool service, cleaning services, street sweepers, and the like, which are hired by the Association. The Management Company does not perform these services; it acts in an overseeing capacity only.

Accounting: Processing Association payables and receivables, reconciliation of accounts, and submitting monthly financial reports to the Board.

Communication: Providing information from the Board and Management to homeowners, as well as communication between homeowners through newsletters or mailings.

Architectural Approval: Coordination and tracking of approval applications submitted for alterations or improvements.

Problem Solving: Working with the Board of Directors to interpret and enforce the CC&R'S, Bylaws and Rules and Regulations of the Association and responding to homeowners' requests regarding the common areas and the operation of the Association.

IF I WANT TO MAKE ADDITIONS TO MY UNIT OR MAKE NOTICEABLE CHANGES, WHAT DO I NEED TO KNOW?

Each Association has governing regulations concerning additions or changes to the exterior of any premise. Depending upon nature of the change or addition, the regulations may apply to the hanging chimes, hanging plants on patios, installation of fences or railings, television satellites, building a pet enclosure, etc. **The Board of Directors must approve all exterior changes.** If a homeowner completes an exterior change without Board approval, the owner may be asked to remove the item or change it to conform to the rulings of the Board. These governing regulations are set up to maintain the overall appearance of the community and protect the property values.

WHOM DO I CONTACT?

1) Interior Home

You are responsible for maintaining the interior of your unit, including interior doors, walls, cabinets, appliances and all electrical, heating, plumbing and other utility fixtures situated inside the unit or exclusively serving the unit. Each owner shall periodically clean and maintain their windows. In addition, you are responsible for any pest control within your unit and the repair and replacement of any smoke detectors or fire sprinklers. You are also responsible for maintaining the your "Exclusive Use Area" (entry, patio and/or balcony) in a neat and clean condition.

2) Common Area Problems

Problems or complaints concerning common area maintenance or usage should be submitted through the Management Company. As the Homeowner's Association matures, committee chairs may be set up to monitor complaints and aid in the timely correction of any problem area.

3) Problems With Neighbors

Hopefully this will not occur, however, sometimes there does develop a problem with a neighbor over the parking of vehicles, loud and excessive noise, animals, etc. These complaints are considered to be neighbor-to-neighbor issues and every effort should be made to resolve the issue with your neighbor. If this does not resolve the issue, Management should be notified **in writing**. The Management Company, in turn, will send a notice regarding the violation or disturbance and enforce, through the Board of Directors, any applicable penalties. Additionally, enforcement may require the notification of local police.

4) Utility, Water, Gas and Fire Problems

Depending upon the nature of the problem or emergency, contact the appropriate agency **FIRST**. It is best to receive immediate service in the event of these types of problems, and of course, in the event of an emergency. The Management Company should also be made aware of these situations, as it helps monitor recurring problems. Occasionally, a frequently recurring problem denotes a single major problem. Be sure to keep handy the emergency telephone numbers for the local companies and official agencies.

- 5) Warranty Questions: Professional Home Warranty Services, Inc.
1-800-523-7246

(Continued)

WESTLAKE VILLAS COMMUNITY ASSOCIATION RULES AND REGULATIONS

A. PREAMBLE

A-1. The authority for the Board of Directors to form and enforce rules and regulations is provided by the Declaration of Covenants, Conditions and Restrictions under Article 4.2.7. A copy of this Declaration was required to have been provided to each owner at the time of purchase of their condominium unit.

A-2. The Board of Directors may create a Rules and Regulations Advisory Committee. The duty of this committee is to advise the Board of Directors regarding the Rules, the Bylaws and the Declaration of Covenants, Conditions and Restrictions.

A-3. The Management Company of the **Westlake Villas Community Association** has been instructed by the Board of Directors to require the compliance of all persons on Association properties with the provisions of all Rules, the Bylaws and the CC&R'S. In the instance of a person violating the Rules, the Bylaws or the CC&R'S, the Management Company has further been instructed to do any of the following:

- a) Obtain names and addresses of violators and report to the Board of Directors.
- b) Write violation letters to the appropriate parties
- c) Call violators before the Board for disciplinary hearings.
- d) Call upon a law enforcement agency for assistance.

A-4. The Rules, as contained herein, are issued by the Board of Directors. They are supplemental to the Declaration of Covenants, Conditions and Restrictions. If there is any conflict, the provisions of the Declaration will prevail.

The Rules are intended as a guide to the conduct and activities of all members, lessees and residents of the **Westlake Villas Community Association** and their guests, to the end that everyone living in and using the facilities will enjoy the maximum pleasure without annoyance or interference from others. Strict observance and adherence is urgently requested by the Board of Directors.

B. COMMUNITY RELATIONS

B-1. REGISTRATION All members and residents must be registered with the Association through the Management Company.

- a) Association members are those individuals owning a condominium unit.

B. COMMUNITY RELATIONS (Cont.)

- b) Residents are defined as persons who live in the Westlake Villas community. Owners leasing their unit(s) retain their voting right in the Association but assign the use of all common facilities of the community to the lessee of their unit(s). The lessee assumes the privileges and responsibilities of membership as hereinafter stated, but does not have a voting right. The vote belongs only to the owner. Non-resident owners are not permitted to use any common area facilities when so assigned to a lessee except as a guest of a resident.
- c) The lease or rental agreement must be in writing and shall be subject to the CC&R'S and adopted rules.

B-2. GUEST

- a) Guest/s must be accompanied by a host or hostess resident of the Association when using the facilities of the Association.
- b) It is the right and duty of each resident to question the presence of any person who appears to be trespassing and/or advise the Association or Management Company regarding the situation.

B-3. COMMON AREA DAMAGE Members, lessees and residents are responsible for payment of all cost of repairs for all damage to the Association's property caused by themselves, members of their families or their guests.

B-4. NEIGHBORLY CONDUCT

- a) All activities, whether individual or group, shall be conducted at a noise level that is reasonable and not disturbing to other Association residents. Each owner or resident is responsible for the conduct and behavior of their children, guest/s, and any visiting children and for any property damage caused by such persons. No loud power equipment, hobby shops or carpenter shops shall be operated or conducted in a unit, garage or common areas without the prior written consent of the Board.
- b) Vehicles, toys, or bicycles are not allowed to be parked or placed so they block or interfere with pedestrian traffic on the sidewalks. The placement of unattended bicycles, tricycles, play toys, or other equipment anywhere in the front of a unit or areas visible from adjoining units is prohibited.

B-5. SIDEWALKS Community sidewalks are to be utilized for ingress or egress only from building and units. They shall not be obstructed in any manner or used for any other purpose, including placement of barbecues, storage, etc.

B-6. EXTERIOR SIGNAGE One sign of customary and reasonable dimensions advertising the unit for sale, lease, rent or exchange may be displayed in the window of a unit or other area designated by the Association.

B. COMMUNITY RELATIONS (Cont.)

B-7 PATIOS/BALCONIES

- a) Patios/Balconies are not to be used for storage of any type including bicycles, laundry, miscellaneous storage, etc.
- b) No Owner shall be permitted to place or use any flammable material, wood, **gas** or charcoal-burning device on his Patio or Balcony or in the garage. Briquette barbecues are available for resident use throughout the community and there is a large gas barbecue at the pool.
- c) Plant containers placed on balconies or patios may not obstruct walkways and must have a drip or overflow pan that prevents water from leaking. Plant containers must be placed on a raised platform or footing to allow air circulation under the overflow pan and must be moved at least once every three months to avoid dry rot. Planters/pots must be of a neutral color and in good repair and plants must be alive and maintained and may not be attached to or supported in any way to the Condominium Building.
- d) Patio furniture designed for exterior use may be placed on patios or balconies. Umbrellas (placed on patios only) must be noncommercial, of a neutral color and in good repair.
- e) Patios/Balconies shall be considered as an aesthetic addition to the buildings and utilized in good taste so as to be generally attractive and inoffensive (as determined by the Board) to other residents. Residents are responsible for keeping patio/balcony areas clean and attractive.

B-8. COMMON AREA SYSTEMS Common area time clocks and lighting systems are to be adjusted and/or set by authorized personnel only.

B-9. PARKING Vehicle parking within the community is severely limited and these rules are provided to help clarify parking regulations:

- a) Each Unit shall always have one exclusive use garage conveyed with title to the Unit.
- b) Garages must be utilized for the parking of the resident's authorized **operable and registered** vehicle(s) to its full capacity. Garage doors are to remain in a closed position except as necessary to permit ingress and egress of vehicles or while the owner is present, to clean or work in the garage area. The garage or street are not for vehicle storage.
- c) Residents shall not park in the designated visitor spaces.
- d) Residents shall not park in such a manner as to restrict the passage of pedestrians or vehicle over driveways, streets or sidewalks. Residents shall not park in front of garage doors or driveways.
- e) Residents shall not park in the designated handicapped spaces or fire lanes in violation of the state laws.

B. COMMUNITY RELATIONS (Cont.)

B-9. PARKING (Cont.)

- f) No Owner shall be permitted to park more than two (2) vehicles within the community.
- g) **NO TRAILER, CAMPER, MOBILE HOME, COMMERCIAL VEHICLE, TRUCK (OTHER THAN A STANDARD SIZE PICKUP TRUCK), INOPERABLE AUTOMOBILE, OR SIMILAR EQUIPMENT SHALL BE PERMITTED TO REMAIN UPON ANY AREA WITHIN THE PROPERTY, OTHER THAN TEMPORARILY.**
- h) Commercial vehicles shall not include sedans or standard size pickup trucks that are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board.
- i) No noisy, smoky or off-road unlicensed or unlicensed vehicles shall be operated upon the Property.
- j) Should open parking spaces be full and not be available to additional vehicles, these vehicles shall be parked outside of the community.
- k) Vehicles may be ticketed or towed without notice at the vehicle owner's expense if parked in a handicapped space, fire lane, in front of a garage door or otherwise impeding vehicular or pedestrian traffic.

B-10. ANTENNAS No television aerial, microwave or satellite dishes, or connections shall be installed, erected or constructed on any separate interest or Exclusive Use Common Area without the prior written notification to the Board. No television aerial, microwave or satellite dishes, or connections shall be installed, erected or constructed on Common Area (other than Exclusive Use Common Area) without prior written consent from the Board. Satellite dishes may not be attached to balcony railings nor they be attached to any exterior building surface.

B-11. MOVING Members are responsible for payment of all costs incurred for repair or damage done to Association common property during move-in or move-out activities.

B-12. GATES The community has restricted access through the privacy gates located at the pool. No owner shall give the access code or an automatic controller to a non-resident.

B-13. PETS Two normal and customary household pets such as dogs, cats, fish or birds may be maintained within a unit under the following conditions:

- a) Whenever pets are outside of the resident's Unit, they must be on leash and under full control of the owner.
- b) Residents must clean up after their pets.
- c) Residents shall be responsible for any personal injury or property damage caused by their pets.

B. COMMUNITY RELATIONS (Cont.)

B-13. PETS (Cont.)

- d) Pets emitting excessive noise, or in any manner unduly disturbing other residents, may be removed from the premises of the Association by order of the Board of Directors after notice and a hearing.
- e) Pets are not allowed within the confines of the pool-patio area or clubhouse areas.
- f) No pets of any kind shall be raised or bred in any Unit or portion of the community.
- g) No animal of any type shall be kept on the patio or balcony of any Unit.

B-14. SPEED LIMIT The maximum speed limit within the confines of **Westlake Villas** is 10 MILES PER HOUR.

B-15. TRASH CONTAINERS

- a) All trash containers must be stored within the enclosed garage of each Unit. Containers may never be stored anywhere within the Common Area.
- b) Residents are responsible for placing their trash containers out for collection no earlier than the evening before pickup. Empty cardboard boxes and other oversized debris must be flattened and placed in the refuse containers or removed from the community by the resident.
- c) Trash containers shall be returned to the garage on the same day as they are emptied by the trash collection agency

B-16. ARCHITECTURAL CONTROL

- a) The Board of Directors has, or will develop, guidelines concerning exterior changes to your Unit. These guidelines will conform to the CC&R'S of the Association. The purpose of these guidelines is to provide the required information and forms regarding any exterior changes and modifications to the home so the Committee may render a decision.
- b) The Board of Directors is responsible for approving any structural alterations to the interior of your Unit, Association Property or Common Area surrounding any Unit. No plumbing or electrical work within any weight-bearing or common walls (except for emergency repairs) shall be performed by any Owner without the prior written approval of the Board of Directors.
- c) No, fence, wall, obstruction, screen, awning, or structure of any kind shall be commenced, erected or maintained upon the Property, including the Exclusive Use Common Areas, nor shall any alteration, attachment or improvement of any kind be made thereto until the same has been approved in writing by the Board.

B. COMMUNITY RELATIONS (Cont.)

B-16. ARCHITECTURAL CONTROL (Cont.)

- d) When applying for approval, please send as much information as you can, including but not limited to the following items:
 - 1. Completed Application Form (available from Management Office).
 - 2. Exact location. Use a scale drawing if applicable.
 - 3. State nature, kind, shape, color, size, materials, composition and description.
 - 4. Photo, sketch or copy of an advertisement or facsimile.
 - 5. Contractor's name or company making the item etc.
 - 6. Two (2) sets of plans (11" x 17").
 - 7. Please send all applications for approval to Management

Please remember that you must get written approval BEFORE making any changes.
- e) Alterations, additions or modifications made to the exterior surfaces of your Unit must have prior written approval from the Board of Directors. These include gutters, wind chimes, sun screens, windows, screen doors, bamboo blinds, lattices, antennas, garage doors, etc.
- f) Any alterations that do not have prior written approval of the Board of Directors will be removed by the homeowner and the area restored to its original condition. Should the homeowner fail to comply, the Association will arrange for the work to be contracted out and billed to the homeowner. Bills not paid are subject to lien.
- g) In addition, the Board of Directors may also assess fines of not more than \$100 per day for non-compliance of Board requirements to have non-approved alterations restored to their original condition.

B-17. BUSINESS ACTIVITIES Business activities that are prohibited and permitted are defined in Article 2.2 of the CC&Rs. Personal garage sales are specifically prohibited.

B-18. WINDOW COVERINGS In order to maintain the uniform aesthetic attractiveness of the Association, residents are required to ensure that all window treatments visible from the outside be similar in style and color to those originally installed by the Developer. Owners are responsible for maintaining the window coverings in a clean and neat appearance. No newspapers, sheets, reflective screening, aluminum foil or other non-standard window coverings are allowed on the windows. Air conditioners/fans may not be placed in a window.

B-19. CLOTHESLINES

- a) No exterior clotheslines or other outside clothes drying or airing facility shall be erected or maintained on the property in any location.
- b) No clothes washers, clothes dryers, refrigerators or freezers may be kept, stored or operated on any balcony, patio, porch or other exterior area.

B. COMMUNITY RELATIONS (Cont.)

B-20. POWER EQUIPMENT AND CAR MAINTENANCE

- a) No power equipment, work shops or car maintenance of any nature shall be permitted on the community, including within an Owner's Unit or garage, without the prior written approval of the Board.

B-21. DRAINAGE No Owner shall perform any act or construct any improvement which would interfere with the natural or established drainage systems or patterns within the community without the written consent of the Board.

B-22. SPORTS APPARATUS, TOYS Etc. No basketball standards, hoops or backboards or other sports apparatus *or* strollers, tents or any other items shall be permitted in the Common Area, exclusive use area or attached to the buildings. Recreational facilities are located in the City maintained park across the street from the community.

B-23. FLAGS A flag of the United States made of fabric, cloth or paper (in good repair) may be displayed within the homeowner's Unit only. Flagpoles or staffs are prohibited.

Posting or displaying of noncommercial signs, posters, flags or banners made of paper, cardboard, cloth, plastic, fabric, wood or metal are permitted and may be posted or displayed from the interior of a window. The size may not exceed 9 square feet for signs and posters and 15 square feet for flags and banners.

Signs, posters, flags or banners may not be placed in the Common Area or on the exterior of any unit.

C. CLUBHOUSE FACILITIES

C-1. RESERVATIONS

- a) The Clubhouse may be used on an exclusive basis by an individual owners upon application and approval of the Association or Management Company. The pool, spa and barbecue area may not be exclusively reserved. The facilities must be left in the same order and state of cleanliness as found. Any maintenance required by the Association will be billed to the owner at actual cost.
- b) The Clubhouse may be used and reserved for private entertaining of the type normally done in a private home or private club, subject to provisions of these rules.
- c) No resident shall directly or indirectly use the Clubhouse facilities for any commercial selling or fund raising activity, nor for meetings or parties of any outside organized groups.
- d) Use and reservations will not be granted unless the resident is personally active and present as host or hostess for the event.

C. CLUBHOUSE FACILITIES (Cont.)

C-2. EXCLUSIVE RESERVATIONS

- a) All requests for exclusive use rental of the Clubhouse must be in writing on the form available from the Management Company **at least two weeks in advance** of your reservation date, and shall require the approval of the Board of Directors or Management Company. The Board may not grant approval if it believes that a reservation for the time requested may unduly interfere with the reasonable use and enjoyment by other residents or otherwise is in contravention of these rules as stated herein.
- b) Exclusive reservations for the Clubhouse shall be noted in the Association or Management Company's reservation book. Reservations shall be made on a first come basis.
- c) Homeowner assessments must be current in order to reserve/rent the Clubhouse.

C-3. DEPOSIT

- a) Charges for use of the Clubhouse shall be established by the Board and as shown on the Reservation Contract Form available from the Management Company.
- b) If the number of guests exceeds 31, there will be additional charges for guard services, for which the member is responsible to arrange and pay.
- c) Payment shall be made no later than one week before the event.
- d) The resident/host will be responsible for kitchen equipment or other equipment used and for all cost incurred for repair of damages to facilities and furnishings by themselves, their guests, their employees or caterers, and for losses of property entrusted to them based on post-party inspection.
- e) A refundable cleaning and security deposit of \$500 shall be deposited with the Management Company and accompany the Reservation Contract Form.
- f) The deposit will be refunded provided the premises has been cleaned and there are no damages.

C-4. Clubhouse Furniture Furniture is not to be moved without the consent of the Association Board or Management Company.

D. SWIMMING POOL / SPA / EXERCISE ROOM / PATIO AREAS

D-1. GUESTS

- a) It is the responsibility of each resident to accompany any guests to the pool-patio and exercise room areas.
- b) The number of guests shall be limited to no more than four persons per unit so that other residents may have reasonable use of the pool-patio facilities at all times.

D. SWIMMING POOL / SPA / EXERCISE ROOM / PATIO AREAS (Cont.)

D-2. CHILDREN Children under 14 may use the pool-patio areas only in accordance with the following schedule and must be accompanied by a resident adult.

D-3. HOURS The pool-patio areas are open between the hours of:

6:00 a.m. – 10:00 p.m. everyday.

D-4. RADIOS Radios, record players and other audio devices are not permitted in the pool-patio areas, unless they are used with earphones.

D-5. SWIMMING/SPA ACTIVITIES

- a) Usual and customary swimming attire is required.
- b) All bobby and hair pins must be removed before entering the pools.
- c) Diving, splashing, ball playing, tag games, cannon-balling, running or boisterous play of any kind are not permitted in the pool-patio areas.
- d) Please use designated footpaths to enter or exit pool area. Do not walk on the common area landscaping.

D-6. CONTAINERS Unbreakable containers only are permitted in the pool-patio areas and must be removed following use. **NO GLASS CONTAINERS.**

D-7. POOL/SPA SERVICE The pools/spas are closed during maintenance services.

D-8. PATIO FURNITURE Patio furniture shall always be returned to the original location and adjustment. Towels should be used to avoid suntan lotions from contacting the surface as this accelerates the wear of the furniture.

THE OWNERS, THE ASSOCIATION, AND MANAGEMENT ARE NOT RESPONSIBLE FOR ACCIDENTS OR INJURIES.

HOMEOWNERS ARE RESPONSIBLE FOR THE ACTIONS OF THEIR TENANTS AND GUESTS. IT IS EVERY RESIDENT'S RIGHT AND RESPONSIBILITY TO OBEY AND TO ENFORCE THESE RULES.

PERSONS WHO REPEATEDLY VIOLATE THE RULES, OR BECOME DELINQUENT IN PAYING HOMEOWNERS DUES, MAY LOSE THEIR POOL PRIVILEGES.

REMEMBER: THE POOL AND SPA ARE FOR THE ENJOYMENT OF ALL RESIDENTS.

E. ENFORCEMENT

Fines: To insure compliance with the above-mentioned guidelines, Homeowners may be fined. Minimum fine amount is \$25.00 and will accrue with the continuation of violations. Fine amounts are to be set by the Board of Directors based on the merits of each violation, but shall not exceed \$500 per incident or per day.

Due Process Requirements: Before the Board imposes any monetary penalties or suspension of membership rights or Common Area use privileges against any member for failure to comply with the Declaration, these Bylaws or the Association Rules, the Board must act in good faith and satisfy each of the following requirements:

1. The member must be given 15 days prior notice of the discipline to be imposed and the reasons for the said discipline. Notice may be given by any reasonable method. If the notice is given by mail, it must be sent by first class or certified mail to the last address of the member as shown on the Association's records.
2. The member must be given an opportunity to be heard, orally or in writing, by the Board. Members shall have the opportunity to present witnesses on the member's behalf and to cross-examine any witnesses that may testify against the member.
3. The member will receive written notice of the Hearing outcome within 15 days of the hearing date.

(Continued)

WESTLAKE VILLAS COMMUNITY ASSOCIATION MEMBERSHIP ASSESSMENT COLLECTION POLICY

All regular assessments are due, in advance, on the first (1st) day of each assessment period and are delinquent if not paid in full and received by mail within fifteen (15) days of the due date. Special Assessments and Special Individual Assessments are due on date(s) specified upon imposition and each installment thereof shall be delinquent if not received within fifteen (15) days after it is due. A late fee will be added monthly to the outstanding and delinquent amounts.

At the option of the Association, interest shall be due on all such amounts, once due and unpaid for thirty (30) days, at the rate of twelve percent (12%) per annum.

If any portion of any such assessment or late charge remains unpaid sixty (60) days after the delinquency date thereof, a "Letter of Intent" to file a Notice of Delinquent Assessment ("Lien") will be prepared and sent to the owner(s) of record. Please be advised that the Association has the right to collect all reasonable costs of collection.

All such amounts, and all other assessments and related charges thereafter due to the Association until all such amounts are paid, must be paid in full. The Association shall not be required to accept any partial or installment payments from the date of the institution of an action to enforce the payment of delinquent amounts to the time that all such amounts are paid in full.

If all such amounts have not been received ninety (90) days after the original due date thereof, a Notice of Delinquent Assessment ("Lien") will be prepared and recorded against the delinquent property and the owner(s) thereof, and all resulting collection fees and costs will be added to the total delinquent amount.

If the outstanding amounts and all associated legal costs are not received by the Association within thirty (30) days from recordation of Notice of Lien, the Association may, without further advance notice, proceed to take any and all additional enforcement remedies as the Association, in its sole discretion, deems appropriate, including, without limitation, non-judicial foreclosure of such Lien, judicial foreclosure, or suit for money damages, all at the expense of the property owners.

All payments received by the Association, regardless of the amount paid, will be directed to the oldest assessment balances first, until which time all assessment balances are paid, and then to late charges, interest and costs of collection unless otherwise specified by written agreement.

The Association shall charge a "returned check charge" of thirty dollars (\$30) for all checks returned as "non-negotiable," "insufficient funds" or any other reason.

All above-referenced notices will be mailed to the owner(s) of record at the last mailing address provided in writing to the Association by such owner(s).

The Board of Directors of the Association may revise this policy, either generally or on a case-by-case basis, if it finds good cause.

All assessments are to be made payable to your Association and mailed to P.O. Box 13280, Sacramento, CA 95813. Membership assessments may not be delivered to Board Members or Kocal Management Group, Inc. The mailing address for overnight payment of assessments is Western Sierra Bank, 1545 River Park Dr. Suite 200, Sacramento, CA 95815, Attention: Cash Management.

MINUTES OF THE BOARD MEETINGS

Members may receive copies of the Association Board meeting minutes by requesting same, in writing, from the Association Manager. There is a minimal copying charge for this service.

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND NONJUDICIAL FORECLOSURE

The failure to pay association assessments may result in the loss of an owner's property without court action, often referred to as nonjudicial foreclosure. When using nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the unpaid lien. Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time. (Sections 1366 and 1367.1 of the Civil Code)

In a nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Sections 1366 and 1367.1 of the Civil Code)

The association must comply with the requirements of section 1367.1 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 1367.1 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the Association must provide the owner of record with certain documents by certified mail. Among these documents, the Association must send a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has the right to review the association's records to verify the debt. (Section 1367.1 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 1367.1 of the Civil Code)

The collection practices of the Association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the Association is required to provide it. On the receipt, the Association must indicate the date of payment and the person who received it. The Association must inform owners of a mailing address for overnight payments. (Sections 1367.1 of the Civil Code)

An owner may dispute an assessment debt by giving the Board of the Association a written explanation, and the Board must respond within 15 days if certain conditions are met. An owner may pay in full any assessments that are in dispute, under protest, and then request alternative dispute resolution. (Sections 1366.3 and 1367.1 of the civil Code)

An owner is not liable for charges, interest and costs of collection, if it is established that the assessment was paid properly on time. (Section 1367.1 of the Civil Code)

OWNER MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share may request the Association to consider a payment plan to satisfy a delinquent assessment. The Association must inform owners of the standards for payment plans, if any exist. (Section 1367.1 of the Civil Code)

The Board of Directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform to the payment plan standards of the association, if they exist. (Section 1367.1 of the Civil Code)

The following summary of the Association's policies of insurance provides only certain information, as required by subdivision (3) Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.