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**MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS AND RESERVATION
OF EASEMENTS FOR
RUSSELL RANCH**

**ARTICLE XII OF THIS MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS AND RESERVATION OF
EASEMENTS REQUIRES, AMONG OTHER THINGS, THAT CERTAIN
DISPUTES BE RESOLVED THROUGH BINDING ARBITRATION OR
JUDICIAL REFERENCE AND NOT BY A JURY TRIAL.**

**MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
RUSSELL RANCH**

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
ARTICLE I DEFINITIONS AND INTERPRETATION.....	2
1.1. Definitions.....	2
1.2. Interpretation.....	16
ARTICLE II DEVELOPMENT; LAND CLASSIFICATIONS; ANNEXATION.....	17
2.1. Interpretation of Declarations	17
2.2. Land Classifications.....	17
2.3. Annexation of Annexable Property.....	18
ARTICLE III MASTER ASSOCIATION PROPERTY AND MASTER ASSOCIATION MAINTENANCE AREAS; USES AND RESTRICTIONS	20
3.1. Owners' Rights of Enjoyment.....	20
3.2. Delegation of Use.....	22
3.3. Parking and Traffic Control	22
3.4. Easements for Pedestrian and Vehicular Traffic.....	23
3.5. Waiver of Use	23
3.6. Title to the Master Association Property and Master Association Maintenance Areas.....	23
3.7. Taxes	25
3.8. Easements.....	25
3.9. Regular Inspection	28
ARTICLE IV MASTER ASSOCIATION.....	29
4.1. Organization.....	29
4.2. Membership	29
4.3. Specified Actions	31
4.4. Board of Directors.....	32
ARTICLE V FUNCTIONS OF MASTER ASSOCIATION	33
5.1. Permitted Functions	33
5.2. Powers and Duties.....	34
5.3. Rules and Regulations.....	38
5.4. Prohibited Activities	38
ARTICLE VI FUNDS AND ASSESSMENTS.....	39
6.1. Obligation.....	39
6.2. Maintenance Funds	39
6.3. Disbursements.....	40

6.4.	Damage or Neglect.....	40
6.5.	Common Assessments	41
6.6.	Commencement of Common Assessments.....	41
6.7.	Limitations on Common Assessment and Cost Center Assessment Increases	43
6.8.	Capital Improvement Assessments	46
6.9.	Exempt Property.....	46
6.10.	Remedies of the Master Association.....	46
6.11.	Enforcement of Liens.....	48
6.12.	Mortgage Protection-Liens.....	49
6.13.	Priority of Assessment Lien	49
6.14.	Alternative Dispute Resolution	49
6.15.	Receivers	49
ARTICLE VII USE RESTRICTIONS		50
7.1.	Single Family Use	50
7.2.	Business or Commercial Activity	50
7.3.	Improvements.....	51
7.4.	Landscaping	52
7.5.	Parking and Vehicular Restrictions.....	53
7.6.	Satellite Dishes and Antennae.....	55
7.7.	Insurance Rates	56
7.8.	No Further Subdivision	56
7.9.	Signs.....	56
7.10.	Animal Regulations.....	57
7.11.	Nuisances	57
7.12.	Exterior Maintenance and Repair	58
7.13.	Controlled Access Facilities; Pedestrian Gates.....	60
7.14.	Drainage	60
7.15.	Water and Sewer Systems.....	60
7.16.	No Hazardous Activities	61
7.17.	Unsightly Articles; Exterior Fires	61
7.18.	Trash.....	61
7.19.	Windows	61
7.20.	Temporary Prefabricated Structures/Dumpsters	61
7.21.	No Mining or Drilling	62
7.22.	Improvements and Alterations	62
7.23.	Solar Heating Systems	62
7.24.	Views	62
7.25.	Rights of Handicapped	62
7.26.	Party Walls.....	62
7.27.	Damage to Lots/Units-Reconstruction.....	63
7.28.	Toxic or Noxious Matter; Disposal of Toxic and Hazardous Waste Products; Erosion and Drainage Control	63
7.29.	NPDES Requirements.....	63
7.30.	Prohibited Improvements and Activities.....	64
7.31.	Sideyard Easement Areas.....	65

7.32.	Solar Facilities; Shading Restrictions	67
ARTICLE VIII ARCHITECTURAL CONTROL OF COMMUNITY		69
8.1.	Members of Master Design Review Committee.....	69
8.2.	Rights of Appointment.....	70
8.3.	Review of Construction Activities by Master Design Review Committee	70
8.4.	Applications to Master Design Review Committee.....	71
8.5.	Meetings of the Master Design Review Committee	74
8.6.	No Waiver of Future Approvals.....	74
8.7.	Compensation of Members	74
8.8.	Correction of Defects	74
8.9.	Scope of Review	75
8.10.	Variances.....	76
8.11.	Pre-Approvals	76
8.12.	Maintenance and Repair.....	76
8.13.	Appeals.....	76
8.14.	Review of Construction Activities by a Neighborhood Association Design Review Committee	77
ARTICLE IX DESTRUCTION OR CONDEMNATION		77
9.1.	Damages by Owners or Neighborhood Associations.....	77
9.2.	Repair of Damages.....	77
9.3.	Condemnation	78
9.4.	Notice to Owners and Listed Mortgagees.....	78
ARTICLE X DECLARANT AND MERCHANT BUILDER EXEMPTION		78
10.1.	Interest of Declarant.....	78
10.2.	Exemptions.....	80
10.3.	Easement Relocation.....	81
10.4.	Power of Attorney	81
ARTICLE XI INSURANCE.....		83
11.1.	Casualty Insurance	83
11.2.	Insurance Obligations of Owners.....	83
11.3.	Waiver of Subrogation	84
11.4.	Liability and Other Insurance.....	84
11.5.	Notice of Expiration Requirements.....	85
ARTICLE XII DISPUTE RESOLUTION.....		85
12.1.	Definition of Declarant Parties	85
12.2.	Disputes Subject to this Article.....	85
12.3.	Dispute Resolution Procedures for Disputes Between the Master Association and a Member Pursuant to California Civil Code Section 5900.....	86
12.4.	Dispute Resolution Procedures for Enforcement Actions Under California Civil Code Section 5925	87

12.5.	Small Claims Disputes	87
12.6.	Master Association Claims	87
12.7.	Owner Claims	89
12.8.	Mandatory Binding Arbitration.....	90
12.9.	Judicial Reference	93
12.10.	Construction Defect Litigation.....	95
ARTICLE XIII MISCELLANEOUS		96
13.1.	Term and Termination.....	96
13.2.	Amendments	96
13.3.	Mortgagee Protection-General	98
13.4.	Notices.....	100
13.5.	Enforcement and Non-Waiver	101
13.6.	No Public Right of Dedication.....	103
13.7.	Disclosures	103
13.8.	Standard of Care; Nonliability	111
13.9.	Enforcement of Certain Bonded Obligations.....	112
13.10.	Joint Ownership	113
EXHIBIT "A"	- LEGAL DESCRIPTION OF RESIDENTIAL AREA IN FIRST SUBDIVISION	
EXHIBIT "B"	- LEGAL DESCRIPTION OF ANNEXABLE PROPERTY	
EXHIBIT "C"	- LEGAL DESCRIPTION AND/OR DEPICTION OF THE MASTER ASSOCIATION PROPERTY AND MASTER ASSOCIATION WALLS IN FIRST SUBDIVISION	
EXHIBIT "D"	- LEGAL DESCRIPTION AND/OR DEPICTION OF THE MASTER ASSOCIATION MAINTENANCE AREAS IN FIRST SUBDIVISION	
EXHIBIT "E"	- LEGAL DESCRIPTION AND/OR DEPICTION OF THE NEIGHBORHOOD ASSOCIATION PROPERTY IN FIRST SUBDIVISION	
EXHIBIT "F"	- ARTICLES OF INCORPORATION OF MASTER ASSOCIATION	
EXHIBIT "G"	- BYLAWS OF MASTER ASSOCIATION	
EXHIBIT "H"	- COST CENTER IN FIRST SUBDIVISION	
EXHIBIT "I"	- SIDEYARD EASEMENT AREAS IN FIRST SUBDIVISION	
EXHIBIT "J"	- FUEL MODIFICATION ZONES IN FIRST SUBDIVISION	
EXHIBIT "K"	- SLOPE EASEMENT AREAS IN FIRST SUBDIVISION	

**MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
RUSSELL RANCH**

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR RUSSELL RANCH ("**Master Declaration**") is made by TNHC RUSSELL RANCH LLC, a Delaware limited liability company ("**Declarant**"), and THE NEW HOME COMPANY NORTHERN CALIFORNIA LLC, a Delaware limited liability company ("**Initial Merchant Builder**"). Except as otherwise specified herein, the capitalized words and phrases used in this Master Declaration shall have the meanings specified in Article I hereof.

P R E A M B L E:

A. Initial Merchant Builder is the owner and developer of certain real property in the City of Folsom, County of Sacramento, State of California, more particularly described in **Exhibit "A"** and **Exhibit "C"** attached hereto and incorporated herein.

B. Declarant is the master developer of the master planned community located in the City of Folsom, County of Sacramento, commonly known as "Russell Ranch". The Community will be developed with a common development plan and objectives designed to preserve the value of and to benefit all the property within the Community and all owners thereof. The common development plan imposes reciprocal burdens and benefits on all of the Community, such that each portion and the entirety of the Community are both burdened by the provisions of this Master Declaration for the benefit of each other portion of the Community, and benefited by the burdens imposed on each other portion of the Community.

C. Declarant and Initial Merchant Builder deem it desirable to create a "master planned community" (as defined in Section 2792.32 of Title 10 of the California Code of Regulations) which is also a common interest development pursuant to the Davis-Stirling Common Interest Development Act (California Civil Code Sections 4000 *et seq.*), which includes the formation of the Master Association under the Nonprofit Mutual Benefit Corporation Law of the State of California. The Master Association shall be delegated and assigned the powers and functions of (1) owning, maintaining and/or administering, as applicable, the Master Association Property and Master Association Maintenance Areas for the use of its Members and authorized guests, (2) administering and enforcing the Master Association Documents, and (3) collecting and disbursing the Assessments and charges hereinafter created.

D. Declarant and Initial Merchant Builder hereby declare that all of the Community shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the easements, restrictions, covenants, conditions and equitable servitudes contained in this Master Declaration, all of which are for the purpose of preserving and protecting the value, attractiveness and desirability of the Community, in furtherance of a comprehensive plan for the protection, maintenance, subdivision, improvement and sale of the Community, or any portion

thereof, and intended for the collective benefit of the Master Association, Neighborhood Association(s), Owners, Declarant and Merchant Builders. The covenants, conditions, restrictions, reservations, easements, equitable servitudes, liens and charges set forth herein shall (1) run with the Community; (2) be binding upon all persons having any right, title or interest in the Community, or any part thereof, their heirs, successive owners and assigns; (3) inure to the benefit of every portion of the Community and any interest therein; (4) inure to the benefit of and be binding upon Declarant, the Merchant Builders and their successive owners and each Owner and his or her respective successors-in-interest; and (5) may be enforced by Declarant, any Merchant Builder, any Owner or the Master Association.

ARTICLE I DEFINITIONS AND INTERPRETATION

1.1. **Definitions.** As used in this Master Declaration (including in the above Preamble), the following capitalized words and phrases have the following meanings:

1.1.1 **Annexable Property.** Annexable Property means the real property described in *Exhibit "B,"* all or any portion of which property may be made subject to this Master Declaration pursuant to the provisions of Article II hereof.

1.1.2 **Annexed Territory.** Annexed Territory means the real property added to the Community by Declarant or a Merchant Builder by the Recording a Supplemental Declaration or Notice of Annexation.

1.1.3 **Applicable Design Guidelines.** Applicable Design Guidelines means either (i) the Neighborhood Association Design Guidelines adopted by a Neighborhood Association, if a Construction Activity is conducted on or in connection with a Lot or Condominium that is subject to the jurisdiction of a Neighborhood Association Design Review Committee under a Neighborhood Declaration or (ii) the Master Design Guidelines, if the Construction Activity is not subject to the jurisdiction of a Neighborhood Association Design Review Committee.

1.1.4 **Applicable Design Review Committee.** Applicable Design Review Committee means either (i) a Neighborhood Association Design Review Committee, if a Construction Activity is conducted on or in connection with a Lot or Condominium that is subject to the jurisdiction of a Neighborhood Association Design Review Committee under a Neighborhood Declaration or (ii) the Master Design Review Committee, if the Construction Activity is not subject to review by a Neighborhood Association Design Review Committee.

1.1.5 **Articles.** Articles means the Articles of Incorporation of the Master Association initially in the form of *Exhibit "F"* attached hereto, as amended from time to time.

1.1.6 **Assessment(s).** Assessment(s) means Common Assessments (including any Cost Center Assessments), Capital Improvement Assessments, Reconstruction Assessments and/or Special Assessments.

1.1.7 **Best Management Practices/BMPs.** Best Management Practices or BMPs means the water quality management practices and requirements set forth in, or otherwise

required pursuant to the Water Quality Management Plans. The BMPs are designed and intended to control runoff and must be implemented by the Master Association, any Neighborhood Association and the Owners and other residents within the Community. BMPs are structural and non-structural.

(i) **Structural BMPs.** Structural and special structural BMPs may include, without limitation, dry weather low flow diversions into swales, detention and water quality basins, catch basins and water quality filters, inlet trash racks and other storm drain filtration devices, energy dissipaters, “V” ditches, culverts, pipes, efficient irrigation technology and related storm drain and water quality facilities constructed on the Master Association Property and/or Master Association Maintenance Areas. The specific type of maintenance activity and the maintenance frequency matrix applicable to the structural and special structural BMPs are set forth in the Water Quality Management Plans.

(ii) **Non-structural BMPs.** Non-structural BMPs generally require the Master Association, any Neighborhood Association and the Owners and other residents within the Community to be aware of the sensitive natural environment surrounding the Community and to take appropriate actions to control runoff from the Community. The non-structural BMPs applicable to the Master Association may include, without limitation: (a) providing informational materials to the Owners and other residents within the Community regarding general good housekeeping practices for the protection of storm water quality; (b) restricting certain activities addressed in the informational materials to protect the quality of water entering the storm drain system; (c) managing on a regular monthly basis the landscaping on the Master Association Property and/or Master Association Maintenance Areas, including without limitation using fertilizers and pesticides in accordance with the Water Quality Management Plans; (d) performing on a periodic basis (specified in the Water Quality Management Plans) maintenance consisting, at a minimum, of litter control, emptying of common trash receptacles and sweeping of any dumpster enclosures; (e) inspecting on a periodic basis (specified in the Water Quality Management Plans), and if necessary, cleaning prior to the storm season (by the date each year specified in the Water Quality Management Plans), and after each significant rain event, the catch basins and grated inlets located on the Master Association Property; and (f) sweeping on a regular periodic basis (specified in the Water Quality Management Plans) and prior to the storm season (by the date each year specified in the Water Quality Management Plans), the common parking areas. The non-structural BMPs applicable to the Owners and other residents within the Community may include, among other things, restricting certain activities to protect the quality of water entering the storm drain system (*e.g.*, prohibiting the disposal of motor oil, paint products, car detergents and other pollutants into the storm drains in the Community). The specific type of maintenance requirement and/or activity restriction and the maintenance frequency matrix applicable to the non-structural BMPs may vary within the Community such that Owners and other residents of certain areas may be subject to more stringent BMPs than in other areas.

The BMPs may be modified from time to time by Declarant or any Governing Authority having jurisdiction regarding water quality for water runoff from the Community in order to control runoff as the Community develops and runoff conditions change. Compliance with BMPs by the Master Association, any Neighborhood Association, the Owners and other residents within the Community, as they may be modified from time to time, may be monitored and enforced by any

Governing Authority having jurisdiction regarding water quality for water runoff from the Community.

1.1.8 Board or Board of Directors. Board or Board of Directors means the Master Association Board of Directors elected in accordance with the Master Association Bylaws and this Master Declaration.

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

1.1.10 Bylaws. Bylaws means the Master Association's Bylaws adopted or to be adopted by the Board initially in the form of *Exhibit "G"* attached hereto, as amended from time to time.

1.1.11 Capital Improvement Assessment. Capital Improvement Assessment means a charge against Owners and their Lots and Condominiums, representing their share of the Master Association's costs for installing or constructing capital Improvements on any portion of the Master Association Property or Master Association Maintenance Areas. However, Capital Improvement Assessments related to a particular Cost Center shall be levied in the same proportions as Common Assessments only against Owners responsible for such Cost Center. Capital Improvement Assessments shall be levied in the same proportion as Common Assessments. Capital Improvement Assessments are special assessments as described in California Civil Code Section 5600.

1.1.12 Cellular Easement Agreements. Cellular Easement Agreements means (i) the Easement Agreement entered into between Declarant's predecessor-in-interest and American Tower, Recorded on April 7, 2011, in Book 20110407, at Page 0735, as amended by The First Amendment to Easement Agreement, Recorded on June 12, 2019, as Instrument No. 201906121000, and (ii) the Easement Agreement entered into between Declarant's predecessor-in-interest and Spectrasite Communications (which subsequently merged with American Tower), Recorded on April 7, 2011, in Book 20110407, at Page 0734, as amended by The First Amendment to Easement Agreement, Recorded on June 12, 2019, as Instrument No. 201906120999, as such Cellular Easement Agreements may be amended and/or restated from time to time.

1.1.13 City. City means the City of Folsom, State of California, and its various departments, divisions, employees and representatives.

1.1.14 City Entitlements. City Entitlements means any and all agreements, building permits and related permits, conditions of approval, development agreement for the Community and other documents, instruments or similar writings involving the City which regulate or relate to utilization of real property in the Community and the development of the Community imposed by the City.

1.1.15 Close of Escrow. Close of Escrow means the date on which a deed or other such instrument is Recorded conveying a Lot or Condominium in the Community pursuant to a transaction for which a Public Report is required, with the exception of (i) deeds between

Declarant and (a) any successor to the rights of Declarant hereunder or (b) any Merchant Builder or (ii) deeds between Merchant Builders.

1.1.16 Common Assessment. Common Assessment means the annual or supplemental charge against each Owner and such Owner's Lot or Condominium, representing a portion of the ordinary Common Expenses for maintaining, improving, repairing, replacing, managing and operating the Master Association Property and/or Master Association Maintenance Areas (including the Owner Fences), which charge shall be levied among all Owners and their respective Lots and Condominiums, as provided in this Master Declaration. Common Assessments shall include all late payment penalties, interest charges, attorneys' fees or other costs incurred by the Master Association in its efforts to collect all Assessments (other than Special Assessments). Common Assessments may include a Cost Center Assessment for certain Owners and their Lots or Condominiums. The Common Assessment is a regular assessment as described in California Civil Code Section 5600.

1.1.17 Common Expenses. Common Expenses means the actual and estimated costs of (i) maintaining, managing, operating, repairing and replacing the Master Association Property and Master Association Maintenance Areas, including without limitation (a) the Recreational Facility, (b) the private pocket park located in the Community and (c) all private streets, private street storm drainage systems, sewer and water lines and landscaped open spaces and hillside common areas located on the Master Association Property and/or Master Association Maintenance Areas; (ii) complying, implementing and maintaining BMPs applicable to the Master Association Property and/or Master Association Maintenance Areas; (iii) unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments, including those costs not paid by the Owner responsible for payment; (iv) managing and administering the Master Association including, but not limited to, compensation paid by the Master Association to managers, accountants, attorneys and other consultants and employees; (v) all utilities, gardening, and other services benefitting the Master Association Property and Master Association Maintenance Areas; (vi) fire, casualty and liability insurance, worker's compensation insurance, and other insurance covering the Master Association Property and Master Association Maintenance Areas; (vii) maintaining clustered mailbox structures (the mailboxes shall be the responsibility of the applicable Owner); (viii) maintaining the Fuel Modification Zones on the Master Association Property and/or Master Association Maintenance Areas, as applicable; (ix) bonding the Master Association Directors, officers, agents, employees and Manager; (x) taxes paid by the Master Association; (xi) discharging any lien or encumbrance levied against the Master Association Property, or portions thereof, including without limitation real property taxes or assessments, if any, levied against the Master Association Property; (xii) all Reserves; and (xiii) all other costs incurred by the Master Association pursuant to this Master Declaration.

1.1.18 Community. Community means the First Subdivision, together with such portions of the Annexable Property which are annexed to the Community pursuant to Article II hereof.

1.1.19 Condominium. Condominium means a condominium as defined in Section 783 of the California Civil Code, or any similar California statute hereafter enacted.

1.1.20 Condominium Project. Condominium Project means a “condominium project” as defined in Section 4125 of the California Civil Code, or any similar California statute hereafter enacted.

1.1.21 Construction Activity. Construction Activity means any construction, development, painting, alteration, grading, addition, installation, storage, debris collection, landscaping or modification thereof, excavation, modification, decoration, redecoration or reconstruction of an Improvement in the Community (including the Neighborhood Association Property therein) or any other activity within the jurisdiction of the Applicable Design Review Committee. Construction Activity shall include without limitation the construction, installation, alteration and modification 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 and other applicable governmental laws, ordinances and regulations.

1.1.22 Cost Center. Cost Center means one or more Improvements or maintenance areas located on a portion or portions of the Master Association Property and/or Master Association Maintenance Areas that are to be maintained by the Master Association where the expenses of operating, maintaining and replacing such Improvements or maintenance areas are borne solely or disproportionately by the applicable Cost Center Owners. All costs associated with the ownership, maintenance and operation of a Cost Center shall be levied solely and equally among the applicable Cost Center Owners. The Cost Center in the First Subdivision, if any, is described in *Exhibit "H"* attached hereto. In connection with future Phases of Development annexed to the Community, Declarant or any Merchant Builder may add additional Cost Centers in a Supplemental Declaration or Notice of Annexation and/or additional Cost Center Owners may be added to other existing Cost Centers.

1.1.23 Cost Center Assessment. Cost Center Assessment means the annual or supplemental charge against Cost Center Owners, representing a portion of the ordinary Common Expenses for maintaining, improving, repairing, replacing, managing and operating the applicable Cost Center Improvements, which charge shall be levied among all Cost Center Owners and their respective Lots and Condominiums, as provided in this Master Declaration. Cost Center Assessments shall include all late payment penalties, interest charges, attorneys’ fees or other costs incurred by the Master Association in its efforts to collect Cost Center Assessments (other than Special Assessments). Cost Center Assessments are a component of Common Assessments for the applicable Cost Center Owners.

1.1.24 Cost Center Owners. Cost Center Owners means those Owners who are responsible for the costs of operating, maintaining and replacing Improvements or maintenance areas that are a part of a particular Cost Center.

1.1.25 County. County means the County of Sacramento, State of California, and its various departments, divisions, employees and representatives.

1.1.26 Declarant. Declarant means TNHC Russell Ranch LLC, a Delaware limited liability company, its successors, and any other Person to which it assigns any of its rights hereunder by an express written and Recorded assignment. Any such assignment may include only specific rights of Declarant hereunder and may be subject to such conditions and limitations

as Declarant may impose in its sole and absolute discretion. As used in this Section, “successor” means any Person who acquires Declarant or substantially all of its assets, or who merges with Declarant by sale, merger, reverse merger, consolidations, sale of stock or assets, operation of law or otherwise. Declarant is a builder as described in California Civil Code Section 6000.

1.1.27 Dedicated Master Association Property. Dedicated Master Association Property means any portion of the Master Association Property which is subject to an unaccepted offer of dedication to a Governing Authority for public access, utility, use or maintenance purposes. Dedicated Master Association Property may include parks, trails, other recreational or open space amenities, landscaping areas or other Improvements. Dedicated Master Association Property specifically excludes Public Property which is the maintenance responsibility of the Master Association. Dedicated Master Association Property, if any, shall be maintained and used by the Master Association and the Owners in the same manner as all other Master Association Property until the offer of dedication is accepted, whereupon (i) the Dedicated Master Association Property may be maintained by the accepting Governing Authority and shall be available for use by the general public, and (ii) the Dedicated Master Association Property shall no longer constitute a part of the Master Association Property.

1.1.28 DRE. DRE means the California Department of Real Estate, or such other successor governmental agency of the State of California which administers the sale of subdivided lands pursuant to Sections 11000 *et seq.*, of the California Business and Professions Code, or any similar California statute hereafter enacted.

1.1.29 Family. Family means (i) one or more natural individuals related to each other by blood, marriage or adoption, or (ii) a group of natural individuals not all so related, but who live as a common household in a Residence.

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

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

1.1.32 First Subdivision. First Subdivision means the real property described in *Exhibit “A”*, *Exhibit “C”* and *Exhibit “D”* to this Master Declaration.

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

1.1.34 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.

1.1.35 Fuel Modification Plans. Fuel Modification Plans means the Fuel Modification Plans for each development phase of the Community filed with the Folsom Fire Department which establish the Fuel Modification Zones for the Community and the respective

maintenance standards that apply. The Fuel Modification Plans may be amended, modified and/or supplemented from time to time by the Folsom Fire Department. Copies of the Fuel Modification Plans are on file with the Manager.

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

1.1.37 Governing Authority. Governing Authority means the City and the various departments, divisions, employees and representatives thereof and any other federal, state, regional, local or municipal governmental or quasi-governmental entity or agency and any special assessment district, maintenance district or Community Facilities District with jurisdiction over the Community.

1.1.38 Hazardous Materials. Hazardous Materials means any toxic substance, material or waste which is or becomes (i) regulated by any Governing Authority; or (ii) defined as a “hazardous waste,” “extremely hazardous waste,” “restricted hazardous waste,” “Non-RCRA hazardous waste,” “RCRA hazardous waste” or “recyclable material” under any federal, state or local statute or regulation promulgated thereunder.

1.1.39 Improvement. Improvement means all structures, landscaping and appurtenances thereto, including, but not limited to, buildings, outbuildings, walkways, alleyways, clustered mailbox structures, sprinkler pipes, irrigation systems, storm drainage systems, garages, recreational facilities, roads, streets, driveways, parking areas, fences, screening walls, sound walls, retaining walls, stairs, decks, hedges, windbreaks, plantings, planted trees and shrubs, fire breaks, poles, antennae, signs, exterior air conditioning, communications equipment and facilities and water softener fixtures or equipment. Improvement also means the following: (i) all exterior modifications to a Residence (including, but not limited to, painting the exterior of any Residence or other structure; modification of roof material, windows or exterior doors of any Residence or other structure and building, constructing or erecting any room additions and/or demolishing or conducting any exterior remodeling); (ii) all structural modifications to any Lot or Condominium (including, but not limited to, the demolition or destruction by voluntary action of any structure or appurtenance thereto of every type and kind); (iii) the grading, excavation, filling or similar disturbance of the surface of the land, including without limitation change of grade, change of grade level or change of drainage pattern; and (iv) the clearing or removal of landscaping and other Improvements.

1.1.40 Includes, Including. Whether capitalized or not, includes and including means “includes, without limitation,” and “including, without limitation,” respectively.

1.1.41 Large Lot Map. Large Lot Map means Final Map (PN 16-122) – Russell Ranch Large Lot, Filed on September 21, 2017, in Book 398, of Maps, at Page 1, in the County Recorder's Office, as modified by Final Map (PN 17-288) – Russell Ranch Phase 2 Large Lot, Filed on October 30, 2018, in Book 407, of Maps, at Page 2, in the County Recorder's Office.

1.1.42 **Lot.** Lot means any lot or parcel of land shown upon any Recorded subdivision map, parcel map or lot line adjustment of any portion of the Community, together with the Improvements, if any, thereon, but excepting any Neighborhood Association Property, the Master Association Property and any Condominium in a Condominium Project.

1.1.43 **Maintenance Funds.** Maintenance Funds means the accounts created for Master Association receipts and disbursements pursuant to Article VI of this Master Declaration.

1.1.44 **Maintenance Guidelines.** Maintenance Guidelines means the guidelines for the maintenance, repair, replacement and preservation of Improvements within the Community adopted from time to time by the Master Association. Among other things, the Maintenance Guidelines may specify suggested maintenance levels, recommended intervals for regularly scheduled maintenance items, and the scope of required maintenance practices and procedures.

1.1.45 **Manager.** Manager means the Person retained by the Master Association to perform functions of the Master Association, as limited by the Master Association Documents and the terms of the agreement between the Master Association and such Manager.

1.1.46 **Master Association.** Master Association means the Russell Ranch Community Association, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law), its successors and assigns. The Master Association is an "Association" as defined in Section 4080 of the California Civil Code.

1.1.47 **Master Association Documents.** Master Association Documents means this Master Declaration, all Notices of Annexation and Supplemental Declarations, the Articles, the Bylaws, the Master Design Guidelines, the Rules and Regulations and the Maintenance Guidelines, as the foregoing may be amended from time to time.

1.1.48 **Master Association Maintenance Areas.** Master Association Maintenance Areas means those areas and any Improvements constructed thereon, subject to the provisions of this Master Declaration, which are not owned by the Master Association but over which the Master Association has an easement for maintenance and/or which the Master Association is otherwise responsible pursuant to this Master Declaration or the City Entitlements, including without limitation (i) any landscaping and Improvements on portions of certain Lots and/or Condominiums described and/or depicted as maintained by the Master Association on *Exhibit "D"* attached hereto or an exhibit attached to a recorded Notice of Annexation, a Supplemental Declaration, a Neighborhood Declaration and/or a Neighborhood Declaration of Annexation, (ii) portions of the Master Association Walls constructed on real property other than Master Association Property but which are designated a Master Association Wall in the Master Association Documents, (iii) Public Property and (iv) those other areas adjacent or proximate to the Community (but excluding Public Property) shown on *Exhibit "D"* attached hereto or an exhibit to a recorded Notice of Annexation or Neighborhood Declaration of Annexation, over which the Master Association is granted a maintenance easement or over which the Master Association has a maintenance obligation under this Master Declaration or the City Entitlements and are thereby designated as "Master Association Maintenance Areas" in this

Master Declaration, a Notice of Addition, a Supplemental Declaration, a Neighborhood Declaration and/or a Neighborhood Declaration of Annexation. The Master Association Maintenance Areas in the First Subdivision are described and/or shown on ***Exhibit "D"*** attached hereto. Any Master Association Maintenance Areas in a subsequent Phase of Development may be described in and/or depicted on an exhibit attached to the Notice of Annexation or Supplemental Declaration recorded for such subsequent Phase of Development or a Neighborhood Declaration or Neighborhood Declaration of Annexation. Any depiction of the Master Association Maintenance Areas attached to this Master Declaration, any Supplemental Declaration, Notice of Annexation or any grant deed conveying Master Association Maintenance Areas is merely for illustrative purposes only and the "as built" condition shall control.

1.1.49 Master Association Property. Master Association Property means all the real and personal property and Improvements which are owned in fee simple at any time by the Master Association, including without limitation all private streets and related street Improvements; private storm drain systems and private sewer lines (excluding any sewer lateral that exclusively serves a Lot or Condominium); all slopes and other landscaped areas located on the Master Association Property; the Master Association Walls which are located entirely within the Master Association Property; the Recreational Facility; and the private pocket park located in the Community. The Master Association Property in the First Subdivision is described and/or shown on ***Exhibit "C"*** attached hereto. Any Master Association Property in a subsequent Phase of Development may be described and/or depicted on an exhibit attached to the Notice of Annexation or Supplemental Declaration recorded for such subsequent Phase of Development or any grant deed conveying such Master Association Property. Any depiction of the Master Association Property attached to this Master Declaration, any Supplemental Declaration, Notice of Annexation or any grant deed conveying Master Association Property is merely for illustrative purposes only and the "as built" condition shall control.

1.1.50 Master Association Wall. Master Association Wall means any wall or fence which is maintained entirely or partially by the Master Association, including without limitation the Owner Fences and any walls or fences (i) constructed by Declarant on or adjacent to the common property line separating a Lot and/or Condominium from adjacent Master Association Property, Master Association Maintenance Areas or public property or other property outside the boundaries of the Community; (ii) located on the boundary of the Community and any area outside the Community; (iii) located alongside a public or private street; and/or (iv) otherwise designated by Declarant as a Master Association Wall. Notwithstanding the foregoing, the term Master Association Wall does not include any wall or fence which is the maintenance responsibility of an Owner, Neighborhood Association or a Governing Authority under this Master Declaration, except as expressly provided otherwise in this Master Declaration. The Master Association Walls included in the First Subdivision are generally described herein and/or depicted on ***Exhibit "C"*** attached hereto, and the Master Association Walls in any subsequent Phase of Development are generally described herein and/or will be generally depicted in an exhibit attached to the Notice of Annexation for such subsequent Phase of Development. The depiction of the Master Association Walls on such exhibit(s) is for illustrative purposes only and the "as built" condition shall control.

1.1.51 **Master Declaration.** Master Declaration means this Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements, as amended from time to time.

1.1.52 **Master Design Guidelines.** Master Design Guidelines means the Master Design Review Committee design standards, procedures, rules and guidelines which may be adopted by the Board pursuant to this Master Declaration, as amended from time to time.

1.1.53 **Master Design Review Committee** means the architectural and landscaping committee created pursuant to Article VIII hereof. **Member.** Member means every Person holding a Membership in the Master Association.

1.1.55 **Membership.** Membership means the voting and other rights and privileges of Members as provided in the Master Association Documents, together with the correlative duties and obligations contained therein.

1.1.56 **Merchant Builder.** Merchant Builder means a Person who acquires a portion of the Community for the purpose of developing such portion with Residences to be sold to the general public and is designated as a Merchant Builder by Declarant in a Recorded document executed by Declarant; provided, however, that the term "Merchant Builder" shall not mean Declarant but shall include Initial Merchant Builder.

1.1.57 **Mortgage.** Mortgage means any Recorded document, including a deed of trust, encumbering a Lot or Condominium or other portion of the Community to secure the performance of an obligation.

1.1.58 **Mortgagee.** Mortgagee means a Person to whom a Mortgage is made, unless the Person has assigned his rights under the Mortgage by a Recorded assignment. If the Person has assigned his rights under the Mortgage by a Recorded assignment, then the assignee of the rights is the Mortgagee. Mortgagee shall include the beneficiary under a deed of trust.

1.1.59 **Mortgagor.** Mortgagor means a Person who has mortgaged his property to another and shall include the trustor under a deed of trust.

1.1.60 **Neighborhood Association.** Neighborhood Association means a California nonprofit corporation, or its successor, established in connection with a Neighborhood Declaration, the membership of which is composed of Owners of Lots or Condominiums within a Planned Development or Condominium Project, respectively.

1.1.61 **Neighborhood Association Design Review Committee.** Neighborhood Association Design Review Committee means any architectural and landscaping committee created pursuant to a Neighborhood Declaration.

1.1.62 **Neighborhood Association Design Guidelines.** Neighborhood Association Design Guidelines means the Neighborhood Association Design Review Committee design standards, procedures, rules and guidelines which may be adopted by the board of directors of a Neighborhood Association and which are consistent with the Master Design Guidelines.

1.1.63 Neighborhood Association Property. Neighborhood Association Property means that area within a particular Planned Development or Condominium Project within the Community which is owned and/or maintained by the Neighborhood Association for the primary benefit of the Owners within such Planned Development or Condominium Project.

1.1.64 Neighborhood Declaration. Neighborhood Declaration means any declaration of covenants, conditions and restrictions, or similar document, which affects solely a Condominium Project or Planned Development.

1.1.65 Neighborhood Declaration of Annexation. Neighborhood Declaration of Annexation means an instrument Recorded by Declarant or a Merchant Builder for the purpose of annexing a portion of the Annexable Property into a Condominium Project or a Planned Development pursuant to a Neighborhood Declaration.

1.1.66 Notice and Hearing. Notice and Hearing means written notice and a hearing before the Board or the Master Design Review Committee, as applicable, as further provided in the Bylaws.

1.1.67 Notice of Annexation. Notice of Annexation means an instrument Recorded by Declarant (or by a Merchant Builder with Declarant's consent) for the purposes of annexing a portion of the Annexable Property to the Community and/or supplementing this Master Declaration pursuant to Article II of this Master Declaration. A Notice of Annexation may include a Supplemental Declaration or a Notice of Annexation may be included in a Supplemental Declaration.

1.1.68 Owner. Owner means the Person or Persons, including Declarant or any Merchant Builders, holding a fee simple or long-term ground leasehold interest of Record to a Lot or a Condominium. The term "Owner" includes a seller under an executory contract of sale, but excludes Mortgagees. The term "Owner" may be expanded in a Supplemental Declaration or Notice of Annexation to include other persons.

1.1.69 Owner Fences. Owner Fences means the open style, tubular steel fencing originally installed by Declarant and/or a Merchant Builder on or immediately adjacent to the rear property line of a Lot or Condominium, including, but not limited to, a Slope Easement Lot. Owner Fences are Master Association Walls. The Owner Fences included in the First Subdivision are generally described herein and/or depicted on *Exhibit "C"* attached hereto, and the Owner Fences in any subsequent Phase of Development are generally described herein and/or will be generally depicted in an exhibit attached to the Notice of Annexation for such subsequent Phase of Development.

1.1.70 Owner Parties. Owner Parties means the Family, guests, tenants, invitees and contract purchaser of an Owner.

1.1.71 Person. Person means a natural individual, a corporation, partnership or any other entity with the legal right to hold title to real property. When the word "person" is not capitalized, the word refers only to natural persons.

1.1.72 Phase of Development. Phase of Development means (i) the First Subdivision, (ii) any portion of the Annexable Property covered by a Supplemental Declaration or Notice of Annexation for which a Public Report has been issued by the DRE, unless otherwise defined in such Supplemental Declaration or Notice of Annexation or (iii) any portion of the Annexable Property designated as a Phase of Development in a Recorded Supplemental Declaration or Notice of Annexation (including all amendments thereto) governing such property.

1.1.73 Planned Development. Planned Development means an area of the Community developed as an integrated increment of the Community, whether or not the increment is developed in Phases of Development. For purposes of this Master Declaration, a Planned Development may or may not qualify as a “planned development” as defined in Section 4175 of the California Civil Code, or any similar California statute hereinafter enacted.

1.1.74 Public Property. Public Property means, as applicable, any parks, walls, median strips, slopes, berms, landscaping, sidewalks, detention and water quality basin(s), and irrigation and drainage systems on public property designated for maintenance by the Master Association by a Governing Authority pursuant to this Master Declaration, any Supplemental Declarations, any Notices of Annexation, the City Entitlements, a Recorded subdivision or parcel map or lot line adjustment or any agreement with or approval issued by a Governing Authority. Public Property is Master Association Maintenance Area.

1.1.75 Public Report. Public Report means a Final Subdivision Public Report issued by the DRE in compliance with Sections 11000 *et seq.* of the California Business and Professions Code, or any similar California statute hereafter enacted.

1.1.76 Reconstruction Assessment. Reconstruction Assessment means a charge levied against an Owner and such Owner’s Lot or Condominium, representing such Owner’s share of the Master Association’s cost to reconstruct any Improvements on the Master Association Property or Master Association Maintenance Areas pursuant to the provisions of this Master Declaration. Reconstruction Assessments shall be levied among all Owners and their Lots and Condominiums in the same proportions as Common Assessments or Cost Center Assessments if such Reconstruction Assessment relates only to a Cost Center Improvement. Reconstruction Assessments are “special assessments” as described in California Civil Code Section 5600.

1.1.77 Record, Filed, Recordation. Record, Filed or Recordation means, with respect to any document, the entry of such document in the Official Records of the County Recorder.

1.1.78 Recreational Facility. Recreational Facility means the recreational facility in the Community, located on Lot 13 and a portion of Lot 16 as shown on the Large Lot Map, which is planned to include a swimming pool, spa, clubhouse with kitchen, restroom, lounge, game room for children, landscaped areas, benches and sitting areas, barbeques, shade structures and other amenities.

1.1.79 Reserves. Reserves means those Master Association funds that are set aside pursuant to Article VI of this Master Declaration and Chapter 7 of the Davis-Stirling Common Interest Development Act for funding the periodic painting, maintaining, repairing and replacing of the major components of the Master Association Property and/or Master Association Maintenance Areas which would not reasonably be expected to recur on an annual or less frequent basis.

1.1.80 Residence. Residence means a dwelling intended for use and occupancy by a single Family and located on or within a Lot or a Condominium Project.

1.1.81 Residential Area. Residential Area means all of the real property which is so classified in this Master Declaration, a Supplemental Declaration or a Notice of Annexation. The Residential Area is intended to be developed as single-Family Lots or Condominiums.

1.1.82 Rules and Regulations. Rules and Regulations means the current rules and regulations for the Community adopted by the Board of Directors, as amended from time to time.

1.1.83 Slope Easement Areas. Slope Easement Areas means those areas located on the Slope Easement Lots over which the Master Association shall have nonexclusive easements for the purpose of monitoring, enforcing and, if applicable, maintenance if an Owner of a Slope Easement Lot fails to maintain the Slope Easement Area located on such Owner's Slope Easement Lot in accordance with Section 7.12.4. The Slope Easement Areas are generally shown and designated as "Restricted Use Easements" on the Recorded subdivision and/or tract maps of the Community; however, additional Slope Easement Areas may be described and/or depicted on an exhibit attached to a Notice of Annexation or Supplemental Declaration. The Slope Easement Areas in the First Subdivision, if any, are generally shown on ***Exhibit "K"*** attached hereto. Slope Easement Areas in a subsequent Phase of Development may be described and/or depicted on an exhibit attached to the Notice of Annexation or Supplemental Declaration recorded for such subsequent Phase of Development. Any depiction of the Slope Easement Areas attached to this Master Declaration, a Notice of Annexation or a Supplemental Declaration or any grant deed conveying Master Association Property and/or Master Association Maintenance Areas is merely for illustrative purposes only and the "as built" condition shall control.

1.1.84 Slope Easement Lots. Slope Easement Lots means those Lots in the Community with Slope Easement Areas which are designated as a "Slope Easement Lot" in this Master Declaration, a Notice of Annexation or Supplemental Declaration. The Slope Easement Lots in the First Subdivision are Lots 13 to 24, inclusive, as shown on Final Map (PN 16-122.07) – Russell Ranch Phase 1 Village 7, Filed on April 3, 2019, in Book 410, of Maps, at Page 5, in the County Recorder's Office. Slope Easement Lots in future Phases of Development will be designated in a Notice of Annexation or Supplemental Declaration recorded for such subsequent Phase of Development.

1.1.85 Special Assessment. Special Assessment means either (i) a monetary charge against an Owner or Neighborhood Association reimbursing the Master Association for

any costs which have been or will be incurred by the Master Association on behalf of an Owner or Neighborhood Association and which are allocable only to such Owner and the Owner's Lot or Condominium or the applicable Neighborhood Association, including without limitation a charge imposed by the Master Association pursuant to California Civil Code Section 5725(a) for costs incurred by the Master Association in the repair of damage to Master Association Property or Master Association Maintenance Areas caused by the Owner or the Owner Parties or a Neighborhood Association, (ii) a monetary penalty imposed by the Master Association against an Owner in accordance with California Civil Code Section 5725(b) as a disciplinary measure for the failure of such Owner to comply with the Master Association Documents or (iii) a reasonable fine or penalty, plus interest and other charges on such Special Assessment as provided for in this Master Declaration. Special Assessments do not include late payment penalties, interest charges or costs (including attorneys' fees) incurred by the Master Association in the collection of Common Assessments, Capital Improvement Assessments or Reconstruction Assessments.

1.1.86 Supplemental Declaration. Supplemental Declaration means an instrument executed, acknowledged and Recorded by Declarant (or by a Merchant Builder with Declarant's consent) which annexes a portion of the Annexable Property to the Community and/or imposes conditions, covenants, or restrictions or reserves easements for a Phase of Development in addition to the conditions, covenants, restrictions and easements established by this Master Declaration. A Supplemental Declaration may affect one or more Phases of Development. Supplemental Declarations may modify this Master Declaration as it applies to the property encumbered by the Supplemental Declaration. Supplemental Declarations may establish supplementary or more restrictive use restrictions for the Annexed Territory that the Supplemental Declaration encumbers so long as the restrictions are consistent with the scheme of government that is established in this Master Declaration and any Supplemental Declaration. Supplemental Declarations may add use restrictions or replace the use restrictions contained in this Article for the Annexed Territory such Supplemental Declaration encumbers. A Supplemental Declaration may include a Notice of Annexation or a Supplemental Declaration may be included in a Notice of Annexation.

1.1.87 Unit. Unit means the residential airspace element of a Condominium as shown and defined on a Recorded condominium plan for a Phase of Development consisting of (i) a description or survey map of the Phase of Development or portion thereof, which shall refer to or show monumentation on the ground, (ii) a three-dimensional description of the Phase of Development or portion thereof, one or more dimensions of which may extend for an indefinite distance upwards or downwards in sufficient detail to identify the applicable Neighborhood Association Property, Condominium common area and each Unit, and (iii) a certificate consenting to the Recordation thereof signed and acknowledged by the record owner of fee title to the Phase of Development, and by either the trustee or the Mortgagee of each Recorded Mortgage encumbering the Phase of Development or portion thereof.

1.1.88 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.

1.1.89 Water Quality Management Plans. Water Quality Management Plans means any water quality management plans that may be prepared for Declarant or any Merchant Builder for a portion of the Community in compliance with applicable federal, state and local laws for the Community (or portions thereof) and, if applicable, approved by the applicable Governing Authority. The Water Quality Management Plans contain, among other things, certain Best Management Practices that must be followed by the Master Association and the Owners and other residents within the Community. The Water Quality Management Plans and the related Best Management Practices may be amended or otherwise modified at any time by Declarant, any Merchant Builder and/or the Governing Authorities having jurisdiction over such matters.

1.2. Interpretation.

1.2.1 General Rules. This Master Declaration shall be liberally construed to effectuate its purposes as set forth in the Preamble to this Master Declaration. This Master Declaration shall be interpreted so as to be consistent with applicable laws and regulations, including ordinances and regulations of applicable Governing Authorities. This Master Declaration shall be construed and governed by the laws of the State of California.

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 Master Declaration to articles, sections or exhibits are to Articles, Sections and exhibits of this Master Declaration. The exhibits attached to this Master Declaration are incorporated herein by this reference.

1.2.3 Priorities and Inconsistencies. Subject to Sections 2.1 and 2.3.3 below, if there are conflicts or inconsistencies between this Master Declaration and the Articles, Bylaws, Rules and Regulations, a Supplemental Declaration, a Notice of Annexation, any Neighborhood Declaration or any Neighborhood Declaration of Annexation, then the terms and provisions of this Master Declaration shall prevail, subject to Declarant's right to establish additional covenants, conditions, restrictions and/or easements in Supplemental Declarations. In addition, if there are any conflicts or inconsistencies between this Master Declaration or any of the Master Association Documents, and any documentation executed by a Merchant Builder and Declarant in connection with the transfer and/or development of any property in the Community to or by the Merchant Builder (collectively, "***Development Documents***"), as between Merchant Builder and Declarant, the terms and provisions of the Development Documents shall control.

1.2.4 Severability. Notwithstanding the provisions of Section 1.2.1, each of the provisions of the Master Association Documents is independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

1.2.5 Singular Includes Plural. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

1.2.6 **Time Periods.** Except as otherwise expressly provided herein, any reference in this Master Declaration to time for performance of obligations or to elapsed time means consecutive calendar days, months, or years, as applicable, California time.

1.2.7 **Statutory References.** All references made in this Master Declaration or in any of the other Master Association Documents to statutes are to those statutes as currently in effect or to subsequently enacted replacement statutes.

ARTICLE II DEVELOPMENT; LAND CLASSIFICATIONS; ANNEXATION

2.1. **Interpretation of Declarations.** As each Phase of Development is developed, Declarant (or Declarant and a Merchant Builder) may, with respect thereto, Record one (1) or more Neighborhood Declarations, Supplemental Declarations, Notices of Annexation and/or Declarations of Annexation which incorporate this Master Declaration by reference, which shall designate the Cost Centers (if any) and use classifications for the affected areas, and which may supplement this Master Declaration with such additional covenants, conditions, restrictions and land uses as Declarant may deem appropriate for the Annexed Territory. The provisions of any Notice of Annexation, Neighborhood Declaration of Annexation, Supplemental Declaration or Neighborhood Declaration may impose such additional or more restrictive conditions, covenants, restrictions, land uses and limitations as Declarant or any Merchant Builder may deem advisable, taking into account the particular requirements of each Phase of Development; and any such conditions shall not be deemed to constitute a conflict with the provisions of this Master Declaration to the extent they can reasonably be interpreted to be consistent. If there is any conflict between any Notice of Annexation or Supplemental Declaration and this Master Declaration, the provisions of the Notice of Annexation or Supplemental Declaration shall control with respect to the Annexed Territory described in such Notice of Annexation or Supplemental Declaration, although such documents shall be construed to be consistent with one another to the extent possible. If there is any conflict between any Neighborhood Declaration and this Master Declaration or applicable Notice of Annexation or Supplemental Declaration, this Master Declaration and applicable Notice of Annexation or Supplemental Declaration shall control, although such documents shall be construed to be consistent with one another to the extent possible. A Neighborhood Declaration may, but need not, provide for the establishment of a Neighborhood Association, to be comprised of Owners of Lots in a Planned Development or Condominiums in a Condominium Project.

2.2. **Land Classifications.** The Community, including each portion of Annexed Territory described in a Notice of Annexation, shall be designated according to one or more of the following land classifications:

2.2.1 **Residential Area.** The Residential Area in the First Subdivision is described in *Exhibit "A"*.

2.2.2 **Master Association Property.** The Master Association Property in the First Subdivision, if any, is described in *Exhibit "C"*.

2.2.3 **Master Association Maintenance Areas.** The Master Association Maintenance Areas in the First Subdivision, if any, are described and/or shown on ***Exhibit "D"*** attached hereto.

2.2.4 **Neighborhood Association Property.** The Neighborhood Association Property, if any, in the First Subdivision is described and/or shown on ***Exhibit "E"*** to this Master Declaration. Any Residential Area, Master Association Property, Master Association Maintenance Areas and Neighborhood Association Property, as applicable, in future Phases of Development shall be designated in a Notice of Annexation or Supplemental Declaration Recorded for such subsequent Phase of Development or a Neighborhood Declaration or Neighborhood Declaration of Annexation, as applicable.

2.3. **Annexation of Annexable Property.**

2.3.1 **Timing.** Declarant and any Merchant Builder may, but shall not be required to, at any time or from time to time, add to the Community all or any portion of the Annexable Property by Recording a Supplemental Declaration or Notice of Annexation with respect to the Annexed Territory to be so added. Annexable Property may be added to the Community without limitation as to time and without the approval of the Owners or Master Association. The addition to the Community of real property other than the Annexable Property ("***Other Area***") shall require the approval of Owners representing at least two-thirds (2/3) of the voting power of the Master Association.

2.3.2 **Declaration Coverage.** Upon Recording a Notice of Annexation or Supplemental Declaration covering any portion of the Annexable Property, the covenants, conditions and restrictions contained in this Master Declaration shall apply to the Annexed Territory in the same manner as if it were originally covered by this Master Declaration and originally constituted a portion of the Community, subject to the provisions of the applicable Notice of Annexation or Supplemental Declaration. Thereafter, the rights, privileges, duties and liabilities of Declarant with respect to the Annexed Territory shall be the same as with respect to the First Subdivision and the rights, obligations, privileges, duties and liabilities of the Owners and Owner Parties of Lots and Condominiums within the Annexed Territory shall be the same as in the case of the Lots or Condominiums originally affected by this Master Declaration, subject to the provisions of the applicable Notice of Annexation or Supplemental Declaration. The Notice of Annexation may contain supplemental covenants, conditions and restrictions, if necessary, to reflect the different character, if any, of the Annexed Territory, or as Declarant deems appropriate in the development of the Annexed Territory, and as are not materially inconsistent with the general plan of this Master Declaration.

2.3.3 **Notice of Annexation Content.** A Notice of Annexation or Supplemental Declaration shall contain at least the following provisions:

(i) **Declaration Reference.** A reference to this Master Declaration, which reference shall state the date of Recordation hereof and the Instrument number or other relevant Recording data of the County Recorder's office;

- (ii) **Extension of Comprehensive Plan.** A statement that the provisions of this Master Declaration shall apply to the Annexed Territory as set forth therein;
- (iii) **Description.** A description of the Annexed Territory; and
- (iv) **Land Classifications.** The land classifications of the Annexed Territory.

2.3.4 Approval of Annexations. Each Notice of Annexation shall be signed by Declarant and by each Record owner of the Annexed Territory covered by such Notice of Annexation. For any annexation of Other Area, each Notice of Annexation must be signed by the Record owner of the Other Area and by an officer of the Master Association, certifying that the approval of the requisite percentage of Owners has been obtained.

2.3.5 Phasing. A Notice of Annexation or Supplemental Declaration may cover one (1) or more Phases of Development, as designated in such Notice of Annexation or Supplemental Declaration.

2.3.6 Effective Date of Annexation. A Recorded Supplemental Declaration or Notice of Annexation shall become effective as to a Phase of Development (if any) specified therein, immediately upon the first Close of Escrow for the sale of a Lot or Condominium in such Phase of Development. Thereafter, the rights, obligations, privileges, duties and liabilities of the Owners in said Phase of Development shall be governed by this Master Declaration and the Notice of Annexation or Supplemental Declaration, as applicable. A Notice of Annexation that annexes only Master Association Property and/or Master Association Maintenance Areas shall become effective concurrently with the Recordation of the grant deed conveying such Master Association Property and/or Master Association Maintenance Areas to the Master Association, provided that a Notice of Annexation that annexes only Master Association Maintenance Areas shall become effective immediately upon Recordation of such Notice of Annexation.

2.3.7 Deannexation and Amendment.

(i) **By Declarant.** Declarant may unilaterally amend a Notice of Annexation or Supplemental Declaration as it applies to any Phase(s) of Development and/or delete all or a portion of any Phase(s) of Development from coverage of this Master Declaration and the jurisdiction of the Master Association, so long as Declarant or any Merchant Builder is the owner of all of such Phase of Development (other than Public Property and Dedicated Master Association Property), and provided that (1) a Notice of Deletion of Territory or an amendment to the Supplemental Declaration, as applicable, is Recorded in the same manner as the applicable Supplemental Declaration was Recorded, (2) no Class A or Class B Master Association vote has been exercised with respect to any portion of such Phase of Development, (3) Common Assessments have not yet commenced with respect to any portion of such Phase of Development, (4) there has been no Close of Escrow for the sale of any Lot or Condominium in such Phase of Development, (5) the Master Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase of Development, and (6) if such Phase of Development consists of area as to which VA or FHA has issued a "project

approval” (*i.e.*, has agreed to guarantee or insure loans secured by Mortgages on Lots or Condominiums located in such Phase of Development), VA, FHA or both, as applicable, have approved such deannexation or amendment. Notwithstanding the foregoing, Declarant may also unilaterally amend a Supplemental Declaration as provided in Section 13.2.1 hereof.

(ii) **By Merchant Builder.** Merchant Builders may amend a Notice of Annexation or Supplemental Declaration as it applies to any Phase(s) of Development or delete all or any portion of any Phase(s) of Development from coverage of this Master Declaration and the jurisdiction of the Master Association, so long as such Merchant Builders or Declarant and such Merchant Builders together are the Owners of all of such Phase of Development (with the exception of Public Property and Dedicated Master Association Property) and provided further, that all requirements of items (1) through (5) set forth in Section 2.3.7(i) above have been satisfied, and Declarant has consented in writing to such amendment or deletion by executing the appropriate Notice of Deletion of Territory or amendment to the Supplemental Declaration, as applicable.

ARTICLE III

MASTER ASSOCIATION PROPERTY AND MASTER ASSOCIATION MAINTENANCE AREAS; USES AND RESTRICTIONS

3.1. Owners’ Rights of Enjoyment. Every Owner and, to the extent permitted by such Owner pursuant to the Master Association Documents, the Owner Parties who reside in such Owner’s Lot or Condominium, shall, have a right of ingress and egress and of enjoyment in, to and over the Master Association Property and Master Association Maintenance Areas which shall be appurtenant to and shall pass with title to every Lot and Condominium, subject to this Master Declaration, the Rules and Regulations and the Master Association’s right to exercise exclusive jurisdiction over and control of the Master Association Property and Master Association Maintenance Areas (other than Public Property) and the following provisions:

3.1.1 Additional Master Association Property or Master Association Maintenance Areas. The right of Declarant or any Merchant Builder to designate additional Master Association Property or Master Association Maintenance Areas pursuant to the terms of Article II hereof.

3.1.2 Rules and Regulations. The Master Association’s right to establish reasonable Rules and Regulations pertaining to the use of the Master Association Property and any recreational and other facilities located thereon, including, but not limited to, the right of the Master Association to enforce all parking restrictions for parking areas within the Master Association Property as set forth in Section 3.3 below.

3.1.3 Guests. The Master Association’s right to reasonably limit the number of guests of Owners or tenants of Owners using the Master Association Property or Master Association Maintenance Areas and any facilities thereon. The Rules and Regulations may specify a maximum number of guests which may be admitted to the Recreational Facility at one time without first obtaining the Master Association’s prior written authorization. The Rules and Regulations may also require a deposit or other arrangements before guests may use the Master

Association Property or Master Association Maintenance Area facilities as determined by the Master Association.

3.1.4 Fees. The Master Association's right to charge reasonable admission and other fees for the use of any facilities on the Master Association Property or Master Association Maintenance Areas.

3.1.5 Borrowings. The Master Association's right in accordance with the Articles, Bylaws and this Master Declaration, with the approval of Owners representing at least sixty-seven percent (67%) of the Master Association voting power, to borrow money for the purpose of improving, repairing or adding to the Master Association Property or Master Association Maintenance Areas and facilities and, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred pursuant to this Subsection.

3.1.6 Suspension of Rights. The Master Association's right to suspend the Membership rights and other rights and easements of any Owner and the Owner Parties of such Owner to use the Master Association Property or Master Association Maintenance Areas and the facilities and Improvements located thereon (i) for any period during which any Assessment against such Owner's Lot or Condominium remains unpaid and delinquent and (ii) for a period not to exceed thirty (30) days for any non-continuing infraction of the Rules and Regulations of the Master Association by such Owner or such Owner's Owner Parties as more fully provided in the Bylaws. Any suspension of Membership rights or right to use any Master Association facilities (i) shall be made only by the Board, after Notice and Hearing, and (ii) shall not limit or preclude pedestrian or vehicular access to such Owner's Lot or Condominium.

3.1.7 Master Association Property Transfers. The Master Association's rights set forth in Section 5.2.7 of this Master Declaration and Declarant's rights set forth in Article X hereof.

3.1.8 Use By Declarant and Any Merchant Builders. The right of Declarant or any Merchant Builders (and their employees, sales agents, prospective purchasers, customers and representatives) to enter upon the Master Association Property or Master Association Maintenance Areas, for the benefit of Declarant or any Merchant Builder, or the Annexable Property or any combination thereof, to complete the construction, installation and maintenance of any landscaping or other Improvement to be installed thereon, as well as the right to nonexclusive use of the Master Association Property or Master Association Maintenance Areas and the facilities thereof, without charge, for sales, display, access, ingress, egress, exhibition and special events for any and all marketing and promotional purposes, which right Declarant hereby reserves; provided, however, that such use rights shall terminate on the earlier of (i) the expiration of twenty (20) years after the first Close of Escrow for a Lot or Condominium in the Community, or (ii) the date on which neither Declarant nor any Merchant Builder no longer owns a Lot or Condominium in the Community and all of the Annexable Property has been annexed to the Community.

3.1.9 Reconstruction of Improvements. The Master Association's right to reconstruct, replace or refinish any Improvement or portion thereof upon the Master Association

Property or Master Association Maintenance Areas, in accordance with the Maintenance Guidelines, the Master Design Guidelines and the original design, finish or standard of construction of such Improvement or of the other Improvements, as the case may be; or, if not in accordance with the Maintenance Guidelines, the Master Design Guidelines and the original design, finish or standard of construction, only with the approval of Owners representing at least sixty-seven percent (67%) of the Master Association voting power, and then subject to Section 13.3 hereof.

3.1.10 Maintenance. The Master Association's right to manage, maintain, repair and replace all Improvements of any kind on the Master Association Property or Master Association Maintenance Areas.

3.1.11 Restricted Areas. The Master Association's right to reasonably restrict access to slopes and other landscaped areas, maintenance facilities and open space areas on the Master Association Property or Master Association Maintenance Areas (including without limitation areas which constitute Fuel Modification Zones). A Supplemental Declaration or Notice of Annexation may designate exclusive use areas within the Master Association Property or Master Association Maintenance Areas for the exclusive use or maintenance by one or more Owners (such as yards). The Master Association shall have exclusive control over all of the Master Association Property and Master Association Maintenance Areas (except for Public Property) and any other exclusive use or maintenance area designated in a Notice of Annexation or Supplemental Declaration or created by the Master Association pursuant to Section 5.2.7 below.

3.2. Delegation of Use. The Owner of a Lot or Condominium may delegate, in accordance with the Master Association Documents, the Owner's right of enjoyment of the Master Association Property or Master Association Maintenance Areas and facilities to Owner Parties who occupy the Owner's Lot or Condominium, subject to reasonable regulation by the Board. An Owner who does not reside in his Residence and who has leased, rented or otherwise allowed other Owner Parties to occupy such Residence shall be deemed to have delegated his right of enjoyment of the Master Association Property or Master Association Maintenance Areas to the Owner Parties who occupy the Residence and shall not be entitled to the use and enjoyment of such Master Association Property or Master Association Maintenance Areas, including without limitation the use of the Recreational Facility, during the term of such delegation.

3.3. Parking and Traffic Control. Temporary guest or recreational parking is permitted within the Master Association Property only within spaces and areas clearly marked for such purpose. There shall be no parking of any vehicles in any fire access lanes or emergency access driveways or on unpaved surfaces (including lawns or dirt surfaces). No vehicles shall (i) block or impede access of firefighting equipment to or through the streets or fire hydrants in the Community or (ii) extend over the sidewalks. The Master Association, through the Board, is empowered to establish "parking" and restricted "guest parking" and "no parking" areas within the Master Association Property in accordance with Sections 22658 and 22658.2 of the California Vehicle Code, or any similar statute hereafter enacted, and any applicable City ordinance(s) relating to parking, as well as to enforce, in its sole discretion, these parking limitations through its officers and agents by all means lawful for such enforcement on public

streets, including without limitation the removal/towing of any violating vehicle parked in any fire access lanes or emergency access driveways. The Board is also authorized and empowered to request that the applicable Governing Authority enforce the California Vehicle Code or any applicable City ordinance(s) relating to parking on any private streets within the Community, including any Master Association Property or Neighborhood Association Property private streets, pursuant to applicable ordinances and provisions of the California Vehicle Code permitting governmental enforcement thereof

3.4. Easements for Pedestrian and Vehicular Traffic. In addition to the general easements for use of the Master Association Property or Master Association Maintenance Areas reserved herein, Declarant hereby reserves to itself, to all future Owners within the Community, and to every Owner and their respective Owner Parties nonexclusive easements appurtenant to each Lot and Condominium in the Community for vehicular and pedestrian traffic over any and all private streets and walkways within the Master Association Property, subject to the parking provisions set forth in Section 3.3 above. Declarant, on behalf of itself and any Merchant Builders, reserves the right to grant similar easements to owners of property in the Annexable Property whether or not annexed to the Community.

3.5. Waiver of Use. No Owner may exempt him or herself from personal liability for Assessments duly levied by the Master Association, nor release his or her Lot, Condominium or other property in the Community from the liens and charges hereof, by waiver of the use and enjoyment of the Master Association Property or Master Association Maintenance Areas or any facilities thereon or by abandonment of his or her Lot, Condominium or any other property in the Community.

3.6. Title to the Master Association Property and Master Association Maintenance Areas.

3.6.1 Transfer. As each Phase of Development is annexed to the Community, Declarant or a Merchant Builder, as applicable, will cause the Master Association Property and/or Master Association Maintenance Areas in such Phase of Development to be conveyed to the Master Association, in fee simple or by easement (unless such use is otherwise provided for in the City Entitlements), free and clear of any and all monetary encumbrances and liens (other than non-delinquent taxes and Assessments), and subject to reservations, easements, covenants, and conditions then of Record, including those set forth in this Master Declaration, the applicable Notice of Annexation or Supplemental Declaration or as contained in the deed conveying such Master Association Property and/or Master Association Maintenance Areas to the Master Association. Such conveyance shall be completed on or before the first Close of Escrow for a Lot or Condominium in such Phase of Development, or if such Phase of Development only contains Master Association Property or Master Association Maintenance Areas, concurrently with the Recordation of the Notice of Annexation or Supplemental Declaration for such Phase of Development. No Owner or Neighborhood Association shall interfere with the exercise by the Master Association of its rights hereunder or its easement for maintenance over Master Association Property or Master Association Maintenance Areas, including without limitation Master Association Property or Master Association Maintenance Areas that may be owned in fee by such Owner or Neighborhood Association.

3.6.2 Commencement of Maintenance. Notwithstanding any conveyance of Master Association Property and/or Master Association Maintenance Areas to the Master Association, the Master Association's responsibility to maintain the Master Association Property and/or Master Association Maintenance Areas located in any Phase of Development shall unconditionally begin on the commencement of Common Assessments in such Phase of Development; except that, if such Phase of Development consists of (a) only Master Association Property or Master Association Property and Master Association Maintenance Areas, the Master Association's maintenance responsibility therefor shall commence on the first day of the month immediately following the month in which the deed conveying the Master Association Property in such Phase of Development to the Master Association is Recorded or (b) only Master Association Maintenance Areas, the Master Association's maintenance responsibility therefor shall unconditionally commence on the first day of the month immediately following the month in which the Notice of Annexation or Supplemental Declaration annexing the Master Association Maintenance Areas in such Phase of Development is Recorded. The Master Association's obligation to commence management and maintenance of the Master Association Property and/or Master Association Maintenance Areas shall not be conditioned or delayed in any way including, without limitation, conditions regarding inspection and acceptance by the Master Association of the Master Association Property and/or Master Association Maintenance Areas and/or the running of any contractor or subcontractor maintenance periods. Declarant has no obligation to continue and/or pay for maintenance of the Master Association Property and/or Master Association Maintenance Areas in any Phase of Development beyond the commencement of Assessments in such Phase of Development; however if Declarant, in its sole and absolute discretion, agrees to do so, it shall not delay or alter the commencement of the Master Association's maintenance obligations under this Master Declaration and the Master Association shall have primary responsibility for such maintenance. The same Master Association Property ("**Multi-Phased Master Association Property**") may be designated for Master Association ownership in connection with several different Phases of Development ("**Alternative Phases**"). Maintenance of Multi-Phased Master Association Property, if any, shall commence on the earliest date that maintenance begins in any of the Alternative Phases in which such Multi-Phased Master Association Property is designated for Master Association ownership. If for any reason annexed Master Association Property or Master Association Maintenance Areas is not conveyed to the Master Association, the Master Association shall nonetheless be responsible for the maintenance of same upon the commencement of Common Assessments in such Phase of Development in which such Master Association Property or Master Association Maintenance Areas is located and shall indemnify, defend and hold Declarant harmless in connection therewith. Prior to the commencement of the Master Association's maintenance responsibility under this Section, such maintenance shall be the responsibility of Declarant or a Merchant Builder, as applicable, depending on whether such Phase of Development is being developed by Declarant or a Merchant Builder. Notwithstanding the foregoing, if the contractors or subcontractors of Declarant or a Merchant Builder are contractually obligated to maintain the landscaping or other Improvements on the Master Association Property and/or Master Association Maintenance Areas, the Master Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. Such maintenance performed by the contractors or subcontractors of Declarant or a Merchant Builder shall not (1) postpone the commencement of the Master Association's maintenance obligations for any Phase of Development under this Master Declaration, which shall commence upon commencement of

Common Assessments in such Phase of Development pursuant to this Master Declaration nor (2) entitle any Owner(s) to claim any offset or reduction in the amount of Assessments. If the Dedicated Master Association Property or any other portion of the Master Association Property is dedicated to and accepted for maintenance by a Governing Authority and the Master Association is no longer obligated to continue maintenance of such Master Association Property, subject to the development conditions/requirements for the Community, the Master Association may, but need not, maintain the area if the Governing Authority either fails to maintain the area or elects to cease maintaining the area except for any Improvements and areas which the Master Association is obligated to maintain hereunder.

3.6.3 Character of Master Association Property Improvements. The nature, design, quantity, quality and all other attributes of the Master Association Property, and the facilities and amenities thereon, shall be determined in Declarant's sole and absolute discretion. The Master Association shall be unconditionally obligated to accept title to and/or maintenance responsibility for the Master Association Property and/or Master Association Maintenance Areas at the times specified in this Master Declaration. If a dispute arises between the Master Association and Declarant or any Merchant Builder in connection with the nature, design, quantity, quality or other attributes of the Master Association Property and/or Master Association Maintenance Areas, the completion thereof, the state of title thereto or the acceptance of title or maintenance responsibility therefor (a "***Master Association Property Dispute***"), the resolution of such Master Association Property Dispute shall not be a condition to the obligation of the Master Association to accept title to and/or the commencement of Master Association maintenance responsibility for such Master Association Property and/or Master Association Maintenance Areas. Any Master Association Property Dispute shall be resolved in accordance with Article XII.

3.7. Taxes. Each Owner shall execute such instruments and take such action as may reasonably be specified by the Master Association to obtain separate real estate tax assessment of such Owner's Lot or Condominium. If, in the Master Association's opinion, any taxes or assessments constitute a lien on the Master Association Property, or any part thereof, they may be paid by the Master Association and each Owner shall be obligated to pay or to reimburse the Master Association for, as the case may be, the taxes and assessments assessed by the County Assessor or other taxing authority against the Master Association Property and attributable to such Owner's Lot or Condominium and interest in the Master Association Property.

3.8. Easements.

3.8.1 Master Communications Systems, Telecommunications and Alarm Cable Easements. Declarant reserves for its benefit and the benefit of its successors and assigns, together with the right to grant or transfer all or any portion of same, permanent, nonexclusive easements in gross on, over, under, across and through: (i) all streets, roads, trails, sidewalks and walkways in the Community (including any Lot or parcel shown as a street or road right-of-way on a Recorded subdivision map, parcel map, condominium plan or lot line adjustment on any portion of the Community and any street or road right-of-way conveyed or dedicated in fee or easement to any governmental agency); (ii) all parkways which are adjacent to any such streets, roads, trails, sidewalks or walkways in the Community; and (iii) all lettered Lots or parcels shown on a Recorded subdivision map, parcel map or lot line adjustment on any

portion of the Community, all for the purposes of constructing, installing (including the right to connect to existing facilities and systems), repairing, replacing, maintaining and using existing or future lines, connections, conduit and other facilities, equipment and systems for any or all of the following: (A) a community antenna television system; (B) alarm system cabling; and (C) electric, gas, cable, telephone, future information technology, water, sewer, drainage facilities and systems; provided, however, that the construction, installation, repair, replacement, maintenance and use of such lines, connections, conduit and other facilities, equipment and systems shall not unreasonably interfere with an Owner's use of a Lot or Condominium. Declarant hereby reserves the ownership of all such lines, connections, conduit and other facilities, equipment and systems currently existing and owned by Declarant or hereafter installed by or conveyed to Declarant subject to the ability of Declarant to dedicate or transfer same to any Governing Authority. Declarant reserves for its benefit and its successors and assigns, together with the right to grant or transfer all or any portion of same, permanent, nonexclusive easements in gross on, over, under, across and through all dry utilities easements located in the Community for the installation of fiber optic cable and/or other telecommunication and video (broadband) systems, and for the installation in the Residence of a low-voltage structured wiring systems (including RG6 coaxial cable, CAT5e cable, empty conduit and related outlets and other facilities).

3.8.2 Master Association Wall Easements. Declarant reserves for the benefit of the Master Association (i) an easement over those portions of the Lots, Condominiums and Neighborhood Association Property located within three (3) feet of the common property line separating the Master Association Property and/or Master Association Maintenance Areas from such Lots, Condominiums and Neighborhood Association Property for the purpose of accommodating footings and other structural components, if any, of the Master Association Wall located on or immediately adjacent to such common property a boundary line, including any encroachments thereof onto to the Lots, Condominiums and Neighborhood Association Property; and (ii) easements of access, ingress and egress over the Lots, Condominiums and Neighborhood Association Property reasonably necessary for the maintenance, repair and replacement of Master Association Walls and related Improvements.

3.8.3 Master Association Rights. Declarant reserves for the benefit of the Master Association nonexclusive easements over the Community, in favor of the Master Association, for ingress, egress and access on, over and across those portions of the Community as reasonably required by the Master Association for the purpose of permitting the Master Association to discharge its obligations and powers as described in this Master Declaration, including without limitation its maintenance obligations with respect to the Master Association Property and Master Association Maintenance Areas.

3.8.4 Easements for Utility and Drainage Facilities. Declarant hereby reserves to itself, together with the right to grant or transfer same, easements of access, ingress and egress over all Master Association Property, Neighborhood Association Property, Lots and Condominiums for installation and maintenance of utilities and drainage facilities shown on a Recorded subdivision map, parcel map or lot line adjustment for the Community and for construction, installation, operation, replacement, repair and maintenance of all utility and service lines, systems and other devices and Improvements which may be reasonably necessary for the development and marketing of Residences within the Community and Annexable

Property, including, but not limited to, water, sewer, gas, telephone, electrical, television and storm drain and water lines (collectively, the "**Facilities**"). Each Owner, by accepting a deed to a Residence, expressly consents to the foregoing easements and rights of way and authorizes and appoints Declarant (so long as Declarant owns all or any portion of the Community or Annexable Property) as attorney-in-fact of such Owner to execute any and all instruments particularly describing, locating, granting or transferring such easements or rights of way. Within the location of the Facilities' easements and rights of way, no Improvement shall be planted or placed which may interfere with the use, maintenance or operation of the Facilities or which may be in violation of any ordinance or law of any applicable Governing Authority. Declarant also reserves the right to grant easements over the Master Association Property already conveyed to the Master Association, or any portion thereof, for exclusive use as a yard, recreational, gardening or landscape area by any Owner of a contiguous Lot or Condominium whether or not the Close of Escrow has already occurred for such Lot or Condominium, so long as the Board reasonably makes a finding that the use and maintenance of such area is more appropriately placed with the Owner rather than the Master Association.

3.8.5 Declarant Easements. Declarant and any Merchant Builders hereby reserve easements (a) for the benefit of Declarant, Merchant Builders and Owners, over the Master Association Property walkways for access, ingress and egress to Lots, Condominiums and Master Association Property; (b) for the benefit of Declarant or any Merchant Builders for the installation, maintenance and repair of any Improvement constructed by Declarant or any Merchant Builders; (c) as may be shown on any Recorded subdivision map or Recorded parcel map of any portion of the Community; and (d) for such other purposes as specified in this Master Declaration.

3.8.6 Easements for Encroachments. Declarant and any Merchant Builders reserve, for the benefit of Declarant, Merchant Builders and Owners over the Community for (a) encroachment of Improvements constructed by Declarant or any Merchant Builders or authorized by the Master Design Review Committee over the Master Association Property, Condominiums and Lots and (b) shifting, movement or natural settling of the Residences or other Improvements.

3.8.7 Easements for Clustered Mailboxes. Clustered mailboxes may be installed within all or any portion of the Community. Declarant hereby reserves for the benefit of Owners and the United States Postal Service easements on and over the affected portions of the Community for delivery, deposit and retrieval of mail.

3.8.8 Easements for Drainage. Declarant and any Merchant Builders hereby reserve for the benefit of the Community, the Owners, the Merchant Builders, the Master Association and each Neighborhood Association reciprocal nonexclusive easements for drainage of surface water over, across and in the Community in accordance with this Master Declaration, resulting from the normal use of adjoining Lots, Condominiums, Neighborhood Association Property or Master Association Property.

3.8.9 City Easements. Declarant reserves to itself, together with the right to grant and transfer same to the City, easements for ingress and egress over the Community for the purpose of permitting the City to perform various obligations and responsibilities within or

adjacent to the Community, including without limitation maintenance of open space lots to be conveyed to the City as identified in the Recorded subdivision maps, tract maps and/or parcel maps of the Community.

3.8.10 Easements for Public Services. Declarant and Merchant Builders reserve for the benefit of the Governing Authorities easements over the Master Association Property and/or Neighborhood Association Property (excepting any exclusive use area appurtenant to a Unit) for the purpose of providing public services, including, but not limited to, the right of police, fire, ambulance and trash collection to enter upon any part of the Community to serve the health, safety and welfare of all Owners in the Community.

3.8.11 Easements for Slope Easement Lots. Declarant and the Merchant Builders reserve for the benefit of the Master Association nonexclusive easements over the Slope Easement Lots for ingress, egress and access to and from the Slope Easement Areas located on each Slope Easement Lot for the purposes of (i) maintaining the Slope Easement Areas if the Owner of the Slope Easement Lot fails to maintain the Slope Easement Area of such Owner's Slope Easement Lot pursuant to Section 7.12.4, and (ii) maintaining, repairing and/or replacing the Owner Fences.

3.9. Regular Inspection.

3.9.1 Duty to Inspect. It shall be the duty of the Board to have the Master Association Property and Master Association Maintenance Areas inspected at least once every year.

3.9.2 Purpose of Inspection. The purpose of the inspection shall be to (i) determine whether the Master Association Property and Master Association Maintenance Areas is being maintained adequately in accordance with the Maintenance Guidelines and such other prudent maintenance practices appropriate for Improvements such as those comprising the Master Association Property and Master Association Maintenance Areas, (ii) identify the condition of the Master Association Property and Master Association Maintenance Areas and any Improvements thereon including the existence of any hazards or defects, and the need for performing additional maintenance, refurbishment, replacement, or repair, and (iii) recommend preventive actions (such as root pruning and tree removal) which may be taken to reduce potential maintenance costs to be incurred in the future.

3.9.3 Scope of Inspection. All of the Master Association Property and Master Association Maintenance Areas and Improvements thereon including, but not limited to, all structures, gates, walls, walkways, irrigation systems, landscaping, and drainage devices thereon shall be inspected.

3.9.4 Experts and Consultants. The Board may employ such experts and consultants as are necessary to perform the inspection and make the report required by this Section.

3.9.5 Report to Owners. The Board shall have a report of the results of the inspection of the Master Association Property and Master Association Maintenance Areas required by this Section prepared. The report shall be furnished to Owners and Declarant by the

earlier of sixty (60) days after the report is completed or at the time the next Master Association Budget is sent to the Owners. The report shall include at least the following:

- (i) a description of the condition of the Master Association Property and Master Association Maintenance Areas, including a list of items inspected, and the status of maintenance, repair and need for replacement of all such items;
- (ii) a description of all maintenance, repair and replacement planned for the ensuing Fiscal Year and included in the Budget;
- (iii) if any maintenance, repair or replacement is to be deferred, the reason for such deferral;
- (iv) a summary of all reports of inspections performed by any expert or consultant employed by the Board to perform inspections;
- (v) a report of the status of compliance with the maintenance, replacement and repair needs set forth in the inspection report for preceding years; and
- (vi) such other matters as the Board deems appropriate.

ARTICLE IV MASTER ASSOCIATION

4.1. **Organization.** The Master Association is organized as a California corporation under the Nonprofit Mutual Benefit Corporation Law and is charged with the duties and vested with the powers prescribed by law, subject to the limitations and provisions of the Articles, Bylaws, and this Master Declaration. None of the other Master Association Documents shall be amended or otherwise changed so as to be inconsistent with this Master Declaration. If there is any ambiguity in any provision of the other Master Association Documents, then such provision shall be construed, to the extent possible, so as to be consistent with the provisions of this Master Declaration. Nothing in this Master Declaration shall prevent the creation, pursuant to Neighborhood Declarations, of Neighborhood Associations to assess, regulate, maintain or manage the portions of the Community subject to such Neighborhood Declarations, or to own or control portions thereof for the common use or benefit of the Owners of Lots or Condominiums in those portions of the Community subject to such Neighborhood Declarations.

4.2. **Membership.** Members of the Master Association are the Owners (including Declarant and any Merchant Builder) of one (1) or more Lots or Condominiums in the Community. Membership in the Master Association is subject to the Master Association Documents. All Memberships in the Master Association held by Owners are appurtenant to the Lot or Condominium owned by each Owner (other than Declarant's Class C Membership), and ownership of a Lot or Condominium is the sole qualification for an Owner's Membership in the Master Association.

4.2.1 **Classes of Membership.** The Master Association shall have three (3) classes of voting Membership as follows:

(i) **Class A.** The Class A Members are all Owners; provided, however, that Declarant shall become a Class A Member as to Lots and/or Condominiums owned by Declarant on the termination of their Class B Membership as provided below. Class A Members are entitled to one (1) vote for each Lot and/or Condominium which is both subject to Assessments and owned by such Member.

(ii) **Class B.** The Class B Member shall be Declarant, who shall be entitled to three (3) votes for each Lot and/or Condominium owned by Declarant and Merchant Builders in the Community which is subject to Assessments. The Class B Membership shall be converted to Class A Membership on the date ("**Class B Termination Date**") which is the earlier to occur of the following events:

(A) The Close of Escrow for the sale of seventy-five percent (75%) of the number of Lots and Condominiums approved for development in the Community and Annexable Property as of the date of Recordation of this Master Declaration.

(B) The fifth (5th) anniversary of the first Close of Escrow in the Phase of Development for which a Final Subdivision Public Report was most recently issued by the DRE.

(C) The fifteenth (15th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the Community.

(iii) **Class C.** The Class C Member shall be Declarant irrespective of whether Declarant owns a Lot or Condominium in the Community. The Class C Membership shall not be considered a part of the voting power of the Master Association, and Declarant is not entitled to exercise any Class C vote except for the purpose of appointing those members of the Board which the Class C Membership is entitled to appoint hereunder. The Class C Member is entitled to solely appoint 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:

(A) The Close of Escrow for the sale of seventy-five percent (75%) of the number of Lots and Condominiums approved for development in the Community and Annexable Property as of the date of Recordation of this Master Declaration.

(B) The fifth (5th) anniversary of the first Close of Escrow in the Phase of Development for which a Final Subdivision Public Report was most recently issued by the DRE.

(C) The fifteenth (15th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the Community.

The member of the Board not appointed by the Class C Member shall be elected in accordance with this Master Declaration and the Bylaws by a vote of the Class A and, if applicable, Class B Members.

4.2.2 Vesting of Voting Rights. The voting rights attributable to any given Lot or Condominium in the Community as provided for herein shall not vest until Assessments have been levied by the Master Association against such Lot or Condominium.

4.2.3 Transfer of Membership. An Owner's Membership shall not be assigned, transferred, pledged or alienated in any way, except upon the transfer of title to the Owner's appurtenant Lot or Condominium, and then only to the purchaser or Mortgagee of such Lot or Condominium. Any attempt to make a prohibited Membership transfer is void and will not be reflected on the books of the Master Association. Membership in the Master Association is in addition to membership in any Neighborhood Association responsible for operating the Planned Development or Condominium Project in which the Owner's Lot or Condominium is located. Notwithstanding the foregoing, a Member who has sold his Lot or Condominium to a contract purchaser under an installment land sale contract may delegate his membership rights to the contract purchaser. Such delegation shall be in writing and must be delivered to the Board before such contract purchaser may exercise Membership privileges. However, the Owner (seller under such land sale contract) shall remain liable for all charges and Assessments attributable to his Lot or Condominium until fee title to the Lot or Condominium is transferred. If the Owner of any Lot or Condominium fails or refuses to transfer the Membership (registered in his name) to the purchaser of such Owner's Lot or Condominium upon transfer of fee title thereto, the Board of Directors may record the transfer in the Master Association's books. The Master Association may levy a reasonable transfer fee against new Owners and their Lots and Condominiums (which fee shall be added to the Common Assessments chargeable to such new Owners) to reimburse the Master Association for the administrative costs of transferring the Memberships to the new Owners on the Master Association's records.

4.2.4 Suspension of Membership Rights. The Board may suspend the Membership rights of any Member, including the right to vote at any meeting of the Members, for any period during which any Assessment against such Member and the Lot or Condominium owned by such Member is delinquent. Any such suspension for nonpayment of any Assessment shall not constitute a waiver or discharge of the Member's obligation to pay the Assessments provided for herein.

4.3. Specified Actions. Except as provided in this Master Declaration and the Bylaws, as long as there exists a Class B Membership, all voting proposals which the Restrictions require to be approved by the vote of Members representing a majority or greater percentage of the total voting power of the Master Association ("***Specified Actions***"), including without limitation any amendment to this Master Declaration as provided in Section 13.2.2, shall require the approval of the Members entitled to vote on such Specified Action casting the specified percentage of the voting power of both the Class A and the Class B Membership (for Class B Members who are entitled under this Master Declaration to vote on such Specified Action). Except as provided in this Master Declaration and the Bylaws, upon termination of the Class B Membership all Specified Actions shall require the approval of (1) the specified percentage of the voting power of all Members entitled to vote on such Specified Action and (2) such specified percentage of the voting power of all the Members who are entitled to vote on such Specified Action under this Master Declaration, exclusive of votes attributable to Declarant and any Merchant Builders. In addition, the specified percentage of the Members necessary to amend a specific Section or provision of the Restrictions which pertains to a Specified Action

shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. The term Specified Action as used herein specifically excludes matters requiring a mere majority vote of a quorum (as defined in the Bylaws) of the Members who are entitled to vote on such Specified Action under this Master Declaration.

4.4. Board of Directors.

4.4.1 Candidacy Requirements for Owners. Only Owners who meet the following criteria are qualified to run for and be elected to the Board of Directors of the Master Association:

(i) The Owner must be in compliance with the Master Association Documents for the twelve (12) months immediately preceding the date of the election at which the Owner is being considered for election to the Board of Directors. To be in compliance, within five (5) days after receipt of written notice by the Master Association, the Owner must correct (to the satisfaction of the Board) any violation of the Master Association Documents for which the Owner has been determined to be responsible under this Master Declaration (however the foregoing shall not correct non-compliance under (ii) below);

(ii) The Owner must be current in the payment of all Assessments for the twelve (12) months immediately preceding the date of the election at which the Owner is being considered for election to the Board of Directors;

(iii) The Owner must reside in the Community as the Owner's principal place of residence;

(iv) The Owner must not be related by blood or marriage or reside in the same household as any other Board member; and

(v) The Owner shall have complied with all requirements of prospective members of boards of directors of homeowners associations under applicable statutes, including the avoidance of conflict of interest.

4.4.2 Incumbent Requirements. To remain qualified to serve on the Board of Directors, an Owner who has been elected to the Board of Directors must:

(i) Not be absent from more than three (3) consecutive regularly scheduled meetings of the Board;

(ii) Attend at least seventy-five percent (75%) of the Board meetings held during the year and attend the entire meeting each time;

(iii) Comply with every duly approved action of the Board;

(iv) Subject to Subsection (v) below, within five (5) days after receipt of written notice by the Master Association, comply with the Master Association Documents and correct (to the satisfaction of the Board) any violation of the Master Association Documents for

which that director has been determined to be responsible pursuant to this Master Declaration (however the foregoing shall not correct non-compliance under (v) below);

(v) Not be delinquent in the payment of any Assessment more than once in any Fiscal Year ;

(vi) Exhibit respect, professionalism, honesty and courteous behavior to Owners, committee members, vendors, the Manager and its staff, and any other Persons associated with or retained by the Master Association;

(vii) Unless such compensation is first approved by the vote of Members representing at least a majority of the Master Association's voting power, refuse any type of gain, such as money, services, products, gifts or gratuities of a significant value, as determined by a majority vote of the Board who meet all of the required qualifications to serve as such, which gain is offered in relation to the Owner's service as a director. In addition, the Owner must disclose such offers at an open meeting of the Board. Compensation for services duly approved by the Board and unrelated to duties as a director or officer of the Master Association, and reimbursement of expenses associated with services to the Master Association, do not constitute prohibited gain within the meaning of this Subsection; and

(viii) Continue to reside in the Community as the Owner's principal place of residence;

(ix) Not act in a manner determined by a majority vote of the Board to be grossly detrimental to the general safety, health or welfare of the Master Association and its members; and

(x) Comply with all requirements of members of boards of directors of homeowners associations under applicable statutes, including the avoidance of conflict of interest.

The foregoing qualifications set forth in this Section 4.4 for election to and service on the Board are the only qualifications for election to and service on the Board, and no "operating rule" (as such term is defined in California Civil Code Section 4340) may set forth any additional qualifications. If any Owner who has been elected to the Board of Directors fails to satisfy any of the qualifications set forth in this Section, a special meeting of the Members may be called to remove such Owner in accordance with the Bylaws.

ARTICLE V FUNCTIONS OF MASTER ASSOCIATION

5.1. Permitted Functions. The Master Association is formed exclusively for those purposes and activities which are specifically and directly related to (i) equipping, maintaining, operating and utilizing the Master Association Property and Master Association Maintenance Areas, including the social, recreational and other Improvements thereon, (ii) collecting Assessments to finance the maintenance and utilization of the Master Association Property and Master Association Maintenance Areas, and (iii) administering and enforcing the Master Association Documents (collectively, the "*Permitted Functions*"). Notwithstanding the

foregoing, the Permitted Functions do not include those activities prohibited by Section 5.4 below. The funds and resources of the Master Association shall be utilized solely and exclusively for the direct costs of Permitted Functions. Nothing in this Section 5.1 shall be deemed to preclude the use of the Master Association Property facilities by Declarant or any Merchant Builders for promotional special events and other purposes as authorized by Section 3.1.8.

5.2. Powers and Duties. Subject to the limitations of the Master Association Documents, the Master Association has all of the powers of a California Nonprofit Mutual Benefit Corporation and the power to perform any and all lawful acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Master Association, including without limitation the following:

5.2.1 Assessments. The power and duty to levy Assessments on the Owners of Lots or Condominiums on which Assessments have commenced and to collect and enforce payment of such Assessments in accordance with the provisions of this Master Declaration.

5.2.2 Repair and Maintenance. Subject to the provisions of this Master Declaration, the power and duty to (i) accept title to and to paint, plant, maintain, replace and repair all Master Association Property and Master Association Maintenance Areas and the Improvements thereon in a safe, sanitary and attractive condition and in good order and repair in accordance with all applicable laws and the requirements of applicable Governing Authorities, including without limitation the Recreational Facility, the private pocket park located in the Community, all private streets, private street storm drainage systems, sewer and water lines (including those lines located on Lot A as shown on Final Map (PN 16-122.04) – Russell Ranch Phase 1 Village 4, Filed on June 21, 2019 in Book 412, of Maps, at Page 4, in the County Recorder's Office) and landscaped open spaces and hillside common areas located on the Master Association Property and/or Master Association Maintenance Areas, the Master Association Walls and the Fuel Modification Zones and (ii) pay for utilities, gardening and other necessary services for the Master Association Property and Master Association Maintenance Areas. Subject to the Master Association Documents, all of the foregoing obligations of the Master Association shall be discharged when and in such manner as the Board determines in its judgment to be appropriate, provided that the Master Association shall (a) comply with the Maintenance Guidelines, and (b) conform with the requirements of any agreements entered into between Declarant or any Merchant Builder and a Governing Authority pertaining to the Community including, without limitation, any agreements providing for maintenance of Public Property by the Master Association.

5.2.3 Exclusions from Maintenance. Except as expressly provided otherwise in this Master Declaration or any Supplemental Declaration or Notice of Annexation, the Master Association shall have no responsibility to manage, maintain, repair or replace (i) any Dedicated Master Association Property which is accepted by a Governing Authority for maintenance, (ii) any other Improvement (including, without limitation, parkway areas, median strips, trails and sidewalks) which is accepted for maintenance by any state or Governing Authority, (iii) any Improvement which is the maintenance responsibility of any Neighborhood Association pursuant to a Neighborhood Declaration, or (iv) except as otherwise provided in any Supplemental Declaration or Notice of Annexation and other than Owner Fences, which shall be

maintained by the Master Association, the exposed surface (including stucco repairs and painting) of any wall or fence which immediately adjoins and faces any Lot, Condominium or Neighborhood Association Property, regardless of whether such wall is (a) located on the common property line separating the Master Association Property or Public Property from the Lot, Condominium or Neighborhood Association Property, or (b) located wholly or partially within the Master Association Property, Public Property, Lot or Neighborhood Association Property immediately adjacent to such common property line. Such responsibility shall be that of the applicable Governing Authority, adjacent Owner or Neighborhood Association.

5.2.4 Slope Easement Areas. Subject to the provisions of this Master Declaration, the power and duty to (i) monitor the Slope Easement Areas to ensure that each Owner of a Slope Easement Lot maintains the Slope Easement Area of such Owner's Slope Easement Lot in accordance with Section 7.12.4 and (ii) enforce the maintenance requirements for the Slope Easement Areas in accordance with Section 7.12.4, the City Entitlements and the requirements of any applicable Governing Authorities. Without limiting the generality of the foregoing, if an Owner of a Slope Easement Lot fails to maintain the Slope Easement Area of such Owner's Slope Easement Lot in accordance with Section 7.12.4, the Master Association shall maintain such Slope Easement Area in accordance with Section 7.12.4 and shall have the right to charge a Special Assessment against the Owner of the Slope Easement Lot to reimburse the Master Association for (i) the costs to maintain such Slope Easement Area, and (ii) if the Master Association decides, in its sole discretion, to remove the fencing panels of the Owner Fence adjacent to such Slope Easement Area for the purpose of accessing and maintaining the Slope Easement Area, the costs to remove and replace the fencing panels.

5.2.5 Owner Fences. Subject to the provisions of this Master Declaration, the power and duty to perform periodic maintenance, repair and/or replacement of the Owner Fences in the Community.

5.2.6 Utility Services. The power and duty to obtain for the benefit of the Master Association Property and Master Association Maintenance Areas, commonly metered water, gas, electric or other utility services necessary for the maintenance of the Master Association Property and Master Association Maintenance Areas.

5.2.7 Easements and Rights-of-Way. The power, but not the duty, to grant and convey to any Person, without the consent of any Owners, easements, licenses or rights-of-way in, on, over or under the Master Association Property and fee title to parcels or strips of land which comprise a portion of the Master Association Property, for purposes consistent with the terms of this Master Declaration, including without limitation (i) easements (A) for roads, streets, walks, trails, driveways, parkways, landscaping, park areas, open space areas and slope areas; (B) overhead or underground lines, cables, wires, conduits, or other devices for the transmission of power or signals for lighting, heating, television, telephone, communications and other similar purposes; (C) sewers, storm water drains, retention basins and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes; and (D) any similar Improvements, facilities or uses not inconsistent with the use of such property pursuant to this Master Declaration, and (ii) exclusive easements or fee title to Owners for back yard, side yard, and front yard purposes so long as the Board reasonably makes a finding that the use and maintenance of such area is more appropriately placed with the Owner rather than the Master Association. Notwithstanding the

foregoing, the Master Association may not grant exclusive use easements or rights over any portion of the Master Association Property to a Member without the approval of Members representing at least a majority of the Master Association's voting power if such grant requires the approval of a specified percentage of Members under Section 4600 of the California Civil Code.

5.2.8 Manager. Subject to Section 5.4, the power and duty to contract with a professional Manager for the Master Association. Except as otherwise provided in this Master Declaration, any such management agreement, or any agreement providing for services by Declarant to the Master Association, shall be for a term not in excess of one (1) year (renewable by agreement of the parties for successive one (1) year periods), and any such agreement shall be terminable by the Master Association, acting through the Board, at any time without cause or the payment of a penalty or termination fee upon not more than ninety (90) days' written notice.

5.2.9 Rights of Entry and Enforcement. The power, but not the duty, after Notice and Hearing, to enter any Lot or Unit or Neighborhood Association Property without being liable to any Owner or Neighborhood Association, except for physical damage caused by such entry, for the purpose of enforcing by peaceful means the provisions of this Master Declaration, or for the purpose of maintaining or repairing any such Lot, Unit or Neighborhood Association Property if for any reason whatsoever the responsible Owner or Neighborhood Association fails to maintain and repair any such area as required by the Master Association Documents; provided that no items of construction on any such Lot, Unit or Neighborhood Association Property may be altered or demolished except pursuant to judicial proceedings. The cost of any enforcement action or any maintenance and repair completed in compliance with these provisions is the responsibility of the Owner or Neighborhood Association and may be assessed against the responsible Owner or Neighborhood Association, as a Special Assessment. The responsible Owner or Neighborhood Association shall pay promptly all amounts due for such work and the costs and expenses of collection. Any physical damage caused by entry upon any Lot, Unit or Neighborhood Association Property shall be repaired by the entering party. The Master Association may also commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the Master Association Documents and to enforce, by mandatory injunctions or otherwise, all of the provisions of the Master Association Documents. If an action is brought by the Master Association, the prevailing party is entitled to recover reasonable attorneys' fees.

5.2.10 Legal and Accounting Services. Subject to Section 5.2.11, the power, but not the duty, if deemed appropriate by the Board, to retain and pay for legal and accounting services necessary or proper in operating the Master Association Property and Master Association Maintenance Areas, enforcing the Master Association Documents and performing any of the other Master Association duties or rights.

5.2.11 Contracts. The power, but not the duty, to enter into contracts. Except as otherwise accepted by the DRE or as provided in this Master Declaration or a Supplemental Declaration or Notice of Annexation, neither Declarant nor any of its agents shall enter into any contract which would bind the Master Association or the Board for a period in excess of one (1) year.

5.2.12 Audit. The power and duty to permit any Owner, who may be accompanied by an accountant or other consultant, at said Owner's sole expense to audit or inspect the Master Association's books and records; provided that such audit or inspection is made during normal business hours and without unreasonable interference with the operations of the Manager or the Master Association.

5.2.13 Litigation. Subject to Sections 5.4 and 13.5 and Article XII, the power, but not the duty, to initiate, defend, settle or intervene in mediation, arbitration, judicial or administrative proceedings on behalf of the Master Association in matters pertaining to (i) the application or enforcement of the Master Association Documents and (ii) damage to the Master Association Property and/or Master Association Maintenance Areas. Any recovery by the Master Association with respect to any damage to or defect in the Master Association Property and/or Master Association Maintenance Areas shall be utilized solely for the purpose of paying for the costs of correcting such damage or defect.

5.2.14 Release Security. The power and duty to release security and exonerate bonds posted by Declarant to secure obligations to the Master Association immediately upon satisfaction of the obligations giving rise to such security. The Master Association shall not delay the release of such security for reasons other than nonperformance of the obligations secured by such security.

5.2.15 Website. The power, but not the duty, to establish and maintain a website and provide internet services to the Owners and other residents within the Community.

5.2.16 Acceptances and Conveyances of Property. The power to join with Declarant, any Merchant Builder, a Neighborhood Association, an Owner, a Governing Authority, utility company, or other person or entity in the execution of a parcel map, subdivision map, lot line adjustment, grant or quitclaim deed and/or grant of easement for the purpose of accepting or conveying title to property, including without limitation any portion of the Master Association Property, and in furtherance thereof to deannex such portion of the Master Association Property from this Master Declaration, as necessary to: (i) eliminate encroachments due to engineering errors or errors in construction of any Improvements upon any of the affected property, (ii) permit changes in the development plan in circumstances where such changes are the result of topography, obstruction, hardship, aesthetic considerations or environmental conditions, (iii) fulfill the requirement of a Governing Authority or (iv) transfer the burden of management and maintenance of any Master Association Property, which in the reasonable judgment of the Board is generally inaccessible or is not likely to be of general use or benefit to the membership at large of the Master Association.

5.2.17 Water Quality Management Plans. The power and duty to enforce and comply with the Water Quality Management Plans approved for the Community and all other documents and City ordinances pertaining to the ownership, use, management and control of the Community. Without limiting the generality of the foregoing, the Master Association shall be responsible for administering an ongoing education program for residents of the Community regarding the requirements of the Water Quality Management Plans approved for the Community.

5.2.18 Fuel Modification Zones. The Master Association is responsible for maintaining, in accordance with the applicable Governing Authority requirements (including the Fuel Modification Plans), those portions of the Master Association Property and/or Master Association Maintenance Areas identified as Fuel Modification Zone(s) in this Master Declaration or in any Notice of Annexation or Supplemental Declaration (including without limitation the open spaces areas and the sloped landscape areas located on Master Association Property and/or Master Association Maintenance Areas which are designated as Fuel Modification Zone(s)). Such open space areas and sloped landscaped areas shall be maintained to allow reasonable access and defensible space for firefighting operations in accordance with the Fuel Modification Plans, including without limitation removal of undesirable flammable vegetation and thinning maintenance to be performed annually in the late spring after seasonable rains or as otherwise deemed necessary by the Folsom Fire Department. The Fuel Modification Zones in the First Subdivision (if any) are described and/or depicted in *Exhibit "J"* attached hereto. Additional Fuel Modification Zones may be designated in Notices of Annexation and/or Supplemental Declarations.

5.3. Rules and Regulations. The Board may adopt such Rules and Regulations as it deems proper for the use, occupancy and maintenance of the Community, including without limitation, subject to Section 7.12.4 and any requirements of the applicable Governing Authorities, restrictions on the Owners' use of the Slope Easement Areas. To be effective, a copy of the Rules and Regulations, as adopted, amended or repealed, must be posted in a conspicuous place in the Master Association Property or must be mailed or otherwise delivered to each Owner. When mailed, delivered or posted, the Rules and Regulations shall have the same force and effect as if they were set forth herein; provided, however, that the Rules and Regulations shall be enforceable only to the extent that they are consistent with this Master Declaration, any applicable Supplemental Declaration and/or Notice of Annexation, the Articles and the Bylaws, and may not be used to amend any of such documents.

5.4. Prohibited Activities. Notwithstanding any other provisions of this Master Declaration or the other Master Association Documents, the Master Association is prohibited from undertaking or performing any of the following activities, or expending or otherwise utilizing Master Association funds or resources therefor, and the following activities shall not constitute Permitted Functions of the Master Association:

5.4.1 Offsite Nuisances. So long as Declarant owns any portion of the Annexable Property, the Master Association shall not use any Assessments or expend Master Association funds or resources to abate any annoyance or nuisance emanating from outside the physical boundaries of Phases of Development in which Common Assessments have commenced.

5.4.2 Political Activities. The Master Association shall not (i) participate in federal, state and local political activities or activities intended to influence a governmental action affecting areas outside the boundaries of the Community (*e.g.*, endorsement or support of (A) legislative or administrative actions by a by a local governmental authority, (B) candidates for elected or appointed office and (C) ballot proposals) or (ii) conduct, sponsor, participate in or expend funds or resources on any activity, campaign or event, including without limitation any social or political campaign, event or activity, which does not directly and exclusively pertain to

a Permitted Function. This Section in no way seeks to alter the rights of the Owners or residents in the Community as set forth in California Civil Code Section 4515. There shall be no amendment of this Section so long as Declarant owns the Community or the Annexable Property.

ARTICLE VI FUNDS AND ASSESSMENTS

6.1. **Obligation.** Declarant and Merchant Builders, for Lots and Condominiums owned by same and subject to Assessment hereby covenant and other Owners of Lots and Condominiums which are subject to Assessment, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in such deed or such other instrument, are deemed to have covenanted to pay to the Master Association all Assessments. Assessments other than Special Assessments, together with interest, costs, and reasonable attorneys' fees for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the Lot or Condominium against which such Assessment is made; provided, however, that Special Assessment liens that are imposed as a fine or penalty, cannot be enforced under Sections 2924, 2924(b) and 2924(c) of the California Civil Code. The personal obligation of Assessments shall not pass to the successors-in-title to any Owner, unless expressly assumed by them.

6.2. **Maintenance Funds.** The Board shall Budget, establish and maintain at least the following separate accounts (the "***Maintenance Funds***"), into which shall be deposited all monies paid to the Master Association, and from which disbursements shall be made, as provided herein, for the Master Association's performance of its functions under the Master Association Documents:

6.2.1 **General Operating Fund.** A General Operating Fund for current expenses of the Master Association, exclusive of current expenses attributable to the Improvements and maintenance responsibilities included within the Cost Centers, if any.

6.2.2 **General Reserve Fund.** An adequate General Reserve Fund for the deposit of Reserves attributable to Improvements within the Master Association Property and/or Master Association Maintenance Areas, exclusive of Reserves attributable to Improvements included in the Cost Centers, if any. All Reserves shall be determined annually by the Board pursuant to maintenance cost guidelines established in accordance with prudent property management practices generally applied for "common interest developments" (as defined in Section 4100 of the California Civil Code) throughout the County.

6.2.3 **Cost Center Operating Fund.** A Cost Center Operating Fund for current expenses of each Cost Center, if any, which has been completed and is subject to maintenance by the Master Association.

6.2.4 **Cost Center Reserve Fund.** An adequate Cost Center Reserve Fund for the deposit of Reserves attributable to each Cost Center, if any, which has been completed and is subject to maintenance by the Master Association.

6.2.5 **Miscellaneous Maintenance Funds.** Any other Maintenance Funds which the Board of Directors may deem necessary.

6.3. Disbursements. All amounts deposited into the Maintenance Funds must be used solely for the purposes authorized by the Master Association Documents, as amended. The Board is authorized to transfer interest and other earnings on the General Reserve Fund and Cost Center Reserve Fund into the respective Operating Fund in order to satisfy income taxes payable by the Master Association attributable to such interest and earnings. The signatures of either two (2) directors of the Master Association or one (1) director and one (1) officer of the Master Association who is not also a director of the Master Association shall be required for the withdrawal of money from the Master Association's Reserve funds. Disbursements from the particular Maintenance Funds shall be limited to specific purposes as follows:

6.3.1 Cost Center Reserves. Disbursements from each Cost Center Reserve Fund shall be made solely for the purpose of funding Reserve expenditures attributable to the Cost Center for which the fund was created.

6.3.2 Cost Center Operations. Disbursements from each Cost Center Operating Fund shall be made solely for the purpose of funding the current operating Common Expenses of the Cost Center for which the fund was created.

6.3.3 General Reserves. Disbursements from the General Reserve Fund shall be made solely for the purpose of funding those Reserve expenditures which are not Budgeted to a Cost Center.

6.3.4 General Operations. Disbursements from the General Operating Fund shall be made for such purposes as are necessary for the discharge of the Master Association's responsibilities under the Master Association Documents, for the common benefit of all Owners, other than those purposes specified in Sections 6.3.1 through 6.3.3 above. Nothing contained herein shall preclude the establishment of additional Maintenance Funds by the Master Association earmarked for specified purposes authorized by the Master Association Documents. The Master Association shall not impose or collect an Assessment, penalty or fee which exceeds the amount necessary for the purpose or purposes for which it is levied. If the Master Association decides to use or transfer Reserve funds to pay for litigation, the Master Association must notify its Members of the decision in its next mailing to the Members. Such notice shall provide an explanation of why the litigation is being initiated or defended, why operating funds cannot be used, how and when the Reserve funds will be replaced, and a proposed budget for the litigation. The notice must state that the Members have a right to review an accounting for the litigation as provided in Section 5520 of the California Civil Code which will be available at the Master Association's office. The accounting shall be updated monthly. The Board shall (i) cause appropriate financial statements for any Cost Center to be regularly prepared and distributed to the applicable Cost Center Owners concurrently with the delivery to Members of financial statements pertaining to Common Assessments and (ii) review on at least a quarterly basis the applicable accounts and statements pertaining to such Cost Center.

6.4. Damage or Neglect. If any maintenance, repair or replacement of the Master Association Property and/or Master Association Maintenance Areas is necessitated as a result of the willful or negligent act or neglect of a Neighborhood Association, an Owner or Owner Parties, such maintenance, repair or replacement shall be performed at the expense of such Neighborhood Association or the applicable Owner and a Special Assessment therefor shall be

levied against such Neighborhood Association or Owner; provided, however, that the liability of an individual Neighborhood Association or Owner for such damage to the Master Association Property and/or Master Association Maintenance Areas shall be consistent with California law. The foregoing shall include without limitation any settlement damage to any Master Association Wall and wall footings adjoining a Lot, Condominium or Neighborhood Association Property caused by any excavation, construction or excess irrigation occurring on such adjacent Lot, Condominium or Neighborhood Association Property.

6.5. **Common Assessments.** Sums sufficient to pay Common Expenses shall be assessed as Common Assessments against the Owners and their Lots and Condominiums as follows:

6.5.1 **General Assessment Component.** Common Expenses of the Master Association exclusive of Common Expenses Budgeted to the Cost Centers ("**General Assessment Component**") shall be allocated equally among all Lots and Condominiums and the Owners thereof.

6.5.2 **Cost Center Assessment Component.** Common Expenses of the Master Association comprising Cost Center Operating and Reserve Funds Budgeted to any particular Cost Center shall be assessed equally to the applicable Cost Center Owners as a Cost Center Assessment. The Supplemental Declaration covering a Lot or Condominium subject to a Cost Center Assessment shall: (i) identify the Cost Center, if existing, or describe the Cost Center if proposed; (ii) identify the Cost Center Owners; and (iii) specify the Common Expenses comprising the Cost Center Assessment attributable to such Cost Center. Unless otherwise provided in such Supplemental Declaration, the Common Expenses Budgeted to any Cost Center shall be allocated equally among all applicable Cost Center Owners of such Cost Center.

6.6. **Commencement of Common Assessments.**

6.6.1 **Commencement Date.** Common Assessments shall commence as to each Lot or Condominium in the First Subdivision on the date which is the earlier to occur of (a) the date which is the first day of the first month following the first Close of Escrow for the sale of a Lot or Condominium in the First Subdivision or (b) the date which is the first day of the first month following the first Close of Escrow for the sale of a Lot or Condominium in any Phase of Development other than the First Subdivision. Except as otherwise provided in an applicable Notice of Annexation, Common Assessments (including Cost Center Assessments, if applicable), shall commence as to any later Phase of Development on the first day of the first month following the month in which the first Close of Escrow occurs for the sale of a Lot or Condominium in such later Phase of Development; however, if such Phase of Development also includes any Lot(s) or Condominium(s) used by Declarant or any Merchant Builder as a model home(s) ("**Model Home**"), Common Assessments (including Cost Center Assessments, if applicable) in such Phase of Development shall not commence until the first Close of Escrow for the sale of a Lot or Condominium other than a Model Home in such Phase of Development. The first annual Common Assessment (including Cost Center Assessment, if applicable), shall be adjusted according to the number of months remaining in the Fiscal Year established pursuant to the Bylaws.

6.6.2 Payment Procedure. Subject to Section 6.7.5, the Board shall fix the amount of the annual Common Assessment (including Cost Center Assessment, if applicable), to be levied against each Lot or Condominium at least thirty (30) days in advance of each Common Assessment period. However, unless otherwise established by the Board, the initial annual Common Assessment (including Cost Center Assessment, if applicable) shall be levied in accordance with the most recent Budget on file with and accepted by the DRE. With the exception of changes in the Common Assessment (including Cost Center Assessment, if applicable) under Section 6.7.5, written notice of any increase in the amount of the annual Common Assessment (including Cost Center Assessment, if applicable) or any Capital Improvement or Reconstruction Assessment shall be sent by first class mail to every Owner subject thereto, not less than thirty (30) nor more than sixty (60) days prior to the increased Assessment becoming due. All installments of Common Assessments (including Cost Center Assessment, if applicable) shall be collected in advance on a regular basis by the Board, at such frequency and on such due dates as the Board determines from time to time in its sole and absolute discretion. Each installment of a Common Assessment (including Cost Center Assessment, if applicable) shall be paid to the Master Association in one (1) check or money order or electronic transfer, if electronic transfer is made available to the Owners by the Master Association. If any payment of an installment of Common Assessment (including Cost Center Assessment, if applicable) is less than the amount assessed, the payment received by the Master Association from that Owner shall be credited in order of priority first to the General Operating Fund until that portion of the General Assessment Component of Common Assessments has been satisfied, then to any applicable Cost Center Operating Fund until that portion of the Cost Center Assessments has been satisfied, then to the General Reserve Fund until that portion of the General Assessment Component of Common Assessments has been satisfied, then to any applicable Cost Center Reserve Fund until that portion of the Cost Center Assessments has been satisfied, then to any other Maintenance Funds established by the Master Association.

6.6.3 Excess Funds. During the term of any subsidy agreement between Declarant and the Master Association ("**Subsidy Agreement**"), and during any period of time that the amount of the General Assessment Component of the Common Assessments is stabilized at a level amount pursuant to Section 6.7.5 below, all excess funds remaining in the Maintenance Funds over and above the amounts used for the operation and payment of Common Expenses of the General Assessment Component (including Reserves) shall be used by the Master Association to fund future Maintenance Fund deficits. After the termination of any Subsidy Agreement and any program of stabilized Common Assessment payments pursuant to Section 6.7.5, the Board of Directors may determine that excess funds remaining in the Operating Funds, over and above the amounts used for the operation of the Community, may be used to reduce the following year's General Assessment Component of the Common Assessment attributable to such Maintenance Funds.

6.6.4 Exemption. Subject to the provisions of any Subsidy Agreement, notwithstanding any other provision of this Master Declaration, until the earlier to occur of (i) Recordation of a notice of completion (if applicable) of an Improvement on the Master Association Property or the Master Association Maintenance Areas or (ii) such Improvement is placed into use by Owners, the Common Assessment (including Cost Center Assessment, if applicable) shall not include expenses and Reserves directly attributable to the existence, maintenance and/or use of such Improvement.

6.7. Limitations on Common Assessment and Cost Center Assessment Increases.

6.7.1 Maximum Authorized Common Assessment (General Assessment Component) and Cost Center Assessment for Initial Year of Operations. During the Fiscal Year in which Common Assessments first commence, the Board shall not increase the General Assessment Component of Common Assessment by an amount which exceeds twenty percent (20%) of the Common Assessments for Lots and Condominiums on which Common Assessments have commenced as disclosed in the most current Budget filed with and accepted by the DRE unless such increase is first approved by the vote of Owners representing at least a majority of votes at a meeting or written ballot of Owners in which more than fifty percent (50%) of the total voting power of the Master Association is represented. During the Fiscal Year in which Common Assessments first commence, the Board shall not increase the Cost Center Assessment by an amount which exceeds twenty percent (20%) of the Cost Center Assessment for Cost Center Lots and Condominiums on which the Cost Center Assessment has commenced as disclosed in the most current Budget filed with and accepted by the DRE unless such increase is first approved by a majority of votes at a meeting or written ballot of the applicable Cost Center Owners for the Cost Center which is subject to the Cost Center Assessment at which more than fifty percent (50%) of the total voting power of such Cost Center Owners is represented. The voting process described above with respect to increases in the General Assessment Component of Common Assessment or Cost Center Assessment are referred to in this Master Declaration as an ***“Increase Election”***. This Section does not limit Common Assessment increases necessary for addressing an “Emergency Situation” as defined in Section 6.7.4 below.

6.7.2 Maximum Authorized Common Assessment (General Assessment Component) and Cost Center Assessment for Subsequent Fiscal Years. During the Fiscal Years following the Fiscal Year in which Common Assessments first commence, the Board may increase the General Assessment Component of Common Assessment and/or Cost Center Assessment, if applicable, only as follows:

(i) The increase in the General Assessment Component of Common Assessments or Cost Center Assessment, as applicable, does not exceed twenty percent (20%) of the General Assessment Component of Common Assessments or Cost Center Assessment, as applicable, for the immediately preceding Fiscal Year and the Board has either (i) distributed the Budget for the current Fiscal Year in accordance with Section 5300 of the California Civil Code, or (ii) obtained the approval of Owners (for an increase to the General Assessment Component of Common Assessment) or Cost Center Owners (for a Cost Center Assessment increase levied against such Cost Center Owners), as applicable, casting a majority of votes in an Increase Election; or

(ii) If the increase in the General Assessment Component of Common Assessments or Cost Center Assessment, as applicable, is greater than twenty percent (20%) of the General Assessment Component of Common Assessments or Cost Center Assessment for the immediately preceding Fiscal Year, then the Board must obtain the approval of Owners (for an increase to the General Assessment Component of Common Assessment) or Cost Center Owners (for a Cost Center Assessment increase levied against such Cost Center Owners), as applicable, casting a majority of votes in an Increase Election.

This Section does not limit Common Assessment or Cost Center Assessment increases necessary for addressing an “Emergency Situation” as defined in Section 6.7.4 below.

6.7.3 Supplemental Common Assessments (General Assessment Component) and Cost Center Assessments. If the Board determines that the Master Association’s essential functions may be properly funded by a Common Assessment (General Assessment Component) or Cost Center Assessment, as applicable, that is less than the maximum authorized General Assessment Component of the Common Assessment or Cost Center Assessment, as applicable, described above, it may levy such lesser General Assessment Component of Common Assessment or Cost Center Assessment. If the Board determines that the Common Assessment (General Assessment Component) or Cost Center Assessment, as applicable, 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 6.7.1, 6.7.2 and 6.7.4, the Board may levy a supplemental Common Assessment (General Assessment Component) or Cost Center Assessment reflecting a revision of the total charges to be assessed against each Lot and Condominium, as applicable.

6.7.4 Emergency Situations. For purposes of Sections 6.7.1, 6.7.2 and 6.8, an “*Emergency Situation*” is any of the following:

- (i) **Court-Ordered Items.** An extraordinary expense required by an order of a court;
- (ii) **Safety Items.** An extraordinary expense necessary to repair or maintain the Master Association Property and/or the Master Association Maintenance Areas or any portion thereof for which the Master Association is responsible when a threat to the safety of Persons within the Community is discovered; and
- (iii) **Reasonably Unforeseen Items.** An extraordinary expense necessary to repair or maintain the Master Association Property and/or the Master Association Maintenance Areas or any portion thereof for which the Master Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Prior to the imposition or collection of an Assessment pursuant to this Subsection (iii), the Board must pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Members who are subject to such Assessment with the notice of the Assessment.

6.7.5 Range of Assessment Procedure. Declarant has established a “Range of Assessments” for all or certain Phases of Development under the Master Association Budget. Unless terminated earlier by Declarant, the Range of Assessments shall be effective until all Phases of Development are annexed.

- (i) **Calculation of the Range of Assessments.** The Range of Assessments provides that monthly installments of the General Assessment Component of Common Assessments (and if a Range of Assessments, after acceptance by the DRE, is established for a particular Cost Center, then the applicable Cost Center Assessments) shall vary

within a range ("**Range**") (a) which for the General Assessment Component of Common Assessment shall be between the "Minimum Common Assessment," and the "Maximum Common Assessment," and (b) for the Cost Center Assessment, if applicable, shall be between the "Minimum Cost Center Assessment," and a "Maximum Cost Center Assessment," all as established in the Budget accepted by the DRE for all or Phases of Development covered by the Range. The Range will be reflected in all Public Reports issued by the DRE. Except as otherwise provided in this Master Declaration, (a) the Minimum Common Assessment and the Maximum Common Assessment represent the lowest and the highest General Assessment Component of Common Assessments that may be levied by the Master Association unless otherwise authorized by the provisions of this Master Declaration, and (b) if applicable, the Minimum Cost Center Assessment and the Maximum Cost Center Assessment represent the lowest and the Cost Center Assessment that may be levied by the Master Association unless otherwise authorized by the provisions of this Master Declaration. As additional Phases of Development are annexed into the Community, except as otherwise provided in this Master Declaration the monthly installment of the General Assessment Component of Common Assessments (and if applicable, Cost Center Assessments) levied by the Master Association will automatically increase or decrease as provided in the Budget reviewed and accepted by the DRE, as long as they remain within the Range. The initial Range accepted by the DRE may be recalculated and adjusted, from time to time, with the approval of Declarant and the DRE in order to account for various changes in circumstances (including, but not limited to, construction of additional Improvements on the Master Association Property and/or the Master Association Maintenance Areas, the delegation to or assumption by the Master Association of additional maintenance responsibilities and the incurring of unanticipated extraordinary expenses by the Master Association). Except as otherwise provided in this Section 6.7.6, during any given Fiscal Year of the Master Association, the Board shall not levy a Common Assessment (General Assessment Component) that exceeds the Maximum Common Assessment then in effect or if applicable, a Cost Center Assessment that exceeds the Maximum Cost Center Assessment then in effect. Notwithstanding the foregoing and subject to the limitations set forth in California Civil Code Section 5605, Common Assessments (including Cost Center Assessments) may be increased as provided in Sections 6.7.1 and 6.7.2 above. Nothing herein shall limit the Master Association, upon ratification by a majority of the Board, from entering into an agreement with Declarant or a Merchant Builder (approved in writing by Declarant), its successors or assigns, to reduce or abate Assessments, upon such terms and conditions as may be agreed to by the parties.

(ii) **Level Common Assessments and Cost Center Assessments Within the Range.** In order to stabilize the amount of the monthly installment of the General Assessment Component of Common Assessments (and if a Range, after acceptance by the DRE, is established for a particular Cost Center, then the applicable Cost Center Assessments) while the Range is in effect, the Board, with Declarant's written approval, may fix (*i.e.*, level) the amount of the monthly installment of the General Assessment Component of Common Assessments, and if applicable Cost Center Assessments (the "**Level Amount**"), for a time period equal to the time period in which it takes Assessments to commence in three (3) or more successive Phases of Development regardless of the fact that additional Phases of Development are being annexed into the Community. However the Level Amount must fall within the Range. The Level Amount may either temporarily accrue a surplus and may permit a previously accrued surplus to be gradually depleted. The Board, with Declarant's written approval, may, from time to time, adjust the Level Amount within the Range. Unless terminated earlier by the Board, the

Level Amount shall be effective during the period additional Phases of Development may be annexed into the Community. While the Level Amount is in effect, the Master Association shall maintain a separate bank account in which to deposit the accrued surplus funds collected as Common Assessments (General Assessment Component), and if applicable a separate bank account in which to deposit the accrued surplus funds collected as Cost Center Assessments, and shall only withdraw the accrued surplus funds from such accounts to fund the Common Expenses (other than those associated with Cost Centers), and if applicable Common Expenses associated with Cost Centers, respectively, of the Master Association as contemplated by the Master Association's Budget accepted by the DRE.

6.8. Capital Improvement Assessments. The Board may levy, in any Fiscal Year, a Capital Improvement 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 Association Property and/or the Master Association Maintenance Areas, including fixtures and personal property related thereto; provided that all proposed Capital Improvement Assessments which exceeds five percent (5%) of the total Budgeted Common Expenses for that Fiscal Year must be approved at an Increase Election for Owners. With respect to a Cost Center Capital Improvement Assessment which exceeds five percent (5%) of the portion of the Common Expenses allocated to such Cost Center, such applicable Cost Center Capital Improvement Assessment must be approved at an Increase Election for such Cost Center Owners. Notwithstanding the foregoing, the Board may levy in any Fiscal Year a Capital Improvement Assessment applicable to that Fiscal Year without the vote of the Owners if such Capital Improvement Assessment is necessary for addressing an Emergency Situation. All Capital Improvement Assessments must be levied against all Lots and Condominiums in the same manner and in the same proportions as Common Assessments (including any Cost Center Assessments) are levied, and they shall be collected in the manner and frequency determined by the Board.

6.9. Exempt Property. The following portions of the Community shall be exempt from Assessments: Dedicated Master Association Property accepted by a Governing Authority; Master Association Property owned in fee by the Master Association; and all Neighborhood Association Property owned in fee by any Neighborhood Association.

6.10. Remedies of the Master Association.

6.10.1 Delinquency. Assessments are delinquent if not paid within fifteen (15) days after the due date established by the Master Association. Assessments not paid within thirty (30) days after the due date, including all reasonable costs of collection, shall bear interest from the due date at a rate determined by the Board, but in no event more than the then maximum nonusurious rate permitted by law. Additionally, the Board may levy a late charge in accordance with California Civil Code Section 5650(b) or any successive law or ordinance in addition to the interest charged as described above to compensate the Master Association for increased bookkeeping, billing and other administrative costs. No such late charge on any delinquent installment of an Assessment shall exceed the maximum amount allowable by law.

6.10.2 Creation and Release of Lien.

(i) **Priority of Lien.** All sums assessed in accordance with this Master Declaration constitute a lien on the assessed Lot or Condominium prior and superior to (A) any declaration of homestead Recorded after the Recordation of this Master Declaration, and (B) 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 assessed Lot or Condominium was Recorded.

(ii) **Prerequisite to Creating Lien.** Before the Master Association may place a lien on an Owner’s Lot or Condominium to collect a past due Assessment, the Master Association must comply with (A) the notification requirements of California Civil Code Section 5660 and (B) the procedural requirements of California Civil Code Sections 5665, 5670 and 5673.

(iii) **Notice of Delinquent Assessment.** The lien becomes effective on Recordation by the Board or its authorized agent of a Notice of Delinquent Assessment (“*Notice of Delinquent Assessment*”) securing the payment of any Assessment or installment thereof levied by the Master Association against any Lot or Condominium Owner, as provided in Section 5675 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 Lot or Condominium that has been assessed, (iv) the Master Association’s name and address, (v) the name of the Owner of the Lot or 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 Master 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 Lot or Condominium no later than (10) calendar days after Recordation. The lien relates only to the individual Lot or Condominium against which the Assessment was levied and not to the Community as a whole.

(iv) **Exceptions.** Special Assessments which constitute a monetary penalty under California Civil Code Section 5725(b) may not become a lien against an Owner’s Lot or Condominium enforceable by nonjudicial foreclosure against such Owner’s Lot or Condominium.

(v) **Release of Lien.** Within twenty-one (21) days following (A) payment of the full amount claimed in the Notice of Delinquent Assessment, or other satisfaction thereof or (B) discovery by the Board that the lien was recorded in error, 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 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.

6.11. Enforcement of Liens. Except as otherwise provided herein and in any applicable provisions of the California Civil Code, the Master Association may enforce the collection of amounts due under this Master Declaration as follows:

(i) **Judicial or Non-Judicial Foreclosure.** If (a) the amount of a delinquent Assessment equals or exceeds the amount specified in Section 5720 of the California Civil Code ("**Foreclosure Amount**") (excluding accelerated Assessments, late charges, fees and costs of collection, attorneys' fees and interest) or (b) an Assessment is more than twelve (12) months past due, the Master Association may enforce collection of the amount due by using judicial or nonjudicial foreclosure, provided that the Master Association must comply first with the requirements of Sections 5705 and 5715 of the California Civil Code. The foreclosure 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 Master Association 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 Master Association may bid on the Lot or Condominium at foreclosure sale, and acquire and hold, lease, mortgage and convey the same. On completion of the foreclosure sale, the Master Association or the purchaser at the sale may file suit to secure occupancy of the defaulting Owner's Lot or Condominium, and the defaulting Owner shall be required to pay the reasonable rental value for the Lot or Condominium during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner. Notwithstanding the foregoing, a nonjudicial foreclosure by the Master Association to collect a debt for delinquent Assessments shall be subject to a right of redemption. The redemption period shall expire ninety (90) days after the foreclosure sale.

(ii) **Civil Action in Small Claims Court.** If the amount of a delinquent Assessment is less than the Foreclosure Amount (excluding accelerated Assessments, late charges, fees and costs of collection, attorneys' fees and interest), the Master Association may not enforce the collection of the amount due by judicial or nonjudicial foreclosure, but may collect such amount by a civil action in small claims court pursuant to Sections 116.110 *et seq.* of the California Code of Civil Procedure. The amount of a delinquent Assessment which may be recovered in small claims court may not exceed the jurisdictional limits of the court and shall be the sum of (a) the amount owed as of the date of filing of the complaint in the proceeding and (b) in the discretion of the court, an additional amount equal to the amount owed for the period from the date the complaint is filed until satisfaction of the judgment, which total amount may include without limitation any reasonable late charges, fees and costs of collection, attorneys' fees and interest.

(iii) **Other Legal Remedies.** Subject to the limitations set forth in Sections 5705, 5715 and 5720 of the California Civil Code, the Master Association may enforce the collection of amounts due under this Master Declaration in any other manner provided by law. 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.

6.12. Mortgage Protection-Liens. No lien created under this Article VI, nor any breach of this Master Declaration, nor the enforcement of any provision of this Master Declaration or of any Supplemental Declaration shall defeat or render invalid the rights of the Mortgagee under any Recorded Mortgage upon a Lot or Condominium, made in good faith and for value. After a Mortgagee or other Person obtains title to a Lot or Condominium by judicial foreclosure or by means of the powers set forth in such Mortgage, the Lot or Condominium shall remain subject to the Master Association Documents and the payment of all installments of Assessments and other obligations, accruing after the date the Mortgagee or other Person obtains title.

6.13. Priority of Assessment Lien. Mortgages Recorded before a Notice of Delinquent Assessment have lien priority over the Notice of Delinquent Assessment. The sale or transfer (including any deed in lieu of foreclosure) of any Lot or Condominium does not affect the Assessment lien, except that the sale or transfer of any Lot or Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage Recorded prior to a Notice of Delinquent Assessment extinguishes the lien of such Assessment as to payments which became due prior to such foreclosure sale or transfer. No sale or transfer relieves such Lot or Condominium from lien rights for any Assessments thereafter becoming due. No Person who obtains title to a Lot or Condominium through judicial or nonjudicial foreclosure of the first Mortgage is liable for the share of the Common Expenses or Assessments chargeable to such Lot or Condominium which became due prior to the acquisition of title to such Lot or Condominium by such Person. Such unpaid share of Common Expenses and Assessments is a Common Expense collectible from all of the Lots and Condominiums, including the Lot or Condominium belonging to such Person.

6.14. Alternative Dispute Resolution. An Owner may dispute the Assessments imposed by the Master Association if such Owner pays in full (i) the amount of the Assessment in dispute, (ii) any late charges, (iii) any interest, and (iv) all fees and costs associated with preparing and filing a Notice of Delinquent Assessment (including mailing costs and 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 Master Association shall inform the Owner in writing that the dispute may be resolved through alternative dispute resolution as established in Civil Code Sections 5900 *et seq.* and 5925 *et seq.* 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 Master 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 Master Association in the total amount paid under items (i) through (iv) above, if it is determined that the Assessment levied by the Master Association was not correctly levied.

6.15. Receivers. In addition to the foreclosure and other remedies granted the Master Association herein, each Owner, by acceptance of a deed to such Owner's Lot or Condominium, hereby conveys to the Master Association all of such Owner's right, title and interest in all rents,

issues and profits derived from and appurtenant to such Lot or Condominium, subject to the right of the Master 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. Upon any such default the Master Association may, on the expiration of thirty (30) days following delivery to the Owner of the "Notice of Assessment" described herein, either in person, by agent or by receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness secured by the lien described in this Master Declaration, (i) enter in or upon and take possession of the Lot or Condominium or any part thereof, (ii) in the Master Association's name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and (iii) apply the same, less allowable expenses of operation, to any delinquencies of the Owner, and in such order as the Master Association may determine. The entering upon and taking possession of the Lot or 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 Master Declaration or invalidate any act done pursuant to such notice.

ARTICLE VII USE RESTRICTIONS

The provisions of this Article VII do not apply in any way to Declarant or any Merchant Builder or any activities of any kind they conduct in the Community and/or Improvements they construct and/or maintain. Subject to the foregoing and the other exemptions of Declarant and any Merchant Builder, set forth in this Master Declaration, the Community shall be held, used and enjoyed subject to the following restrictions.

7.1. Single Family Use. Each Residence shall be used as a dwelling for a single Family and for no other purpose. An Owner may rent such Owner's entire Residence to a single Family provided that the Residence is rented pursuant to a lease or rental agreement which is (a) in writing and (b) subject to all of the provisions of this Master Declaration. Subject to any Owner occupancy requirements that may be separately imposed by Declarant or a Merchant Builder and subject to the restrictions in Section 7.8 below, an Owner may rent or lease such Owner's entire Residence (not just a portion thereof) pursuant to a lease agreement which includes a lease term that is not less than six (6) consecutive months and which provides that the tenant will occupy the Residence as such tenant's principal place of residence.

7.2. Business or Commercial Activity. Except as expressly provided otherwise in this Master Declaration, no part of the Community 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; provided, however, that this Section does not preclude any of the above-described activities provided that: (i) such activities comply with law; (ii) the patrons or clientele of such activities do not visit the Community or park automobiles or other vehicles in the Community; (iii) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside the boundaries of the Lot or Condominium where it is being conducted; (iv) no such activity

increases the Master Association's liability or casualty insurance obligation or premium; and (v) such activities are consistent with the residential character of the Community, do not constitute a nuisance and otherwise conform with the provisions of this Master Declaration. Without limiting the generality of the foregoing, Declarant and any Merchant Builder and their successors and assigns may use any portion of the Community owned by them for model home sites and display and sales offices during the construction and sales period, in accordance with Article X hereof.

7.3. Improvements.

7.3.1 Single Family Residence. No Lot may be improved with and no Unit shall include more than one (1) Residence designed to accommodate no more than a Family and its domestic servants and occasional guests, plus one (1) or more garages, fencing, landscaping and other Improvements as are necessary or customarily incident thereto.

7.3.2 Location of Residence. No Residence shall be constructed on any portion of a Lot or Unit except in the location approved by the Applicable Design Review Committee.

7.3.3 Master Association Property or Master Association Maintenance Areas. No Owner or Neighborhood Association shall place or install any sign or other Improvement or alter or remove the Improvements on the Master Association Property or the Master Association Maintenance Areas (including without limitation any Master Association Wall adjacent to a Lot, Condominium or Neighborhood Association Property) unless such placement, installation or alteration is first approved in writing by the Board. No Owner or Neighborhood Association shall affix any object, vegetation or device to any Master Association Wall, pierce the stucco surface or otherwise expose the interior portion of a Master Association Wall to the elements or install landscaping, irrigation systems or other Improvements on the Owner's Lot, Condominium or the Neighborhood Association Property in such proximity or manner so as to undermine or otherwise impair the structural integrity of any Master Association Wall or impair the weather-resistant finish thereon. If any Owner or Neighborhood Association allows any object, vegetation or device to be attached to any Master Association Wall and it becomes necessary for the Master Association to perform maintenance on such Master Association Wall, the Master Association shall be entitled to require the Owner or Neighborhood Association to remove such object, vegetation or device prior to performing such maintenance and if such object, vegetation or device is not so removed, the Master Association shall be entitled to remove same and the Master Association shall have no liability for any loss or damage to such object, vegetation or device in connection with the removal thereof and the completion by the Master Association of maintenance of the Master Association Wall. There shall be no building construction over any portion of the Master Association Property over which an open space, scenic or public resource easement has been dedicated to any Governing Authority.

7.3.4 Maximum Building Height. No portion of the construction on any Lot or Unit (exclusive of chimneys, vent stacks or other normal protuberances which in the opinion of the Applicable Design Review Committee, are of normal height and distribution) shall exceed the maximum height allowed by the applicable Governing Authority. Rooftop mechanical equipment shall not be permitted within the Community, however, solar equipment or other

energy savings devices shall be permitted with approval of applicable Governing Authorities and so long as consistent with reasonable requirements adopted by the Applicable Design Review Committee.

7.3.5 Setbacks. Except as otherwise provided in a Supplemental Declaration, grant deed or instrument recorded by Declarant or any Merchant Builder (with Declarant's prior written consent), setback requirements for all Improvements and construction on Lots or Units shall be the more restrictive of those required by the City or the Applicable Design Guidelines.

7.3.6 Garages. Each Residence shall have one (1) or more garages which will be capable of accommodating a total of at least two (2) automobiles.

7.3.7 Exterior Facilities. No sports facility, including without limitation basketball backboards shall be installed or maintained unless allowed in accordance with the Applicable Design Guidelines. No patio covering, wiring or air conditioning, water softener or other device shall be installed in the exterior of the Residence or allowed to protrude through the walls or roof of a Residence unless the prior written approval of the Applicable Design Review Committee is obtained.

7.3.8 Utilities. Unless otherwise approved in writing by the City, all utility services serving a Residence shall be installed and maintained underground.

7.3.9 Fences. No fence, wall, hedge or other dividing device may be erected, painted or altered on any Lot, Unit or Neighborhood Association Property which borders or is visible from any public or private street, any of the Master Association Property or the Master Association Maintenance Areas, or any other Lot, Unit or Neighborhood Association Property, unless such fence or wall is first approved in writing by the Applicable Design Review Committee. All alterations or modifications of the fences or walls of any type require the prior written approval of the Applicable Design Review Committee.

7.3.10 Variances. The Master Design Review Committee shall be entitled to grant variances from this Section 7.3 only in hardship cases where, due to the configuration or topography of a Lot or Unit, compliance with the foregoing restrictions would be impossible or impractical; provided that notwithstanding the granting of a variance, the applicable Owner shall be obligated to comply with the requirements of all Governing Authorities.

7.4. Landscaping. Within one hundred eighty (180) days after the Close of Escrow for the sale of a Lot or Unit, the Owner of same must submit an application, plans and specifications to the Applicable Design Review Committee with respect to the installation of side yard and back yard landscaping on the Owner's Lot or Unit (other than areas that were landscaped by Declarant or a Merchant Builder prior to the Close of Escrow for such Lot or Unit) and shall complete such installation within one (1) year after the Close of Escrow for the sale of the such Lot or Unit, all in accordance with the Applicable Design Review Committee's governing documents and/or the Applicable Design Guidelines. Each Owner must thereafter maintain (except for any landscaping to be maintained by the Master Association or a Neighborhood Association which is part of the Master Association Property, Master Association Maintenance Areas or Neighborhood Association Property) plants, shrubs, trees, and any other

appropriate landscaping Improvements, pursuant to plans and specifications approved by the Applicable Design Review Committee on all yard areas that are on the Lot or Unit or on exclusive yard easement areas that are appurtenant to such Lot or Unit. Each Owner must properly maintain and periodically replace when necessary all such trees, plants, grass, vegetation and other landscaping Improvements on the Owner's Lot or Unit or appurtenant exclusive easement areas, if applicable, which are not part of the Master Association Property, the Master Association Maintenance Areas or Neighborhood Association Property and the maintenance responsibility of a Neighborhood Association, the Master Association or Governing Authority. No plants or seeds infected with insects or plant diseases may be brought upon, grown or permitted to exist upon any part of the Community. Subject to Article X, the Board may adopt, amend or supplement the Master Design Guidelines to regulate landscaping permitted and required in the Community. If an Owner fails to install and maintain landscaping in conformance with this Master Declaration and the Master Design Guidelines, or allows his Lot or Unit or landscaping to deteriorate to a dangerous, unsafe, unsightly or unattractive condition, the Board, upon thirty (30) days' prior written notice to such Owner, may seek any remedies at law or in equity which it may have and, after Notice and Hearing, may correct such condition and enter upon such Owner's property for the purpose of doing so, and such Owner shall promptly reimburse the Master Association for the cost thereof. Such cost shall be a Special Assessment enforceable in the manner as set forth in this Master Declaration. The Board, in its discretion, shall determine a standard landscape package that it will install if any Owner fails to complete the installation of landscaping as provided in this Section and the Board, in its sole discretion, elects to install such landscaping. The Board shall not be obligated to install such landscaping, nor shall the right to install such landscaping limit the rights of the Board and the entitlements under this Master Declaration, at law or otherwise.

7.5. Parking and Vehicular Restrictions. Except as otherwise expressly provided in this Section 7.5, the restrictions in this Section 7.5 are applicable to all portions of the Community other than Neighborhood Association Property parking areas maintained by a Neighborhood Association ("***Neighborhood Association Property Parking Areas***"), which shall be governed by the applicable Neighborhood Declaration and Neighborhood Association.

7.5.1 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 pick-up trucks having a manufacturer's rating or payload capacity of one (1) ton or less. Authorized Vehicles may be parked in any portion of the Community intended for parking of motorized vehicles; however, no Owner or resident may park a vehicle in a manner which the Master Association determines either restricts the passage of pedestrians or vehicles over Master Association Property driveways or sidewalks, or extends beyond the limits of the space where the vehicle is parked. The Master Association has the power to identify additional vehicles as Authorized Vehicles in the Rules and Regulations and to adapt this restriction to other types of vehicles.

7.5.2 Restricted Vehicles. The following vehicles are "***Restricted Vehicles***": motor homes, travel trailers, camper vans, boats and other similar recreational vehicles that are not "Prohibited Vehicles" (as defined below). Restricted Vehicles may be parked wholly within an Owner's garage.

7.5.3 Prohibited Vehicles. The following vehicles are “*Prohibited Vehicles*”: (i) commercial-type vehicles (e.g., stakebed trucks, tank trucks, dump trucks, step vans, concrete trucks and limousines), (ii) buses or vans designed to accommodate more than ten (10) people, (iii) vehicles having more than two (2) axles, (iv) trailers, (v) inoperable vehicles or parts of vehicles, (vi) aircraft, (vii) any vehicle or vehicular equipment deemed a nuisance by the Board, and (viii) any other vehicle not classified as Authorized Vehicles or Restricted Vehicles. Prohibited Vehicles may not be parked, stored or kept on any public or private street in, adjacent to or visible from the Community or any other Master Association Property, Master Association Maintenance Areas or Neighborhood Association 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 classified as an Authorized Vehicle in writing by the Board.

7.5.4 General Restrictions. All vehicles owned or operated by or within the control of an Owner or a resident of an Owner’s Lot or Unit and kept within the Community must be parked in the assigned parking space(s) or garage(s) of that Owner or the driveway of the Owner’s Residence, provided that driveways may not be used for parking purposes if to do so would obstruct Master Association Property walkways or free traffic flow, constitute a nuisance, violate the Rules and Regulations or otherwise create a safety hazard. Garages or other parking areas may not be used for living, recreational, business or other related purposes. Garage doors shall be kept closed at all times, except as reasonably required for ingress to and egress from the interiors of the garages. No repairs or restorations of any motor vehicle, boat, trailer, aircraft or other vehicle or equipment may be conducted upon any street (public or private) or any portion of any Master Association Property, Master Association Maintenance Areas, Neighborhood Association Property, Lot or Unit, except wholly within an enclosed garage; provided, however, that such activity within an enclosed garage may not be undertaken as a business, and provided further that such activity may be prohibited entirely if it is determined by the Board to be a nuisance. The Board may determine, in its discretion, whether there is noncompliance with the parking and vehicular restrictions contained herein. The Board may approve, in its discretion temporary variances from the provisions of this Section. Any such variance (i) shall be authorized only in connection with Construction Activities approved by the Master Design Review Committee, (ii) must be evidenced in writing signed by an authorized representative of the Master Association and (iii) must specify the limited period of time for which the variance is effective. The Master Association Documents shall not be read to permit any activity which would be contrary to any ordinance of the City or other applicable Governing Authority.

7.5.5 Parking Regulations. The Board may establish additional regulations regarding parking areas not assigned to individual Lots or Units, including without limitation designating “parking,” “guest parking,” and “no parking” areas thereon, setting time limits for parking vehicles in the Master Association Property parking areas, and requiring registration of vehicles or use of parking permits and gate access devices and codes; and may enforce all parking and vehicle use regulations applicable to the Community, including removing violating vehicles from the Community pursuant to California Vehicle Code Section 22658.2 or other applicable ordinances or statutes. If the Board fails to enforce any of the parking or vehicle use regulations, the applicable Governing Authority may enforce such regulations in accordance with applicable laws and ordinances. The Board shall be entitled to limit the number of gate or other

security access devices that can be obtained by any Owner and shall be entitled to charge Owners for providing such access devices. If the applicable Governing Authority fails to enforce any of its parking ordinances on public streets within or abutting the Community, the Master Association has the power, but not the duty, to enforce such ordinances against Owners and residents of the Community.

7.6. Satellite Dishes and Antennae.

7.6.1 Dishes. A satellite dish and antenna designed to receive direct broadcast satellite service (including direct-to-home satellite service), or video programming services via multi-point distribution services, or to receive or transmit fixed wireless signals, may be installed on an Owner's Lot or Unit so long as such antenna or satellite dish is (i) one meter or less in diameter, (ii) installed in the least visually obtrusive portion of an Owner's Unit where an acceptable quality signal can be received, so long as such installation is not unreasonably expensive, and (iii) either screened from view or painted to match the surrounding area so as to blend in with the surrounding area, so long as such screening or painting is not unreasonably expensive.

7.6.2 Broadcast Antennae. An antenna designed to receive television broadcast signals may be installed on an Owner's Lot or Unit so long as (i) an acceptable quality signal cannot be received via an indoor antenna (*e.g.*, an antenna mounted in an attic, "rabbit ears," etc.), (ii) the antenna used is the smallest size available at a reasonable cost that receives an acceptable quality signal, and (iii) the antenna is installed in the least visually obtrusive portion of an Owner's Lot or Unit or any exclusive use area assigned to the Unit where an acceptable quality signal can be received, so long as such installation is not unreasonably expensive.

7.6.3 Notification. After installing an outdoor antenna or satellite dish pursuant to Sections 7.6.1 or 7.6.2 above, the Owner must complete and submit a notification form to the Master Association. The Master Association will inspect the antenna or satellite dish to determine compliance with the above requirements.

Notwithstanding the foregoing, no radio station or short-wave operations of any kind may operate from any Lot or Unit or any exclusive use area assigned to the Unit unless approved by the Board. With the exception of any master antenna maintained by the Master Association and subject to Section 4725 of the California Civil Code and Federal Communications Commission regulations promulgated pursuant to the federal Telecommunications Act of 1996, no exterior antenna, "C.B." antenna, television antenna, earth receiving station, satellite dish or other antenna of any type may be erected or maintained on the Community unless approved by the Master Design Review Committee.

In addition to the restrictions described above, the Master Association may adopt additional restrictions on the installation or use of a satellite dish or antenna on an Owner's Lot or Unit or any exclusive use area assigned to the Unit as a part of the Master Association's Rules and Regulations so long as such restrictions do not violate any applicable state or federal law or regulation. The Master Association may prohibit the installation of a satellite dish or antenna if the installation, location or maintenance of such satellite dish or 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 Master Association.

This Section 7.6 is intended to be a restatement of the authority granted to the Master Association under the law. All amendments, modifications, restatements and interpretations of the law applicable to the installation, use or maintenance of a satellite dish or antenna shall be interpreted to amend, modify, restate or interpret this Section.

7.7. Insurance Rates. Nothing shall be done or kept in the Community which will increase the rate of insurance on any Lot, Unit, Neighborhood Association Property, Master Association Property, Master Association Maintenance Areas or other portion of the Community without the approval of the Board, nor shall anything be done or kept in the Community which would result in the cancellation of insurance on any Lot, Unit, Neighborhood Association Property, Master Association Property, Master Association Maintenance Areas or other portion of the Community or which would be in violation of any law.

7.8. No Further Subdivision. Except as expressly authorized in a Supplemental Declaration, no Neighborhood Association Property, Lot or Unit may be further subdivided (including division into time-share estates or time-share uses) without the prior written approval of the Board. Nothing in this Section shall be deemed to prevent an Owner from, or require approval of the Board for: (a) selling a Lot or Condominium; or (b) transferring or selling any Lot or Condominium to more than one (1) Person to be held by them as tenants in common, joint tenants, tenants by the entirety or as community property; or (c) leasing or renting all of such Owner's Lot or Unit by a written lease or rental agreement, provided that any such lease or rental is subject to the Master Association Documents and that such lease or rental agreement shall provide that any failure by the tenant or other occupant of the Lot or Condominium to comply with the Master Association Documents constitutes a default under the lease or rental agreement.

7.9. Signs. Subject to Sections 5.3 and 7.11 of this Master Declaration and Sections 712, 713 and 4710 of the California Civil Code, (i) no commercial, business or similar sign, advertising device or other display of any kind (collectively, "**Signs**") shall be displayed in or from the Community or any portion thereof or on any public street in or abutting the Community other than one (1) sign displayed from within each Lot or Unit advising of the existence of security services protecting a Lot or Unit which complies with the Master Design Guidelines and/or one (1) sign displayed from within each Lot or Unit advertising the Lot or Unit for sale or lease which complies with the Applicable Design Guidelines, and (ii) non-commercial Signs may be displayed in or from Lots or Units if such Signs (A) are made of paper, cardboard, cloth, plastic or fabric (no Sign may be placed, maintained, affixed or painted on any portion of the Master Association Property or the Master Association Maintenance Areas); (B) are posted or displayed in the patio or balcony, the yard areas or on the window or door of a Lot or Unit or any exclusive use area assigned to the Unit; (C) do not include lights, balloons or any other similar decorative component, or include the painting of architectural surfaces; (D) are not more than nine (9) square feet in size with respect to solid Signs and fifteen (15) square feet in size for flags or banners; (E) do not endanger public health or safety or violate a local, state or federal law; and (F) are not otherwise a nuisance under Section 7.11.

7.10. **Animal Regulations.** The only animals that may be raised, bred or kept on any Lot or in any Unit are (i) dogs, cats, fish, birds and other usual household pets (“**Household Pets**”), provided that they are not kept, bred or raised for commercial purposes, in unreasonable quantities or sizes or in violation of the Master Association Documents, or (ii) subject to the prior approval of the Master Association, any animal other than a Household Pet, including, but not limited to, snakes, lizards and other reptiles and livestock (collectively “**Authorized Pets**”). The Master Association is also entitled to restrict breeds of Authorized Pets that may reasonably create a danger of personal injury to persons coming on the Community. As used in this Master Declaration, “unreasonable quantities” ordinarily means more than two (2) Authorized Pets per Residence; however, the Master Association may determine that a reasonable number in any instance may be more or less. The Master Association may limit the size of Authorized Pets and may prohibit maintenance of any Authorized Pet which, in the Master Association’s opinion, constitutes a nuisance to any other Owner or resident within the Community. Authorized Pets must be kept either 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 Community by such Person. Each Person shall clean up after such Person’s animals. Any Person who keeps any animal, including without limitation any insect or reptile, in the Community shall indemnify, defend and hold harmless the Master Association, its officers, directors, contractors, agents and employees from any claim brought by any Person against the Master Association, its officers, directors, agents and employees for personal injuries or property damage caused by such animals. None of the foregoing shall serve to allow any Owner, Owner Party or any other resident within the Community to maintain any animal, insect, fish or reptile on the Community other than an Authorized Pet.

7.11. **Nuisances.** Noxious and offensive activities are prohibited in the Community or on any public street abutting or visible from the Community. All horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Residence, Lot and/or Unit 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 or items which may unreasonably interfere with television or radio reception to any Lot or Unit and objects which create or emit loud noises or noxious odors may not be located, used or placed in the Community or on any public street abutting or visible from the Community, or exposed to the view of other Owners without the Board’s written approval. The Board is entitled to determine if any noise, odor or activity producing such noise or odor constitutes a nuisance; provided, however, that any such determination must be consistent with any other specific restrictions or limitations of the Master Association Documents. The Board may also adopt a policy regarding the enforcement of nuisance claims made by an Owner which claims do not affect the maintenance, repair and replacement of any Master Association Property or Master Association Maintenance Areas or otherwise have a general and material adverse impact on the Community or a material portion thereof (*e.g.*, barking dog, noise disturbance) (“**Private Nuisance**”). Such policy may provide that (i) a complaining Owner must satisfy certain requirements such as reporting first to police or other Governing Authorities with enforcement capabilities before the Board will take action on the Private Nuisance claim, or (ii) Private Nuisance claims be handled solely by the complaining Owner filing a complaint with the applicable Governing Authority or bringing a personal claim against the Owner responsible for

the Private Nuisance; provided, however, that any such policy shall be enforced by the Board in a consistent manner. The Board may also establish a list of Private Nuisances that will not be enforced by the Board.

No Owner may (i) permit or cause anything to be done or kept on the Community or on any public street abutting or visible from the Community which may (A) increase the rate of insurance on the Community, (B) result in the cancellation of such insurance, or (C) obstruct or interfere with the rights of other Owners, or (ii) commit or permit any nuisance thereon or violate any law. Each Owner shall comply with all requirements of all Governing Authorities and with all other laws regarding occupancy and use of a Lot or Unit. Each Owner is accountable to the Master Association and other Owners for the conduct of persons residing in or visiting the Owner's Lot or Unit. Any damage to the Master Association Property, Master Association Maintenance Areas, personal property of the Master Association, or property of another Owner caused by such persons shall be repaired at the sole expense of the Owner of the Lot or Unit where such persons are residing or visiting.

7.12. Exterior Maintenance and Repair. No Improvement shall be permitted to fall into disrepair, and each such Improvement must at all times be kept in good condition and repair. Except for the Owner Fences, which shall be maintained by the Master Association in accordance with Section 5.2.5, and except as expressly provided otherwise in this Master Declaration or a recorded Supplemental Declaration or Notice of Annexation, the Master Association shall be responsible for maintenance of the exterior surfaces, top and structural integrity of the Master Association Walls designated for maintenance by the Master Association herein or in a Supplemental Declaration or Notice of Annexation; provided, however, that the Master Association shall have no responsibility to maintain the exposed surface (including stucco repairs and painting) of any wall or fence (including any Master Association Wall) which immediately adjoins and faces any Lot, Unit or Neighborhood Association Property, regardless of whether such wall or fence is (a) located on the common property line separating the Master Association Property or Master Association Maintenance Areas from the Lot, Unit or Neighborhood Association Property, or (2) located wholly or partially within the Master Association Property, Master Association Maintenance Areas, Lot, Unit or Neighborhood Association Property immediately adjacent to such common property line. Such responsibility shall be that of the applicable Governing Authority, adjacent Owner or Neighborhood Association. The Master Association shall also be responsible for maintaining, repairing and replacing the clustered/common mailbox structures in the Community unless maintained by a Neighborhood Association; provided, however, that each Owner shall be responsible for maintaining such Owner's individual mailbox and the hinges, keys and lock thereof. Without limiting the generality of any other provisions respecting maintenance set forth in this Master Declaration, each Owner, the Master Association and each Neighborhood Association shall comply with the following general maintenance standards as to its Lot, Unit, Master Association Property, Master Association Maintenance Areas or Neighborhood Association Property, as applicable:

7.12.1 Landscaping Maintenance.

(i) **Lawn Areas.** All lawn areas which are visible from a street shall be evenly cut, evenly edged, free of debris and weeds above the level of the lawn. All other

landscaped areas which are visible from the Master Association Property, Master Association Maintenance Areas, Neighborhood Association Property or any Lot or Unit, shall be free of weeds, dead vegetation and debris.

(ii) **Trees and Shrubs.** All trees and shrubs shall be trimmed so they do not impede pedestrian traffic along the streets and sidewalks. Trees shall be pruned so they do not contact Improvements constructed on an adjoining Lot, Unit, Neighborhood Association Property, Master Association Maintenance Areas or Master Association Property and shall be maintained so they do not have droppings or create other nuisances to adjoining Lots or Units, the Master Association Maintenance Areas or the Master Association Property. All trees shall also be root pruned to eliminate exposed surface roots and damage to Residences, Master Association Walls, streets, sidewalks, driveways or other Improvements.

7.12.2 Iron and Steel Fencing. All wrought iron, tubular steel or similar portions of a wall or fence (including a Master Association Wall) shall be painted as needed to eliminate cracking, chipping, and oxidation.

7.12.3 Failure to Maintain. If any Owner or Neighborhood Association fails to adhere to general maintenance standards of this Section 7.12 or permits any Improvement which is the maintenance responsibility of such Owner or Neighborhood Association to fall into disrepair so as to create a dangerous, unsafe, unsightly or unattractive condition, the Board, after consulting with the Master Design Review Committee, and after affording the responsible Owner or Neighborhood Association Notice and Hearing, may, but need not, enter upon the affected Lot, Unit, or Neighborhood Association Property for the purpose of correcting such condition, and the responsible Owner or Neighborhood Association shall promptly reimburse the Master Association for the cost thereof. Such cost shall be a Special Assessment enforceable in the manner set forth in this Master Declaration, and the Owner of the offending Lot or Unit or the Neighborhood Association which owns or maintains the Neighborhood Association Property, as applicable, shall be personally liable for all costs and expenses incurred by the Master Association in taking such corrective acts, plus all costs incurred in collecting the amounts due. Each Owner or Neighborhood Association, as applicable, shall pay all amounts due for such work within ten (10) days after receipt of written demand therefor.

7.12.4 Slope Easement Areas. Each Owner of a Slope Easement Lot shall be responsible for maintaining the Slope Easement Area of such Owner's Slope Easement Lot in accordance with this Section, the City Entitlements and the requirements of any applicable Governing Authorities. Only living, irrigated landscaping shall be permitted within the Slope Easement Areas (e.g., bare, exposed soil is prohibited). The Owners of the Slope Easement Lots may only irrigate the landscaping located in the Slope Easement Areas and are prohibited from (i) installing, removing or replacing, without the prior written approval of the Master Design Review Committee, any of the Improvements originally installed by Declarant or a Merchant Builder in the Slope Easement Areas, including without limitation the landscaping Improvements located therein (except for dead plants) and the Owner Fences and (ii) dumping lawn clippings or any other debris within the Slope Easement Areas. If an Owner of a Slope Easement Lot fails to maintain the Slope Easement Area of such Owner's Slope Easement Lot in accordance with this Section, the City Entitlements and the requirements of any applicable Governing Authorities, the Master Association shall maintain such Slope Easement Area and shall have the right to charge a

Special Assessment against the Owner of the Slope Easement Lot to reimburse the Master Association for the costs to maintain such Slope Easement Area.

7.13. Controlled Access Facilities; Pedestrian Gates. Vehicular access into certain neighborhoods in the Community (each, a "***Gated Neighborhood***") may be provided through controlled access gates which shall be owned and maintained by either (a) the Master Association, in which case the costs to own, maintain and operate the controlled access facilities (including pedestrian gates) shall be paid by the residents of such neighborhood as part of the Cost Center for the neighborhood or (b) the Neighborhood Association(s) formed in connection with such Gated Neighborhood(s) (each, a "***Gated Neighborhood Association***"). Each Gated Neighborhood Association or the Master Association, if the Master Association is maintaining any controlled access facilities for a neighborhood, shall ensure that all vehicular gates serving the Gated Neighborhood of such Gated Neighborhood Association or the Master Association, as applicable, shall be equipped with a "Click to Enter" gate opening system or similar system to allow emergency vehicle access by two (2) way radio frequency to open the gates. In addition, if vehicle stacking (i.e., lining up of vehicles for entry through the vehicular gates) is not sufficient to control the flow of vehicular traffic through the gates, each Gated Neighborhood Association or the Master Association, if the Master Association is maintaining any controlled access facilities for a neighborhood, shall keep the vehicular gates serving the Gated Neighborhood of such Gated Neighborhood Association or the Master Association, as applicable, open during peak hours if required by the City Community Development Department pursuant to the City Entitlements. Pursuant to the City Entitlements, all pedestrian gates within the Community shall remain unlocked at all times.

7.14. Drainage. There shall be no interference with the rain gutters, downspouts, or drainage systems originally installed by Declarant or any Merchant Builder, including altering or interfering with the established drainage pattern over any Lot, Unit or Neighborhood Association Property, unless an adequate alternative provision is made for proper drainage. For the purpose hereof, "established" drainage means the drainage pattern and drainage Improvements which exist at the time the Lot, Unit or Neighborhood Association Property, as the case may be, is conveyed to the Owner or Neighborhood Association by Declarant or any Merchant Builder. There shall be no violation of the drainage requirements of any applicable Governing Authority, notwithstanding any approval by the Applicable Design Review Committee. Each Owner, by accepting a grant deed to his Lot or Unit, acknowledges and understands that in connection with the development of the Community, Declarant may have installed one or more "subdrains" beneath the surface of such Owner's Lot or Unit. The subdrains and all appurtenant Improvements constructed or installed by Declarant ("***Drainage Improvements***"), if any, provide for subterranean drainage of water from and to various portions of the Community. To ensure adequate drainage within the Community, it is essential that the Drainage Improvements, if any, not be modified, removed or blocked without having first made alternative drainage arrangements. Therefore, any damage or injury resulting from or arising in connection with the alteration, modification, removal or replacement of any Drainage Improvements by an Owner shall be the responsibility of the Owner.

7.15. Water and Sewer Systems. No individual water supply system, water softener system or sewage disposal system is permitted on any Lot, Unit or Neighborhood Association Property unless such system is designed, located, constructed and equipped in accordance with

the requirements, standards, and recommendations of the applicable water or sewer district and any applicable governmental health authority having jurisdiction.

7.16. No Hazardous Activities. No activities may be conducted, nor may any Improvements be constructed, anywhere in the Community which are or might be unsafe or hazardous to any Person, Lot, Unit, Neighborhood Association Property, Master Association Maintenance Areas or Master Association Property in the Community.

7.17. Unsightly Articles; Exterior Fires. Except as expressly provided otherwise in the Master Association Documents or prohibited by law (including California Civil Code Section 4750.10), no unsightly articles are permitted to remain on any portion of the Community so as to be visible from any public or private street or from any other Lot, Unit, Neighborhood Association Property, Master Association Maintenance Areas or Master Association Property. No exterior fires whatsoever are permitted within the Community, except (i) barbecue fires contained within receptacles commercially designed therefor, (ii) fire pits in enclosed areas designed so that they do not create a fire hazard, provided that they are approved by the Applicable Design Review Committee, and (iii) other fires specifically authorized in writing by the Master Association, all of which are also subject to applicable laws, ordinances and fire regulations.

7.18. Trash. At all times refuse, green waste, garbage and trash must be kept in covered, sanitary containers designed for such purpose and located within enclosed areas or areas screened from the view of any other Lot, Unit, Neighborhood Association Property or Master Association Property. Trash and green waste containers may be exposed to the view of neighboring Lots, Units, Neighborhood Association Property or Master Association Property only when set out for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash collection hours) and otherwise in accordance with any signage regarding trash and green waste storage and removal posted by the Master Association. The storage of materials and other items which detract from the beauty, wholesomeness and attractiveness of any Residence or any other portion of the Community and which are visible to the public are prohibited. Without limiting the generality of the foregoing, no balcony, patio or porch may be used for storage purposes (including without limitation storage of boxes, indoor furniture, etc.).

7.19. Windows. All exposed window coverings shall be white or off white in color unless otherwise approved by the Applicable Design Review Committee. Temporary solid white window coverings shall be permitted for a period not to exceed sixty (60) days following the Close of Escrow for a Lot or Unit.

7.20. Temporary Prefabricated Structures/Dumpsters. Unless approved in writing by the Applicable Design Review Committee, no tent, shack, trailer or any temporary building, Improvement or structure, or prefabricated building or structure may be placed upon any portion of the Community. No trash dumpsters are allowed in any driveway or other exposed areas, or any street (public or private) within the Community unless first approved in writing by the Applicable Design Review Committee, and then subject to such conditions and requirements as may be specified by such committee.

7.21. No Mining or Drilling. No oil drilling, oil, gas or mineral development operations, oil refining, geothermal exploration or development, quarrying or mining operations of any kind may be conducted upon the Community, nor are oil, water or other wells, tanks, tunnels, mineral or geothermal excavations or shafts permitted upon or within five hundred (500) feet of the surface of any portion of the Community.

7.22. Improvements and Alterations. No excavation, construction, painting, alteration or erection of any projection which in any way alters the exterior appearance of any Lot, Unit or Neighborhood Association Property from any public or private street, or from any other Lot, Unit or Neighborhood Association Property (other than minor repairs or rebuilding pursuant to Section 7.12) is permitted without the prior approval of the Applicable Design Review Committee pursuant to the Applicable Design Guidelines. All Improvements and alterations are subject to the setback, side yard and other requirements of the applicable Governing Authority, notwithstanding any approval by the Applicable Design Review Committee.

7.23. Solar Heating Systems. Solar heating systems may be installed on individual Lots, Units or Neighborhood Association Property, provided that such heating systems comply with all requirements of applicable Governing Authorities and regulations and any applicable Neighborhood Declaration and have been approved by the Applicable Design Review Committee based on reasonable architectural review standards consistent with applicable law.

7.24. Views. There are no views in the Community which are protected to any extent by this Master Declaration, and no Owner who becomes subject to the terms hereof shall thereby obtain any view rights whatsoever. Notwithstanding any other provision of any Neighborhood Declaration, each Owner and each Neighborhood Association, by accepting a deed to a Lot, Unit or any Neighborhood Association Property, acknowledges that any construction or installation by Declarant, any Merchant Builder, the Master Association, a Neighborhood Association or by other Owners (following approval by the Applicable Design Review Committee and Applicable Design Guidelines) may impair the view of such Owner or of the members of such Neighborhood Association, and each Owner and each Neighborhood Association on behalf of its members hereby consent to such impairment.

7.25. Rights of Handicapped. Subject to the provisions of Article VIII of this Master Declaration, each Owner may modify such Owner's Lot or Unit, at its sole cost and expense, in order to facilitate access to the Residence by persons who are blind, visually handicapped, deaf or physically disabled, or to alter conditions which could be hazardous to such persons, in accordance with Section 4760 of the California Civil Code or other applicable law or ordinance.

7.26. Party Walls. Each wall or fence which is placed on the dividing line between the Lots or Unit (but not the structural wall of a Residence) is a Party Wall, and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions apply thereto. Without limiting the generality of the foregoing, Party Walls shall not include any wall or fence designated by Declarant as a Master Association Wall, including without limitation the Owner Fences.

7.26.1 Sharing of Repair and Maintenance. Unless otherwise provided in a Neighborhood Declaration, the cost of reasonable repair and maintenance of a Party Wall shall be shared equally by the Owners of the Lots or Units connected by such Party Wall. However, each Owner shall be solely responsible for maintaining and repainting the side of any Party Wall facing his Lot or Unit.

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

7.26.3 Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Section 7.26 is appurtenant to the land and passes to such Owner's successors in title.

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

7.28. Toxic or Noxious Matter; Disposal of Toxic and Hazardous Waste Products; Erosion and Drainage Control. All Hazardous Materials shall be properly disposed of within the Community in compliance with applicable law, including the Storm Water Management Plan adopted by the City and any program established by the Master Association with respect thereto. Hazardous Materials such as toxic chemicals or hydrocarbon compounds such as gasoline, motor oil, anti-freeze, solvents, paints, paint thinners, wood preservatives and other such fluids shall not be discharged into any street or any storm drain or storm water conveyance system within the Community. The use and disposal of Hazardous Materials, including pesticides, fungicides, herbicides, insecticides, fertilizers and other such chemical treatments, shall meet the applicable Governing Authority requirements as prescribed in their respective containers.

7.29. NPDES Requirements. The Community is 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 City NPDES Storm Water Permit Program, Drainage Area Management Plan (“**DAMP**”), the applicable Governing Authority has adopted the Water Quality Management Plans for the Community which identifies BMPs to reduce the discharge of pollutants to storm water facilities, before, during and after construction on the Community is completed. The Master Association, each Neighborhood Association and the Owners and other residents within the Community shall comply with all BMPs, as applicable. The Master Association shall perform all maintenance imposed by DAMP and the Water Quality Management Plans, as applicable. The costs of such maintenance, if any, shall be treated as Common Expenses.

7.30. Prohibited Improvements and Activities.

7.30.1 Master Association Walls. No Owner or Neighborhood Association shall modify or alter any Master Association Walls. If the Master Design Review Committee determines that it is reasonably necessary for an Owner to temporarily remove a Master Association Wall in order to install a pool, spa or other Improvement in such Owner’s yard, the Master Design Review Committee may approve such temporary removal subject to the following conditions: (i) the Owner, at such Owner's sole cost, shall agree to reconstruct such Master Association Wall with the same types of materials as originally used by Declarant or any Merchant Builder or as otherwise required by the Master Design Review Committee and restore any other damaged Master Association Property or Master Association Maintenance Areas to substantially the same condition as existed prior to such work; (ii) if applicable, the Owner shall restucco and/or repaint extended portions of the Master Association Wall as reasonably necessary to avoid a patched appearance; and (iii) the Owner shall obtain other approvals and permits and provide security in accordance with Article VIII.

7.30.2 Street Modifications. The Master Association, Neighborhood Associations and Owners shall not build, construct, erect or install any Improvement of any kind whatsoever (including, but not limited to, speed bumps, entry gates, etc.) which may obstruct access over any street within the Community without the prior express written consent of the City.

7.30.3 Setbacks. No Owner shall build, construct or install any addition or expansion to such Owner’s Residence or any accessory structure (including, but not limited to, patio cover, gazebo, pool, spa, deck, guest house, etc.) on his Lot or Unit which does not comply with the setback, height, coverage and other restrictions set forth in the Applicable Design Guidelines and the City’s building code, ordinances or regulations.

7.30.4 Prevention of Erosion of Slopes. No Owner or Neighborhood Association, as applicable, shall permit any act to be performed within the Community which would result in erosion of any slope, including, but not limited to, failing to maintain proper drainage on a Lot, Unit or Neighborhood Association Property (including without limitation failing to maintain any yard drain or other drainage device in proper operating condition at all times), over irrigating or otherwise discharging excess water over, across or under a slope. If an Owner or Neighborhood Association, as applicable, causes or permits any act to be performed which results in the erosion of or other damage to a slope, such Owner or Neighborhood

maintained continuously in a neat, operable and orderly condition by the Owner of the Benefited Lot. No object or device of any kind shall be affixed to the structural wall or fence on the Burdened Lot including driving or attaching any nails, screws, bolts or other object into the exterior wall of the Residence located on the Burdened Lot without the prior written approval of the Owner of the Burdened Lot. No tree shall be planted on the Sideyard Easement Area unless the Owner of the Benefited Lot shall have taken appropriate precautions (*e.g.*, installation of root barriers to prevent root intrusion which may cause damage to the Residence, hardscape or other Improvements on the Burdened Lot). In addition, no Improvements shall be installed or planted on the Sideyard Easement Area which may unreasonably interfere with the threatened structural integrity of the Residence located on the Burdened Lot, or which would unreasonably impede the right of the Owner of the Burdened Lot to enter upon the Sideyard Easement Areas as provided herein.

7.31.2 Access by Burdened Lot Owner. The Owner of the Burdened Lot shall have the right, upon giving the Owner of the Benefited Lot at least forty-eight (48) hours' notice of intention to enter into the Sideyard Easement Area, to enter upon the Sideyard Easement Area for the purpose of maintenance, repair or replacement of the Burdened Lot Owner's Residence (including the exterior painting thereof), the structure of which it is a part, any gutter and downspout attached to the Residence and any fence or wall owned by such Burdened Lot Owner, which adjoins or abuts the Sideyard Easement Area. In the event of an emergency, such entry may be made at any time and without prior notice. Under all circumstances, the Owners shall cooperate to minimize the duration of the work and inconvenience to the Benefited Lot. In exercising such right of entry upon the Sideyard Easement Area, the Owner of the Burdened Lot shall utilize reasonable care to minimize damage to any landscaping located in the Sideyard Easement Area. The Owner of the Burdened Lot shall, at such Owner's sole cost and expense, promptly repair any damage to any Improvements in the Sideyard Easement Area caused by the Burdened Lot Owner.

7.31.3 Storage Prohibited. No storage of any kind shall be permitted in the Sideyard Easement Area.

7.31.4 Fences. Except for the fences and structures established as part of the original construction upon the Burdened Lot, and except as authorized by this Master Declaration, no fence, wall or other structure of any kind shall be constructed within, upon or adjacent to the Sideyard Easement Area, without the prior written approval of the Applicable Design Review Committee. The foregoing is in addition to any required building permit or other City approval or requirements, including City setback requirements for patio covers, spas or similar Improvements.

7.31.5 Restricted Sideyard Drainage. No planting or other material or authorized structure (including patios) shall be constructed, altered, placed or permitted to remain on the Sideyard Easement Area which may change the direction of flow of the established drainage on the Burdened Lot or which may damage or alter any drainage system serving the Burdened Lot or may obstruct, interfere or retard the flow of water through such system. The Owner of each Burdened Lot shall have the right to use the drainage system established within the Sideyard Easement Area adjoining and abutting such Owner's Burdened

Lot for the purpose of draining such Burdened Lot (including atriiums), provided that such right shall not include the right to discharge noxious or offensive matter.

7.32. Solar Facilities; Shading Restrictions.

7.32.1 **Solar Facilities.** In connection with the initial sale and development of Residences in the Community, Declarant or a Merchant Builder may offer Residences improved with solar power facilities ("**Solar Facilities**"), including without limitation roof-integrated photovoltaic roof tiles, roof-mounted panels or other roof-mounted devices ("**Solar Array**") that collect and transform solar energy into thermal, chemical or electrical energy. The components of the Solar Facilities may change in the future as newer technology becomes available. In addition, an Owner may install a Solar Facility which serves the Owner's Residence so long as (a) the design and location of the Solar Facility meet the requirements of all applicable governmental ordinances, (b) is allowed under any applicable Neighborhood Declaration; (c) said design and location receive the prior written approval of the Master Design Review Committee and (d) the Owner complies with the solar shading restrictions set forth below.

7.32.2 **Solar Shading Restrictions.** The generation of energy by the Solar Facilities will be reduced or even eliminated if trees, shrubs other landscaping, structures or other Improvements cause shading of the Solar Array. To insure direct access to sunlight for optimal operation and efficiency of the Solar Facilities, all Owners, the Master Association and Neighborhood Associations shall comply with the following:

(a) **California Solar Shade Control Act.** The Owners, the Master Association and Neighborhood Associations shall not engage in any activity that is prohibited by the California Solar Shade Control Act (California Public Resources Code, Sections 25980 et. seq., as it may be amended from time to time ("**Act**")), including without limitation the installation and/or maintenance of Improvements in violation of the Act. If there is a conflict between the Act and the shading restrictions as described below (collectively, "**Shading Restrictions**"), the more restrictive requirement shall control.

(b) **Shading Restrictions.** Except as expressly provided otherwise herein, no Owner, the Master Association (with respect to the Master Association Property or Master Association Maintenance Areas) or a Neighborhood Association (with respect to the Neighborhood Association Property), shall allow any Improvement(s) to be installed or maintained on such Owner's Lot or Unit or in the Master Association Property, Master Association Maintenance Areas or Neighborhood Association Property, as applicable, which will, upon installation, or at any time in the future may cast a shadow over more than ten percent (10%) of the solar absorption area on the surface of any Solar Array between 10 a.m. and 2 p.m. ("**Prohibited Shading**"). Owners, the Master Association and the Neighborhood Associations must consider the location and height at maturity of all trees, shrubs and other landscaping and the location and the height of all Improvement installed on their respective properties, to prevent Prohibited Shading of any Solar Array, whether the Solar Array is located on the Owner's Lot or Condominium or on a neighboring Lot or Unit. Notwithstanding the foregoing, the Shading Restrictions shall not apply to (i) any Improvements that were installed or constructed prior to the installation of the Solar Array ("**Existing Improvements**") unless the Solar Array that is being shaded is installed by Declarant or any Merchant Builder after the Existing Improvements

Association, as applicable, shall be liable for all damages resulting therefrom, and if such slope is part of the Master Association Property or Master Association Maintenance Areas, such Owner or Neighborhood Association, as applicable, shall be liable to the Master Association for such damage and a Reconstruction Assessment shall be levied against such Owner or Neighborhood Association, as applicable, to recover all costs and expenses incurred to repair or reconstruct such slope.

7.30.5 Fire Sprinklers. No Owner shall remove, disable, alter or otherwise modify any fire sprinkler system installed in such Owner's Residence or appurtenant structures.

7.31. Sideyard Easement Areas. Subject to this Section 7.31, Declarant hereby reserves an exclusive easement of use and enjoyment as a private sideyard area ("**Sideyard Easement Area**") for the benefit of the "Benefited Lots" defined below over portions of the "Burdened Lots" defined below. The Lot for whose benefit such an easement is reserved is referred to as the "**Benefited Lot.**" The Lot on which such an easement is located for the benefit of the Benefited Lot is referred to as the "**Burdened Lot.**" The Benefited Lots and Burdened Lots, if any, and the Sideyard Easement Areas, if any, in the First Subdivision are shown on **Exhibit "I"** attached hereto. The Benefited Lots and Burdened Lots and the Sideyard Easement Areas in any subsequent Phase of Development shall be shown and described in the Notice of Annexation or Supplemental Declaration for such Phase of Development. Declarant further reserves for the Owner of each Benefited Lot and each correspondingly Burdened Lot, a nonexclusive easement for reasonable ingress and egress to and from the particular Sideyard Easement Area for the respective purposes set forth in this Section 7.31. Declarant further reserves for Owners (including Declarant and Merchant Builders) of Burdened Lots rights appurtenant to such Burdened Lots over the respective Sideyard Easement Areas located on such Burdened Lots for purposes of accommodating (a) encroachment of overhanging eaves and other items as initially constructed on the Burdened Lot by Declarant or a Merchant Builder or as constructed with the Applicable Design Review Committee approval and (b) drainage over the Sideyard Easement Areas in accordance with established drainage patterns. All Sideyard Easement Areas shall be used and enjoyed subject to the following terms and conditions and no use of the Sideyard Easement Area shall be made except as provided below. Any depiction of the Sideyard Easement Areas shown on an exhibit attached to this Master Declaration or any Notice of Annexation or Supplemental Declaration or shown on a tract map is merely for illustrative purposes only and the "as built" condition shall control.

7.31.1 Authorized Uses. The Sideyard Easement Area shall be used only as a general recreation and garden area by the Owner of the Benefited Lot, including without limitation planting vegetation and establishing an irrigation system thereon, provided such system and all Improvements constructed thereon shall be first approved by the Applicable Design Review Committee. Any request for approval submitted by the Owner of the Benefited Lot shall include a statement as to the existence of the Sideyard Easement Area and drawings showing the relative location of planned Improvements to the Sideyard Easement Area and Improvements on the Burdened Lot. With the exception of any Master Association Walls or Party Walls and the Residence located on the Burdened Lot, which shall be maintained as provided in this Master Declaration, the Sideyard Easement Area and every Improvement thereon (including any Drainage Improvements serving the Benefited Lot, whether located on the surface or underneath the Sideyard Easement Area), shall be repaired, replaced and

as part of the original construction of a Residence by Declarant or any Merchant Builder (collectively "***Declarant Installed Array***"), (ii) Improvements installed by Declarant or any Merchant Builder or (iii) any trees or shrubs that are subject to a City or other local ordinance. The Shading Restrictions are intended to apply regardless of any approval, authorization or permit for an Improvement by an applicable Governing Authority.

(c) **Design and Approval of Improvements.** The Master Design Review Committee shall take into consideration, apply and enforce the Shading Restrictions in (i) approving Improvements to be constructed in the Community and (ii) enforcing the Owners' maintenance obligations in this Master Declaration, including without limitation the Shading Restrictions. In addition, the Master Design Review Committee shall not approve and the Master Association shall not allow to be maintained any Improvement in the Community that are subject to the Shading Restrictions, which would result in Prohibited Shading of any Declarant Installed Arrays that may be constructed at a later date. Therefore the Master Design Review Committee shall require, as part of the application process under the Master Declaration, that Owners obtain from Declarant or any applicable Merchant Builder, as applicable, and deliver to the Master Design Review Committee plans and specifications for Declarant Installed Arrays planned for future Residences that could be shaded by the Improvements planned by the Owner. The Master Design Review Committee shall not issue any approval to any Owner if the Improvements planned would result in Prohibited Shading of any Solar Array, including without limitation Declarant Builder Installed Arrays. The Master Design Review Committee shall not be allowed to issuance variances from the Shading Restrictions.

(d) **Maintenance Requirements.** Each Owner, the Master Association and each Neighborhood Association must continually prune, cut-back and otherwise limit the height and fullness of trees, shrubs and other landscaping, excepting Existing Improvements, to prevent Prohibited Shading.

(e) **Impact of Shading Restrictions.** The Shading Restrictions mean that the dimensions of some Lots or Units may not accommodate (i) the planting of any trees, or the planting of medium or large trees, (ii) the installation of any upper-floor additions, roof-top structures or other Improvements and (iii) the growth of trees and shrubs to mature heights. The Shading Restrictions may have the foregoing impacts on Lots or Units on which no Solar Facilities are installed or constructed.

(f) **Height and Distance Guidelines.** The following table ("***Horizontal Distance Table***") is based on the horizontal distance guidelines established by the California Energy Commission to minimize the shading of Solar Arrays (Committee Guidebook, New Solar Homes Partnership, Ninth Edition, California Energy Commission ("***CEC***"), July 2015). This Horizontal Distance Table, as may be modified by the CEC, is a guide to the planting of trees or installation of other Improvements. The table describes the closest horizontal distance that trees (as measured from the vertical prolongation of the tree trunk at grade) or other Improvements may be located from the nearest point of a nearby Solar Array on the roof of a one-, two- or three-story residence. The criterion used to determine these height and distance guidelines (the "***Minimal Shading Criterion***") is as follows: No obstruction can be closer than a distance of twice the height the obstruction extends above the lowest point of the Solar Array.

Solar Array Location	Small Tree Distance (up to 20 feet tall)	Medium Tree Distance (up to 35 feet tall)	Large Tree Distance (up to 50 feet tall)
1 story residence (lowest point of Solar Array is 12 ft above grade)	16 feet (minimum distance from nearest point on Solar Array)	46 feet (minimum distance from nearest point on Solar Array)	76 feet (minimum distance from nearest point on Solar Array)
2 story residence (lowest point of Solar Array is 22 ft above grade)	Any distance	26 feet (minimum distance from nearest point on Solar Array)	56 feet (minimum distance from nearest point on Solar Array)
3 story residence (lowest point of Solar Array is 32 ft above grade)	Any distance	6 feet (minimum distance from nearest point on Solar Array)	36 feet (minimum distance from nearest point on Solar Array)

(g) **Application of Guidelines.** When planning to plant a tree or install any Improvements, the Minimal Shading Criterion and Horizontal Distance Table must be used to determine the areas of maximum height at minimum distance from the lowest point or points on the Solar Array.

(h) **Tree Selection.** Once the planned height and distance of planted trees has been determined, a tree variety must be selected that has the appropriate mature height characteristics. To select a tree variety with an appropriate mature height (small, medium or large) for the proposed location, refer to the current edition of Sunset Western Garden Book.

7.32.3 Resolution of Shading Disputes. If a dispute (1) between Owners or (2) between Owners and the Master Association or (3) between Owners and any Neighborhood Association arises regarding the Shading Restrictions, including without limitation the interpretation and/or enforcement thereof, and the parties to the dispute are not able to resolve the dispute by communication between themselves, the parties shall follow the alternative dispute resolution procedure set forth in Section 12.8.

ARTICLE VIII ARCHITECTURAL CONTROL OF COMMUNITY

Except as otherwise expressly provided herein, the provisions of this Article VIII shall not apply to any Construction Activity that is subject to review by a Neighborhood Association Design Review Committee.

8.1. Members of Master Design Review Committee. The Master Design Review Committee shall consist of three (3) members; provided, however, that such number may be changed by resolution of the Board of Directors; however, the Master Design Review Committee shall not consist of greater than five (5) nor fewer than three (3) members. Members of the Master Design Review Committee appointed by Declarant may be removed at any time without

cause by Declarant. Members of the Master Design Review Committee appointed by the Board may be removed at any time by the Board without cause. Unless changed by resolution of the Board, the address of the Master Design Review Committee for all purposes, including the submission of plans for approval, is the principal office of the Master Association as designated by the Board pursuant to the Bylaws. Declarant may, in a Supplemental Declaration, create a separate design review committee ("***Separate Committee***") for any Annexed Territory ("***Separate Area***"). The Separate Committee shall have sole architectural control pursuant to this Article VIII over the Separate Area and the Master Design Review Committee shall have no control or jurisdiction over Construction Activities or otherwise over the Separate Area. If a Separate Committee is created, the provisions of this Article VIII shall apply to the Separate Committee which shall be deemed the "Master Design Review Committee" for all purposes hereunder regarding the Separate Area. However, members of the Separate Committee appointed pursuant to Subsection 8.2.2 below, shall be solely Owners of Residences in the Separate Area.

8.2. Rights of Appointment.

8.2.1 By Declarant. Declarant may appoint and remove a majority of the members of the Master Design Review Committee, which appointees need not be Members of the Master Association, until the earlier to occur of (i) the date on which Close of Escrow has occurred for the sale of ninety percent (90%) of the currently entitled number of Residences in the overall development composed of the Community and Annexable Property, which is estimated to be approximately nine hundred twenty-three (923) Residences, as modified from time to time, or (ii) the fifth (5th) anniversary of the first Close of Escrow for the sale of a Lot or Unit in the Phase of Development for which a Public Report was most recently issued by the DRE, or (iii) the fifteenth (15th) anniversary of the first Close of Escrow for the sale of a Lot or Unit in the Community.

8.2.2 By the Board. The Board may appoint and remove those members of the Master Design Review Committee which Declarant is not authorized to appoint until such time as Declarant's rights of appointment shall have expired, and thereafter the Board may appoint and remove all members of the Master Design Review Committee. Master Design Review Committee members appointed by the Board must be Members of the Master Association at all times during their service on the Master Design Review Committee, and shall serve for a term of one (1) year or until their respective successors are appointed. If elected by the Board, Master Design Review Committee members may serve more than one term and such terms may be consecutive.

8.3. Review of Construction Activities by Master Design Review Committee. Subject to Article X of this Master Declaration and Section 8.14 below, which Section applies to the architectural review of Construction Activities by Neighborhood Association Design Review Committees, no Construction Activity may be commenced or maintained until the plans and specifications therefor showing the nature, design, kind, shape, height, width, color, materials, location and other aspects of the same have been submitted to and approved in writing by the Master Design Review Committee.

8.3.1 Master Design Guidelines. Subject to Section 10.1.5, the Board may adopt, supplement and amend Master Design Guidelines which impose design and materials standards, submittal procedures, review criteria and other factors to be considered and followed by: (i) the Master Design Review Committee for its review of plans and specifications submitted by an Owner; (ii) Owners in connection with Construction Activities that are not subject to review by a Neighborhood Association Design Review Committee; (iii) Neighborhood Associations for their review of plans and specifications submitted by an Owner within such Neighborhood Association if the Neighborhood Association has not adopted any Neighborhood Association Design Guidelines; and (iv) each Neighborhood Association in connection with any Construction Activity by such Neighborhood Association on any portions of the Community which is owned and/or maintained by the Neighborhood Association. The Master 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 Master Design Review Committee will take into consideration in reviewing submissions. The Board may provide that fees it imposes be uniform, or that fees be determined in any other reasonable manner. The Board may require such detail in plans and specifications submitted for Master Design Review Committee 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.

8.3.2 Exemptions. Notwithstanding any other provision of the Master Association Documents, Declarant or any Merchant Builder is exempt from this Article VIII and need not seek the approval of the Master Association, any Owner, the Master Design Review Committee, any Neighborhood Association or any Neighborhood Association Design Review Committee with respect to their construction or development activities of any kind, including without limitation any activity which would be classified as a "Construction Activity."

8.4. Applications to Master Design Review Committee. The Person submitting plans and specifications to the Master Design Review Committee ("*Applicant*") must obtain a dated, written receipt for such plans and specifications and furnish the Master Design Review Committee with the address to which further communications from the Master Design Review Committee are to be directed. None of the time periods specified for design review in this Master Declaration shall commence unless such receipt is obtained. The Master Design Review Committee may further require that all plans and specifications first be approved by a Neighborhood Association or Neighborhood Association Design Review Committee having jurisdiction, if any. Conditions and requirements imposed by the Master Design Review Committee supersede all conflicting conditions or requirements which may be imposed by a Neighborhood Association or a Neighborhood Association Design Review Committee. The Master Design Review Committee's determination of the existence of a conflict or discrepancy between the conditions or requirements imposed by the Master Design Review Committee and those imposed by a Neighborhood Association or a Neighborhood Association Design Review Committee are binding and conclusive on the Neighborhood Association, the Neighborhood Association Design Review Committee and the Applicant.

By submitting plans and specifications, the Applicant (i) represents and warrants to the Master Design Review Committee and to the Master Association that the plans and specifications submitted by the Applicant do not violate any governing provision of law,

including the Fair Employment and Housing Act (California Government Code Sections 12900 *et seq.*), building codes and other applicable laws governing land use and public safety and (ii) agrees to indemnify, defend and hold the Master Association, its officers, the Board and the Master Design Review Committee harmless from and against all loss, damage or liability or claims or assertions thereof resulting from or arising in connection with the Master Design Review Committee's approval of any plans and specifications submitted by the Applicant.

8.4.1 Criteria. The Master Design Review Committee shall consider and act upon all plans and specifications submitted for its approval under this Master Declaration and perform such other duties as are specified in this Master Declaration, including the inspection of construction in progress to assure its conformance with the plans approved by the Design Review Committee. The Design Review Committee may approve plans and specifications submitted for its approval only if it determines that (i) the Construction Activity is in conformance with the Master Design Guidelines, (ii) the Construction Activity, in the locations indicated, will not be detrimental to the appearance of the surrounding area or the Community as a whole, (iii) the appearance of any structure affected by any Construction Activity will be in harmony with the surrounding structures, (iv) the Construction Activity and the product thereof will not detract from the beauty, wholesomeness and attractiveness of the Master Association Property, Master Association Maintenance Areas, Neighborhood Association Property, any other Residence(s) or the enjoyment thereof by the Members, and (v) the upkeep and maintenance thereof will not become a burden on the Master Association.

8.4.2 Conditions. The Master Design Review Committee may condition its approval of any plans and specifications upon all or any of the following: (i) the Applicant's furnishing the Master Association with a bond or other security acceptable to the Master Design Review Committee in an amount reasonably sufficient to (A) assure the completion of the Construction Activity, (B) the availability of funds adequate to remedy any nuisance or unsightly conditions occurring as a result of the partial completion of such Improvement or a violation of any approval provided by the Master Design Review Committee and (C) to protect the Master Association and the other Owners against mechanics' liens or other encumbrances which may be Recorded or damage to the Master Association Property or Master Association Maintenance Areas as a result of the Construction Activity; (ii) such changes therein as it deems appropriate; (iii) the grant of appropriate easements to the Master Association, any Neighborhood Association and/or any Governing Authorities, including, without limitation easements for the maintenance of the Improvement and access to all Master Association Property or Master Association Maintenance Areas; (iv) the Applicant's agreement to reimburse the Master Association for the cost of maintaining the Improvement; (v) the Applicant's agreement to complete the proposed work within a stated period of time; and (vi) if the height of any Improvement is being reviewed by the Master Design Review Committee, it shall also be entitled to require that an Applicant place temporary posts or structures on the Lots or Condominium on which the Improvement is to be constructed, to simulate the height of the proposed structure(s). In addition, the Master Design Review Committee may require submission of additional plans and specifications or other information prior to approving or disapproving materials submitted.

8.4.3 Review Period. The Master Design Review Committee may require such detail in plans and specifications submitted for its review as it deems proper, including without limitation site plans, lighting plans, landscaping plans, elevation drawings and

descriptions or samples of exterior materials and colors. Until the Master Design Review Committee receives all required plans and specifications (and any Neighborhood Association approval if required as a prerequisite to plan consideration), the Master Design Review Committee may postpone review of any plan submitted for approval or determination of exemption. The Master Design Review Committee may reject the application for approval if it determines that the Applicant's plans and specifications are incomplete. The Master Design Review Committee shall transmit its decision and the reasons therefor in writing or a request for further information to the Applicant at the address furnished by the Applicant, within sixty (60) days after the date of the receipt issued by the Master Design Review Committee for materials submitted to the Master Design Review Committee and issuance of a receipt therefor to the Applicant in accordance with this Section 8.4. If the Applicant's application is disapproved, the Master Design Review Committee shall create a procedure for reconsideration of the decision by the Board. Subject to appeal procedures which may be adopted by the Board as provided in Section 8.13, any application submitted pursuant to this Section shall be deemed approved, unless the Master Design Review Committee transmits written disapproval or a request for additional information or materials to the Applicant within sixty (60) days after the date of receipt by the Master Design Review Committee of the Applicant's submitted materials and issuance of a receipt therefor to the Applicant in accordance with this Section 8.4.

8.4.4 Submittal to Governing Authority - Right of Master Design Review Committee to Review. Upon obtaining the written approval of the Master Design Review Committee, the Applicant shall thereafter submit the approved plans and specifications to the Governing Authorities having jurisdiction. If any Governing Authority requires any changes, modifications or additions of any type or magnitude to plans, specifications or other materials previously approved by the Master Design Review Committee such changes, modifications or additions must be approved by the Master Design Review Committee in accordance with this Article VIII. If the Applicant is obligated to resubmit plans and specifications to the Master Design Review Committee to reflect the changes, modifications or additions required by the Governing Authority, the Master Design Review Committee shall have the right to review and to impose further conditions on any such changes, modifications or additions which are not inconsistent with the requirements imposed by the Governing Authority. If all necessary approvals of the Governing Authorities for the issuance of a building permit or other permits required to commence the work contemplated in the plans and specifications are not obtained within six (6) months from the date of approval by the Master Design Review Committee, the Master Design Review Committee shall have the right, but not the obligation, to re-review all previously approved plans and specifications and if the Master Design Review Committee elects to undertake such re review all previous approvals shall be deemed revoked.

8.4.5 Conflicts Between the Governing Authority and Master Design Review Committee. In the event of a conflict between the conditions of approval for any proposed Construction Activity imposed by any Governing Authority and by the Master Design Review Committee, the more restrictive of such conditions (as they apply to the applicable Owner) shall control. Nothing herein shall limit the Master Design Review Committee from imposing conditions of approval for any proposed Improvement which are more restrictive than the conditions imposed by the Governing Authority.

8.5. Meetings of the Master Design Review Committee. The Master Design Review Committee shall meet as necessary to perform its duties hereunder. The vote or written consent of a majority of the members of the Master Design Review Committee shall constitute an act of the Master Design Review Committee. The Board or, subject to the prior approval of the Board, the Master Design Review Committee may engage architects, landscape architects, designers, planners and such similar professionals and consultants and appoint such subcommittees as either deems appropriate to assist the Master Design Review Committee in the evaluation of plans, specifications and other items submitted for Master Design Review Committee approval pursuant to this Master Declaration. The Board or, subject to the prior approval of the Board, the Master Design Review Committee, may delegate the decision making authority of the Design Review Committee to any such architects, landscape architects, designers, planners and such similar professionals and consultants, provided that such professionals and consultants shall at all times exercise such authority in accordance with all direction of the Master Design Review Committee and the Board. In addition, if any member of the Master Design Review Committee ("***Affected Member***") has a personal interest in any application because such application (a) was submitted by or on behalf of the Affected Member or the spouse of the Affected Member and/or (b) the Construction Activity described in such application will or may have a direct physical impact on the Affected Member's Lot or Unit (for example, but not by way of limitation, the Construction Activity is taking place on a Lot or Unit which is adjacent to or in the immediate vicinity of the Affected Member's Lot or Unit or has some other direct physical impact on the Affected Member's Lot or Unit) (as applicable an "***Affected Application***") then the Affected Member shall not participate on the Committee with respect to the Affected Application and the other members of the Committee shall ask the Board to appoint a temporary member to sit on the Master Design Review Committee with respect to the Affected Application.

8.6. No Waiver of Future Approvals. Master Design Review Committee approval of any proposals or plans and specifications or drawings for any Construction Activity done or proposed or in connection with any other matter requiring Master Design Review Committee 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 or consent.

8.7. Compensation of Members. The Master Design Review Committee members shall receive no compensation for services rendered, other than reimbursement by the Master Association for expenses incurred by them in performing their duties. The foregoing shall not preclude payment of compensation approved by the Board to architects or similar professionals engaged to assist the Master Design Review Committee.

8.8. Correction of Defects. Inspection of work and correction of defects therein shall proceed as follows:

8.8.1 Notice of Completion. The Master Design Review Committee or its duly appointed representative may at any time inspect any Construction Activity for which approval of plans is required under this Article. The Master Design Review Committee's right of inspection shall terminate sixty (60) days after the later to occur of (a) completion of the Construction Activity or (b) receipt by the Master Design Review Committee of written notice of

such completion from the applicable Applicant. As used in this Article VIII, a Construction Activity shall only be deemed “complete” or “completed” or in a state of “completion” when all work of any kind has been completed in accordance with this Master Declaration and all applicable Governing Authorities have completed all applicable inspections of the Construction Activity and issued all final approvals, sign offs, certificates and other permits or authorizations. The Master Design Review Committee’s rights of inspection shall not terminate if plans for the Construction Activity have not previously been submitted to and approved in writing by the Master Design Review Committee. If the Master Design Review Committee finds that any Construction Activity was done without obtaining written approval of the Master Design Review Committee or was not done in substantial compliance with plans and specifications approved by the Master Design Review Committee, it shall notify the applicable Owner in writing of failure to comply with this Article VIII, specifying the particulars of noncompliance. The Master Design Review Committee may require the Owner to take such action as may be necessary to remedy a noncompliance, including without limitation the removal of any and all Improvements constructed or installed as a result of such noncompliance with this Article VIII.

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

8.8.3 Compliance. If the Master Design Review Committee fails to notify the Applicant of any noncompliance with previously submitted and approved plans within sixty (60) days after the later of the date on which (a) the Construction Activity was completed or (b) the Master Design Review Committee receives written notice of completion from the Applicant, the Construction Activity shall be deemed to be in accordance with such approved plans.

8.8.4 Prosecution of Work. The Master Design Review Committee approval for any particular Construction Activity expires and the plans and specifications therefor must be resubmitted for Master Design Review Committee approval pursuant to this Article VIII if substantial work pursuant to the approved plans and specifications is not commenced within six (6) months of the Master Design Review Committee’s approval of such Construction Activity. All Construction Activities shall be performed as promptly and diligently as possible and, unless an earlier completion date is specified in this Master Declaration or the Master Design Review Committee approval, must be completed within one (1) year after the date on which the work commenced.

8.9. Scope of Review. The Master Design Review Committee shall review and approve or disapprove all plans submitted to it for any proposed Construction Activity solely on the basis of the considerations set forth in this Master Declaration. The Master Design Review Committee is not responsible for reviewing, nor shall 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 codes or other Governing Authority requirements. The Master Design Review Committee may consider reasonable privacy right claims as factors in reviewing, approving or disapproving any proposed Construction Activities; provided, however, the extent to which the Master Design Review Committee considers same and the weight given by the Master Design Review Committee to such issues shall be reasonably determined by the Master Design Review Committee. However, Declarant and the Merchant Builders do not warrant any protected views or privacy within the Community and no Lot, Unit, Residence or Neighborhood Association Property is guaranteed the existence or unobstructed continuation of any particular view or any particular level of privacy.

8.10. Variances. The Master Design Review Committee may recommend variances from compliance with any of the architectural provisions of this Master Declaration, any Supplemental Declaration or any Master Design Guidelines, including without limitation restrictions on height, size, floor area or placement of structures or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental considerations make it physically, economically and/or practically impossible or infeasible to comply with such provisions. Such variances must be approved by the Board in writing, and signed by at least two (2) officers of the Board certifying such Board approval. No violation of the covenants, conditions and restrictions contained in this Master Declaration or any Supplemental Declaration shall exist with respect to any Construction Activity for which a variance is granted. The granting of such a variance does not waive any of the terms and provisions of this Master Declaration or of any Supplemental Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor does it affect the Owner's obligation to comply with all governmental laws and regulations.

8.11. Pre-Approvals. Subject to Section 10.1.5, the Board may authorize the pre-approval of certain specified types or classes of Construction Activities in the Master Design Guidelines if, in the exercise of the Board's judgment, pre-approval of such types or classes of Improvements is appropriate in carrying out the purposes of this Master Declaration.

8.12. Maintenance and Repair. Each Owner (i) is solely responsible for maintaining, repairing and replacing any Improvement(s) installed or constructed by such Owner unless the Master Association, in its sole discretion, enters into an agreement with such Owner (which agreement must be Recorded) pursuant to which the Master Association assumes such responsibility, (ii) shall reimburse the Master Association for any damage or injury resulting from or arising in connection with the construction, installation, use or existence of such Improvement, the amount of which shall be subject to collection as a Special Assessment, and (iii) shall indemnify, defend and hold the Master Association, its officers, the Board and the Master Design Review Committee and its members harmless from and against all loss, damage or liability or claims or assertions thereof (including but not limited to attorneys' fees and costs) resulting from or arising in connection with the construction, installation, use or existence of the Improvement.

8.13. Appeals. An Applicant whose application has been disapproved by the Master Design Review Committee may apply to the Board for reconsideration of the Master Design Review Committee's decision, in accordance with procedures for such reconsideration adopted

by the Board. The Board's reconsideration of a Master Design Review Committee disapproval shall take place at an open meeting (*i.e.*, not in an executive session).

8.14. Review of Construction Activities by a Neighborhood Association Design Review Committee. The review and approval or disapproval of all plans and specifications for any proposed Construction Activity submitted by an Owner subject to the jurisdiction of a Neighborhood Association shall be the responsibility of the Neighborhood Association Design Review Committee. Each Neighborhood Association may adopt Neighborhood Association Design Guidelines so long as such rules are consistent with the Master Design Guidelines. If for any reason a Neighborhood Association does not have a Neighborhood Association Design Review Committee or it fails or refuses to act under the Neighborhood Declaration or otherwise, all Construction Activities on or in connection with Lots or Units that are subject to such Neighborhood Association shall be reviewed and approved or disapproved by the Master Design Review Committee under this Master Declaration and all references in this Master Declaration to "Applicable Design Review Committee" in such context shall mean the Master Design Review Committee. If there is a conflict between any Neighborhood Association Design Guidelines and the Master Design Guidelines in connection with an Owner's proposed Construction Activity that is subject to review by a Neighborhood Association Design Review Committee, the Master Design Guidelines shall control.

ARTICLE IX DESTRUCTION OR CONDEMNATION

Damage to or destruction or condemnation of all or any portion of the Master Association Property or Master Association Maintenance Areas shall be handled in the following manner:

9.1. Damages by Owners or Neighborhood Associations. To the extent permitted by law, each Owner and Neighborhood Association is liable to the Master Association for any damage to the Master Association Property or Master Association Maintenance Areas not fully reimbursed to the Master Association by insurance (including any insurance policy deductible amounts) if the damage is sustained because of the negligence, neglect, willful misconduct or unauthorized or improper installation or maintenance of any Improvement by the Neighborhood Association, its members, guests or invitees, or the Owner or the Owner Parties, or any other Persons deriving their right and easement of use and enjoyment of the Master Association Property or Master Association Maintenance Areas from the Neighborhood Association, the Owner or the Owner Parties. However, the Master Association, acting through the Board, may determine, in its sole discretion, whether any claim will be made upon the insurance maintained by the Master Association, and after Notice and Hearing the Master Association may levy a Special Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Owner or the Person for whom the Owner may be liable as described above. In the case of joint ownership of a Lot or Condominium, the liability of the Owners is joint and several. After Notice and Hearing, the cost of correcting the damage, to the extent not reimbursed to the Master Association by insurance, shall be a Special Assessment.

9.2. Repair of Damages. If Master Association Property or Master Association Maintenance Area Improvements are damaged by fire or other casualty, any insurance proceeds payable by reason thereof shall be paid to the Master Association, which thereupon shall contract

for the repair or replacement of all the Master Association Property or Master Association Maintenance Area Improvements so damaged. The Master Association shall levy a Reconstruction Assessment against all Owners to satisfy any deficiency between insurance proceeds and the actual cost of repair or replacement in the same manner and proportion that Common Assessments are levied against and collected from Owners; however for any Reconstruction Assessment attributable only to a Cost Center Improvement such Reconstruction Assessment shall be levied only against the applicable Cost Center Owners. Any restoration or repair of the Master Association Property or Master Association Maintenance Area Improvements after damage due to an insurable hazard will be performed substantially in accordance with the original plans and specifications unless other action is approved by holders of fifty-one percent (51%) of the first Mortgages on Lots and Condominiums which subject to Common Assessments (including any Cost Center Assessment) for the maintenance of such Master Association Property or Master Association Maintenance Areas, as applicable.

9.3. **Condemnation.** If all or any portion of the Master Association Property, or any interest therein, is taken by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the Master Association and deposited in the appropriate Operating Fund. If there is a taking by right of eminent domain or by private purchase in lieu of eminent domain of a Lot or Unit or portion thereof, the award in condemnation shall be paid to the Owner of the Lot or Unit; however, such award shall first be applied to the balance then due on any Mortgages encumbering such Owner's Lot or Unit, in order of priority. No Member (other than a Person on whose Lot or Unit a Master Association Property easement affected by a condemnation may be located) may participate as a party, or otherwise, in any proceedings relating to such condemnation. The Master Association has the exclusive right to participate in such proceedings and shall, in its name alone, represent the interests of all Members.

9.4. **Notice to Owners and Listed Mortgagees.** The Board of Directors immediately upon learning of any taking by eminent domain of any Master Association Property, or any threat thereof, shall promptly notify all Owners whose Lots and Units are subject to Common Assessment (including any Cost Center Assessment), as applicable, for the maintenance of such Master Association Property, and all Record holders of first Mortgages on such Owners' Lots and Units. The Board, immediately upon learning of any damage or destruction affecting a material portion of the Master Association Property or Master Association Maintenance Areas, shall promptly notify all Owners whose Lots and Units are subject to Common Assessments (including Cost Center Assessment, as applicable) for the maintenance of such Master Association Property or Master Association Maintenance Areas, and all holders, insurers, and guarantors of first Mortgages on Lots or Units who have filed a written request for such notice.

ARTICLE X

DECLARANT AND MERCHANT BUILDER EXEMPTION

10.1. **Interest of Declarant.** The First Subdivision is a portion of a larger area which Declarant is developing into a master planned community. Declarant has created a comprehensive plan for the development of the Community. Each Owner of a Lot or Unit which is part of the Community acknowledges by acceptance of a deed, whether or not it shall be so expressed in any such deed, that Declarant has a substantial interest in assuring compliance with

and enforcement of, the covenants, conditions, restrictions and reservations contained in this Master Declaration and any amendments thereto and any Supplemental Declarations or Notices of Annexation Recorded pursuant to this Master Declaration. Commencing on the date on which Declarant no longer has an elected or appointed representative on the Board, and continuing until the date on which Declarant no longer owns a Lot or Unit in the Community or any portion of the Annexable Property, the Master 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. Notwithstanding any other provisions of the Master Association Documents, until the earlier to occur of (i) annexation of all of the Annexable Property and the last Close of Escrow in each such Phase of Development, or (ii) the fifteenth (15th) anniversary of the first Close of Escrow in the Community, the following actions, before being undertaken by the Owners, the Members or the Master Association, must first be approved in writing by Declarant:

10.1.1 Specified Approvals. Any amendment or action requiring the approval of Declarant pursuant to this Master Declaration, including without limitation all amendments and actions specified in Section 13.2.2, and any amendment or action requiring the approval of first Mortgagees pursuant to this Master Declaration, including without limitation all amendments and actions specified in Sections 13.2.3 and 13.3. The Master Association must provide Declarant with all notices and other documents to which a Mortgagee is entitled pursuant to this Master Declaration, and Declarant shall be furnished such notices and other documents without the necessity of a written request.

10.1.2 Annexation. The annexation to the Community of Other Area (not Annexable Property) pursuant to Section 2.3.

10.1.3 Capital Improvement Assessments. The levy of a Capital Improvement Assessment for the construction of new facilities not originally included in the Master Association Property or Master Association Maintenance Areas or the material modification of Improvements or facilities located on the Master Association Property or Master Association Maintenance Areas.

10.1.4 Service/Maintenance Reductions. Subject to Section 6.7 regarding limitations on yearly Common Assessment (including any Cost Center Assessment) increases, any significant reduction of Master Association Property or Master Association Maintenance Areas maintenance or other services or entering into contracts for maintenance or other goods and services benefitting the Master Association or the Master Association Property or Master Association Maintenance Areas at contract rates which are fifteen percent (15%) or more below the reasonable cost for such maintenance, goods or services as determined pursuant to the cost guidelines described in Section 6.2.2.

10.1.5 Master Design Guidelines. The adoption of and any supplement or amendment to the Master Design Guidelines, including any pre-approval authorization pursuant to Section 8.11.

10.1.6 Maintenance Guidelines. Any supplement to or amendment of the Maintenance Guidelines.

10.1.7 Other Amendments. Any other amendment that would, in Declarant's judgment, materially alter or affect the rights or exemptions of Declarant under this Master Declaration.

10.2. Exemptions. Nothing in the Master Association Documents limits and no Owner, Neighborhood Association or the Master Association will directly or through their respective agents and representatives interfere with the right of Declarant or any Merchant Builder in connection with any aspect of the development of the Community, including without limitation the right of Declarant or any Merchant Builder to (a) subdivide, re-subdivide, sell, resell, rent or re-rent any portion of the Community, (b) complete excavation, grading, construction of Improvements or other development activities, (c) alter or add to any construction or Improvements and the construction plans and designs therefor, (d) construct such additional Improvements as Declarant or any Merchant Builder deems advisable in the course of developing the Community and (e) construct and maintain on the Community such structures, signs and displays deemed necessary by Declarant or any Merchant Builder, in its sole discretion, for the conduct of the business of completing the work and disposing of the Community and the Annexable Property by sale, lease or otherwise. In furtherance of the foregoing, Declarant and Merchant Builders shall be exempt from the provisions of Articles VII and VIII of this Master Declaration. Without limiting the generality of this Section, nothing set forth in this Master Declaration shall limit the nature or type of construction, marketing or other activities that Declarant or any Merchant Builder or any of its authorized agents, contractors, subcontractors or representatives may perform on the Community. Declarant or any Merchant Builder may temporarily erect barriers or close and restrict access to portions of the Master Association Property when reasonably necessary to allow Declarant or any Merchant Builder to exercise the rights reserved in this Section so long as an Owner's access to such Owner's Lot or Unit is not eliminated. Each Owner, by accepting a deed to a Lot or Unit, acknowledges that any construction or installation by Declarant or any Merchant Builder may impair the view and/or privacy of such Owner, and each Owner consents to such impairment.

In addition, this Master Declaration does not limit the right of Declarant or any Merchant Builder, at any time prior to the transfer of title to a Lot or Unit to a purchaser or transfer of title to Master Association Property to the Master Association, to establish on that Lot, Unit or Master Association Property, as the case may be, additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as Declarant deems necessary to the proper development and disposal of the Community and Annexable Property; provided, however, if VA or FHA has issued a "project approval" (as described in Section 2.3.7 hereof) with regard to any Condominium Project or Planned Development in the Community which is to be subject to any of the actions described herein, then FHA, VA or both shall have the right to approve any such grants as provided herein. Prospective purchasers, Declarant or any Merchant Builder may use any and all portions of the Master Association Property for access to the sales and leasing facilities of Declarant or any Merchant Builder. Declarant or any Merchant Builder may use any structures or trailers owned by Declarant or any Merchant Builder as model home complexes, real estate sales or leasing offices and/or design/decorator centers; provided that such uses within the Community shall terminate on the twentieth (20th) anniversary of the first Close

of Escrow for the sale of a Lot or Unit in the Community pursuant to a transaction requiring the issuance of a Public Report. Declarant may change the marketing name of the Community at any time in Declarant's sole discretion. All or any portion of the rights of Declarant or any Merchant Builder hereunder and elsewhere in these Master Association Documents may be assigned by Declarant or any Merchant Builder (with Declarant's written consent) to any successor in interest to any portion of Declarant's or any Merchant Builder's interest in any portion of the Community or the Annexable Property (including, without limitation, to any Merchant Builder) by an express Recorded written assignment which specifies the rights of Declarant or such Merchant Builder so assigned. Notwithstanding any other provision of this Master Declaration, for so long as Declarant owns any portion of the Community or the Annexable Property, Declarant's prior written approval is required before any amendment to this Article X is effective.

10.3. Easement Relocation. Master Association Property comprising easements over real property, the fee title to which has not been made subject to this Master Declaration ("*Interim Easement Area*"), may be relocated, modified or terminated by Declarant to accommodate the final plan of development for the future Phase of Development in which the Interim Easement Area is located. Such relocation, modification or termination shall be set forth in the Recorded instrument annexing fee title to the Interim Easement Area to this Master Declaration. Notwithstanding the foregoing, no such relocation, modification or termination shall prevent access to any Lot or Unit.

10.4. Power of Attorney. Each Owner of a Lot or Unit, by accepting a deed to such Lot or Unit, shall be deemed to have (a) agreed and acknowledged that the Owners own no interest in the Annexable Property which may be developed, if at all, by Declarant in its sole discretion, and (b) agreed to constitute and irrevocably appoint Declarant, for so long as Declarant owns all or any portion of the Community and the Annexable Property, as such Owner's Attorney-in-Fact, for such Owner and each of such Owner's Mortgagees, optionees, grantees, licensees, trustees, receivers, lessees, tenants, judgment creditors, heirs, legatees, devisees, administrators, executors, legal representatives, successors and assigns, whether voluntary or involuntary, and thereby to have conveyed a Power of Attorney coupled with an interest to Declarant as such Owner's Attorney-in-Fact. Declarant shall have the right and power as a duly authorized Attorney-in-Fact to perform any of the following actions:

(a) to prepare, execute, acknowledge and file for approval any application for lot line adjustments or any modification or re-subdivision of the Annexable Property, including without limitation the execution and recording of any lot line adjustment, parcel map or subdivision map;

(b) to prepare, execute, acknowledge and Record any condominium plan or amendment to any condominium plan for all or any portion of the Community and the Annexable Property, including without limitation any amendments necessary to cause such condominium plan to conform with the Improvements as actually built, which may be required or permitted by any laws, ordinances or rules and regulations of any Governing Authority having jurisdiction over the Community, or which may be required or permitted by any title insurer, and, in connection therewith, to (1) perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any applicable Governing Authorities

and (2) execute, acknowledge and deliver any improvement agreements and bonds, and post deposits securing the performance of any such conditions and obligations;

(c) to prepare, execute, acknowledge and Record any map or record of survey affecting the Community required or permitted by the provisions of the California Subdivision Map Act or any other law, ordinances or rules or regulations of any Governing Authority having jurisdiction over the Community, or which may be required or permitted by any title insurer, and, in connection therewith, to (1) perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any applicable Governing Authorities, (2) appear before any such Governing Authorities and (3) execute, acknowledge and deliver any improvement agreements and bonds, and post deposits securing the performance of any such conditions and obligations;

(d) to prepare, execute, acknowledge and file for approval any application for zoning or setback changes, or variance or conditional use permits or any other permits or reports required or permitted by any law, ordinances or rules and regulations of any Governing Authority having jurisdiction over the Community, or which may be required or permitted by any title insurer, and, in connection therewith, to (1) perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any applicable Governing Authorities and (2) execute, acknowledge and deliver any improvement agreements and bonds, and post deposits securing the performance of any such conditions and obligations;

(e) to make applications for any property reports or public reports, or amendments thereto, or exemption from the requirements therefor required or permitted by federal and state statutes or rules and regulations relating to the sale, lease, transfer or other disposition of subdivided lands, and, in connection therewith, to (1) perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any applicable Governing Authorities and (2) execute, acknowledge and deliver any improvement agreements and bonds, and post deposits securing the performance of any such conditions and obligations;

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

(g) to prepare, execute, acknowledge and file for approval any registration or application for any permit, approval, exemption, ruling or entitlement, which registration or application is required or permitted pursuant to any applicable law or regulation in effect as of the date of the Recording of this Master Declaration, and as hereafter enacted or amended by any applicable Governing Authority, and, in connection therewith, to (1) perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by such Governing Authority and by any such laws and regulations, (2) appear before any such Governing Authority, (3) execute and deliver any improvement agreements and bonds, and post deposits securing the performance of any such conditions and obligations and (4) do all other things now or thereafter permitted or required by any such Governing Authority and any such laws and regulations;

(h) to prepare, execute, acknowledge and Record any deeds, waivers, releases, reconveyances or other documentation which may be permitted or required to clear title to any constructed or unconstructed Lots or Units in the Community;

(i) to prepare, execute, acknowledge and Record all documents and maps necessary to allow Declarant to exercise its rights under this Article; and

(j) to do any and all things necessary or desirable under the circumstances to effect and accomplish development of the Community.

Each Owner hereby acknowledges and agrees that this irrevocable Power of Attorney is retained for the benefit of Declarant, and not Owners, and created by an Owner's acceptance of a deed to a Lot or Condominium and as part of the consideration for the purchase and sale of such Lot or Condominium. Based on the foregoing, each Owner further acknowledges and agrees that this irrevocable Power of Attorney is "coupled with an interest" and, pursuant to Section 2356 of the California Civil Code, may not be terminated by (i) the Owner's revocation of such Power of Attorney, (ii) Owner's death or (iii) Owner's incapacity to contract. 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.

ARTICLE XI INSURANCE

11.1. Casualty Insurance. The Board shall obtain and maintain fire and casualty insurance with extended coverage for loss or damage to the Master Association Property and Master Association Maintenance Areas for the full replacement cost thereof without deduction for depreciation or coinsurance, and may obtain insurance against such other hazards and casualties as the Master Association may deem desirable. The Master Association may also insure any other real or personal property it owns against loss or damage by fire and such other hazards as the Master Association may deem desirable. The policies insuring the Master Association Property and Master Association Maintenance Areas must be written in the name of, and the proceeds thereof must be payable to the Master Association. Unless the applicable insurance policy provides for a different procedure for the filing of claims, all claims made under such policy must be sent to the insurance carrier or agent, as applicable, by certified mail and be clearly identified as a claim. The Master Association shall keep a record of all claims made. The Master Association shall use insurance proceeds to repair or replace the property for which the insurance was carried. Premiums for all insurance carried by the Master Association are a Common Expense.

11.2. Insurance Obligations of Owners. Each Owner is responsible for insuring such Owner's personal property and all other property and Improvements within such Owner's Lot or Unit. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Master Association, and duplicate copies of such other policies shall be deposited with the Board upon the Board's request. If any loss intended to be covered by insurance carried by or on behalf of the Master Association occurs and the proceeds payable thereunder are reduced due to insurance carried by any Owner, such Owner shall assign the

proceeds of such insurance to the Master Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied. To the extent that any loss is covered by insurance carried by an Owner pursuant to this Section 11.2, each Owner, by acceptance of a deed to such Owner's Lot or Unit, hereby waives any claim of such loss against Declarant, any Merchant Builders, the Master Association, any Neighborhood Association.

11.3. Waiver of Subrogation. All policies of physical damage insurance the Master Association maintains must provide, if reasonably possible, for waiver of: (i) any defense based on coinsurance; (ii) any right of setoff, counterclaim, apportionment, proration or contribution due to other insurance not carried by the Master Association; (iii) any invalidity, other adverse effect or defense due to any breach of warranty or condition caused by the Master 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; (iv) any rights of the insurer to repair, rebuild or replace, and, if any Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured; (v) notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Lot or Unit; (vi) any denial of an Owner's claim because of negligent acts by the Master Association or other Owners; or (vii) prejudice of the insurance by any acts or omissions of Owners that are not under the Master Association's control. As to each policy of insurance the Master Association maintains which will not be voided or impaired thereby, the Master Association hereby waives and releases all claims against the Board, the Owners, the Master Association Manager, Declarant, any Merchant Builders and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by such Persons, but only to the extent that insurance proceeds are received in compensation for such loss.

11.4. Liability and Other Insurance. The Master Association shall obtain comprehensive public liability insurance, including medical payments and malicious mischief, in such limits as it deems desirable with such minimum limits as are set forth in Section 5805 of the California Civil Code, insuring against liability for bodily injury, death and property damage arising from the Master Association's activities or with respect to property the Master Association maintains or is required to maintain including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. In addition, the Master Association shall obtain director's and officer's errors and omissions insurance in the minimum amounts established in Section 5800 of the California Civil Code, insuring the Board, the Master Association's officers and the Master Association Manager against any liability for any act or omission in carrying out their obligations hereunder. The Master Association may also obtain worker's compensation insurance and other liability insurance as it may deem desirable, insuring each Owner, the Master Association, Board and Master Association Manager, against liability in connection with the Master Association Property and Master Association Maintenance Areas, the premiums for which are a Common Expense. The Board shall review all insurance policies at least annually and adjust the limits in its discretion. The Board may also obtain such indemnity bonds, fidelity insurance and other insurance as it deems advisable, insuring the Board, the Master Association's officers and the Master Association Manager against any liability resulting from their membership on the Board or on any committee thereof. However, fidelity insurance coverage which names the Master Association as an obligee must be obtained by or on behalf of

the Master Association for any Person handling Master Association funds, including, but not limited to, Master Association officers, directors, employees and agents and Master Association Manager employees, whether or not such Persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in the Master Association's or Master Association Manager's custody during the term of each bond. The aggregate amount of such bonds may not be less than one-fourth (1/4) of the Common Assessments on all Lots and Units in the Community, plus reserve funds. In addition, the Master Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity insurance coverage meeting the requirements for planned unit developments established by FNMA, GNMA and FHLMC, so long as any of them is a Mortgagee or an Owner of a Residence in the Community, except to the extent such coverage is not reasonably available or has been waived in writing by FNMA, GNMA and FHLMC, as applicable.

11.5. Notice of Expiration Requirements. If available, each insurance policy the Master Association maintains must contain a provision that said policy may not be canceled, terminated, materially modified or allowed to expire by its terms, without thirty (30) days' prior written notice to the Board, 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.

ARTICLE XII DISPUTE RESOLUTION

12.1. Definition of Declarant Parties. For purposes of this Article, "**Declarant Parties**" shall mean and refer collectively to Declarant and any affiliate, subsidiary or other entity related to Declarant, any Merchant Builder and their respective partners, members, shareholders, directors, officers, employees, agents or representatives, and any contractor, subcontractor, consultant, design professional, engineer or supplier who provided labor, services or materials to any portion of the Community and who has agreed to be bound or is deemed to be bound by the dispute resolution procedures set forth in this Article.

12.2. Disputes Subject to this Article. Except as otherwise provided in this Article, all claims, controversies and disputes between or among (a) the Master Association, (b) any Neighborhood Association, (c) any Owner, and/or (d) any of the Declarant Parties that arise out of, relate to, or are in any way connected with the Community, including without limitation a Residence and any portion of the Master Association Property or Master Association Maintenance Areas, Neighborhood Association Property or the Master Association Documents, whether based on statute, in tort, contract or other applicable law (each, a "**Dispute**"), shall be resolved by mandatory binding arbitration as set forth in Section 12.8 below. Notwithstanding the foregoing, for purposes of this Article, a "Dispute" does not include any of the following:

(a) Any dispute between (i) the Master Association and (ii) Declarant or a Merchant Builder regarding the enforcement of a completion bond for the Master Association Property or Master Association Maintenance Areas, which dispute shall be resolved in accordance with the instructions accompanying such completion bond and the provisions of Section 13.9;

(b) Any dispute between Declarant and a Merchant Builder, which dispute shall be resolved solely in accordance with the contractual documentation between Declarant and the Merchant Builder;

(c) Any dispute between (i) the Master Association and (ii) an Owner or a Merchant Builder regarding the nonpayment of any Assessment levied by the Master Association, which dispute shall be resolved in accordance with the provisions of Sections 6.10 and 6.11 of this Master Declaration; and

(d) Any dispute between or among an Owner and/or a Neighborhood Association on the one hand, and any Merchant Builder or its respective partners, members, shareholders, directors, officers, employees, agents or representatives, and any contractor, subcontractor, consultant, design professional, engineer or supplier who provided labor, services or materials to such Owner's Lot or Condominium or any portion of the related Neighborhood Association Property (collectively, "***Merchant Builder Parties***") on the other hand, including without limitation disputes regarding alleged defects in the design or construction of the Owner's Residence or other Improvements to such Owner's Lot or Condominium or the related Neighborhood Association Property (including without limitation claims under Title 7 of Part 2 of Division 2 of the California Civil Code, set forth at California Civil Code Section 895 et seq.) ("***Title 7***") or under California Civil Code Section 6000), which dispute shall be resolved by the dispute resolution procedures set forth in either (i) the purchase and sale documentation between the Merchant Builder and the original Owner of a Lot or Condominium who purchased such Lot or Condominium from the Merchant Builder (which documentation may include, without limitation, a limited warranty provided by the Merchant Builder for the benefit of such original Owner and such Owner's successors and assigns) or (ii) any document recorded by the Merchant Builder against the Owner's Lot or Condominium or on the Neighborhood Association Property, as applicable, including without limitation a Neighborhood Declaration or Neighborhood Declaration of Annexation.

12.3. Dispute Resolution Procedures for Disputes Between the Master Association and a Member Pursuant to California Civil Code Section 5900. This Section 12.3 is intended to comply with the requirements of California Civil Code Section 5900 *et seq.* If there is a conflict between this Section 12.3 and the provisions of California Civil Code Section 5900 *et seq.* (as the same may be amended or modified), the provisions of California Civil Code Section 5900 *et seq.* (as amended or modified) shall control. The Master Association shall provide a fair, reasonable and expeditious procedure for resolving a Dispute between the Master Association and a Member of the Master Association that is within the scope of California Civil Code Section 5900 *et seq.* The following procedures shall apply to any Dispute between the Master Association and a Member that is within the scope of California Civil Code Section 5900 *et seq.*:

12.3.1 Notice. The party raising the Dispute shall provide written notification ("***Notice of Dispute***") to the other party to the Dispute as soon as is reasonably possible after the party providing or serving the Notice of Dispute becomes aware of the basis for the Dispute. The Notice of Dispute shall describe the nature of the Dispute and the proposed remedy. If the Notice of Dispute is sent by the Member, the Master Association must participate in the procedure. If the Notice of Dispute is sent by the Master Association, the Member may elect not

to participate in the procedure. The Board shall designate a member of the Board to meet and confer with the Member. The Member may not be charged a fee to participate in the procedure.

12.3.2 Meet and Confer; Inspection. Within a reasonable period after receipt of the Notice of Dispute, which period shall not exceed sixty (60) days, the parties to the Dispute shall meet at a mutually acceptable place and time to explain their positions to each other and confer in good faith in an effort to resolve the Dispute, including without limitation discussion of available alternative processes for resolving the Dispute, available processes for avoiding or reducing costs or losses by the involved parties and the scope of discovery, if any, to be conducted prior to the inception of any alternative dispute resolution procedure. If the Dispute involves any Improvements to real property, then at such meeting and at other mutually agreeable times, the parties shall have full access to such real property and the Improvements thereto that is the subject of the Dispute for purposes of inspection. A resolution of the Dispute agreed to by the parties shall be memorialized in writing and signed by the parties, and such agreement shall be binding on the parties to the Dispute and shall be enforceable so long as (i) the agreement is not in conflict with law or the Master Association Documents and (ii) the agreement either is consistent with the authority granted by the Board to the designated member of the Board or is ratified by the Board.

12.4. Dispute Resolution Procedures for Enforcement Actions Under California Civil Code Section 5925. The parties to any Dispute that is subject to California Civil Code Section 5925 *et seq.* shall comply with the pre-litigation requirements of those Sections prior to initiating arbitration proceedings pursuant to Section 12.8 below.

12.5. Small Claims Disputes. Except as otherwise provided in this Master Declaration, if the amount in dispute between or among the parties to a Dispute is equal to or less than the amount established by law as the jurisdictional limit for a small claims action, if the parties mutually agree, such Dispute may be resolved in small claims court in accordance with The Small Claims Act (California Code of Civil Procedure Section 116.110 *et seq.*).

12.6. Master Association Claims. Any Dispute between the Master Association and any Declarant Parties regarding a claim for damage to the Master Association Property or Master Association Maintenance Areas (including without limitation alleged defects in the design or construction of such Master Association Property or Master Association Maintenance Areas) ("**Master Association Claim**") shall be resolved by neutral, binding arbitration governed by the Federal Arbitration Act (9 U.S.C. §§1-16) ("**Federal Act**") as set forth in Section 12.8 below and not by any court action except as provided for judicial review of arbitration proceedings under the Federal Act. Notwithstanding the foregoing, prior to commencing arbitration proceedings for a Master Association Claim against any of Declarant Parties, the Master Association covenants and agrees that it shall comply with the provisions of California Civil Code Section 6000 *et seq.*, the statutory non-adversarial pre-litigation procedures set forth in Title 7 ("**Claim Process**") and any other non-binding dispute resolution procedures set forth in any Master Association Dispute Resolution Agreement entered into between Declarant and the Master Association; provided, however, in no event shall the Master Association and/or the Declarant Parties be required to duplicate any obligations or requirements under such laws. Declarant hereby notifies the Master Association of the existence of Chapter 2 of Title 7, which provides standards for the installation, construction, design, specifications, surveying, planning, supervision, testing or observation of

construction of the Master Association Property. Declarant also hereby notifies the Master Association of the existence of Chapter 4 of Title 7, which establishes non adversarial procedures to address claims for damages arising from or relating to alleged deficiencies in the construction, design, specifications, surveying, planning, supervision, testing, or observation of construction related to any portion of the Master Association Property. California Civil Code Section 914 provides that builders must notify homeowners associations whether they intend to engage in the non-adversarial procedures set forth in Chapter 4 of Title 7 or to enforce alternative non adversarial procedures. Declarant hereby notifies the Master Association that it intends to utilize the non-adversarial procedures set forth in Chapter 4 of Title 7 (*i.e.*, Claim Process). The Claim Process impacts the legal rights of the Master Association. **The Master Association, by acceptance of a deed to any portion of the Master Association Property, acknowledges (a) the existence of Chapter 4 of Title 7, (b) that Declarant intends to utilize the non-adversarial procedures set forth in Chapter 4 of Title 7 and (c) that the Claim Process impacts the legal rights of the Master Association.**

If the Board either rejects a settlement offer or decides to commence an action for damages or other relief pursuant to California Civil Code Section 6000, Title 7, if applicable, or any other provision of California law, the Master Association first shall call a special meeting of the Members. In addition to the information required by California Civil Code Section 6000 to be specified in the notice of such meeting, the notice also shall specify the following:

- (i) a good faith estimate of the costs to repair the alleged defects prepared by a licensed contractor who has submitted a bid to perform the necessary repair work;
- (ii) how the necessary repairs will be funded;
- (iii) the name of the attorney whom the Master Association is contemplating retaining and an estimate of the attorneys' fees, consultant's fees and any other costs to be incurred to prosecute such proceedings;
- (iv) how such attorneys' fees and costs will be funded;
- (v) each Member's duty to disclose to prospective purchasers the alleged defects; and
- (vi) the potential impact the proceedings may have on the marketability and availability of financing and/or insurance for the Lots and Condominiums in the Community.

Such notice shall be sent to all Members of the Master Association. The initiation of a legal proceeding for alleged construction defects has a significant impact on the Owners inasmuch as such proceedings typically involve numerous inspections and substantial invasive testing of the Lots, Condominiums and Master Association Property, the expenditure of substantial sums of money by or on behalf of the Master Association in legal fees, expert costs and litigation expenses, the risk of an award adverse to the Master Association, the potential for the imposition of Special Assessments against the Owners and statutory and common law disclosure obligations for the Owners. Given the significance of such claims, prior to initiating legal proceedings against any Declarant Parties arising out of a Dispute, including without limitation a claim under the Claim Process, Civil Code Section 910 et seq., Civil Code Section 6000, a Demand for

Arbitration, or a Complaint, the Master Association must obtain the vote or written consent of the Owners other than Declarant, who represent not less than fifty-one percent (51%) of the Master Association's voting power (excluding the voting power of Declarant). The vote required by this Section is an express condition precedent to the Master Association's authority to initiate the legal proceedings specified herein and is intended for the benefit of the Master Association, the Owners and Declarant.

12.7. Owner Claims. Any Dispute between an Owner and any of the Declarant Parties regarding an "Owner Claim" defined below shall be resolved by neutral, binding arbitration governed by the Federal Act as set forth in Section 12.8 below and not by any court action except as provided for judicial review of arbitration proceedings under the Federal Act. Notwithstanding the foregoing, prior to commencing arbitration proceedings for an Owner Claim against any of the Declarant Parties (other than the Merchant Builder Parties, if applicable), each Owner covenants and agrees that it shall comply with the Claim Process and any other non-binding dispute resolution procedures set forth in any Individual Dispute Resolution entered into between Declarant and such Owner. As used in this Article XII, an "**Owner Claim**" means any claim, issue or controversy between an Owner and the Declarant Parties (other than the Merchant Builder Parties, if applicable) that arises from or is related in any way to (a) the Community, (b) such Owner's Residence, (c) any portion of the Master Association Property or Master Association Maintenance Areas and/or (d) the relationship between the Owner and Declarant, whether contractual, statutory or in tort, including without limitation claims, issues or controversies that arise from or are related to the purchase, sale, condition, design, construction or materials used in construction of any portion of the Community, any portion of the Master Association Property or Master Association Maintenance Areas, any Residence constructed by Declarant, the agreement between Declarant and an Owner to purchase a Residence or any related agreement, any limited warranty provided to an Owner of the Residence by Declarant ("**Homebuyer Warranty**"), disclosures, or any alleged deficiencies in the construction, design, specifications, surveying, planning, supervision, testing, or observation of construction related to an Owner's Residence or any portion of the Master Association Property or Master Association Maintenance Areas, including without limitation the following: (i) any claim, issue or controversy that arises from or is related in any way to any alleged violation of the standards set forth in Title 7 ("**Title 7 Claim**"); (ii) any disagreement as to whether conditions that are the subject of a Title 7 Claim have been properly repaired; (iii) any disagreement as to the value of repairing damages which are the subject of a Title 7 Claim; (iv) the cost of repairing damage caused by the repair efforts, the cost to remove or replace an improper repair, and any alleged relocation expenses, storage expenses, lost business income, investigation costs and all other fees and costs recoverable by contract or statute as a result of a Title 7 Claim; and (v) any disagreement concerning the timeliness of Declarant's performance, an Owner's notification under the Homebuyer Warranty or the Claim Process.

Declarant hereby notifies each Owner of a Lot or Condominium in the Community of the existence of Title 7. Declarant also hereby notifies each Owner of a Lot or Condominium in the Community of the existence of Chapter 4 of Title 7, which establishes non adversarial procedures to address claims for damages arising from or relating to alleged deficiencies in the construction, design, specifications, surveying, planning, supervision, testing, or observation of construction related to an Owner's Residence. California Civil Code Section 914 provides that builders must notify buyers whether they intend to engage in the non-adversarial procedures set

forth in Chapter 4 of Title 7 or to enforce alternative non adversarial procedures. Declarant hereby notifies each Owner of a Lot or Condominium in the Community that it intends to utilize the non-adversarial procedures set forth in Chapter 4 of Title 7 (referred to in this Article as the "**Claim Process**"). The Claim Process impacts the legal rights of each Owner. **Each Owner, by acceptance of a deed to such Owner's Lot or Condominium, acknowledges (a) the existence of Chapter 4 of Title 7, (b) that Declarant intends to utilize the non-adversarial procedures set forth in Chapter 4 of Title 7 and (c) that the Claim Process impacts the Owner's legal rights.**

12.8. Mandatory Binding Arbitration. If the parties to a Dispute within the scope of Section 12.3, 12.4, 12.5, 12.6 or 12.7 are unable to resolve such Dispute pursuant to the procedures set forth in the respective Section, such unresolved Dispute shall be resolved by binding arbitration in accordance with the procedures set forth in this Section 12.8. A written notice of the intent to arbitrate the Dispute ("**Arbitration Notice**") shall be delivered in accordance with Section 13.4 by the party desiring to arbitrate such Dispute to the other party within thirty (30) days after the conclusion of the Claim Process.

12.8.1 Federal Arbitration Act. The construction of the Residences, Master Association Property, Master Association Maintenance Areas and Neighborhood Association Property involved interstate commerce and therefore the arbitration procedures specified in this Section 12.8 are to be interpreted and enforced as authorized by the Federal Act, which is designed to encourage use of alternative methods of dispute resolution that avoid costly and potentially lengthy court proceedings. The Residences, Master Association Property, Master Association Maintenance Areas and Neighborhood Association Property were constructed with materials and products manufactured throughout the United States which have been shipped to the Community for installation and involved communications by interstate mail and telephone with out of state manufacturers, design professionals, contractors and their employees. The shipment of such materials and products across state lines cause the products and materials to enter into the stream of interstate commerce and become subject to the Interstate Commerce Clause (Article I, Section VIII of the United States Constitution) and ensuing federal laws. Interpretation and application of the procedures set forth in this Section 12.8 shall conform to any applicable federal court rules and decisions interpreting and applying the Federal Act. The arbitration proceedings shall be conducted pursuant to the Federal Act and, to the extent not inconsistent, the procedures set forth in this Section 12.8. In addition, except as set forth herein, and to the extent it is not inconsistent with the Federal Act, the arbitration shall be conducted pursuant to Title 9 of the California Code of Civil Procedure (Section 1280 *et seq.*). References to California procedural law are for guidance only and shall not be construed as a waiver of any rights or duties of the parties under the Federal Act or the right of the parties to have the procedures set forth in this Section 12.8 interpreted and enforced under the Federal Act. If any party seeks review by a court of the enforceability of any of the procedures set forth or referenced herein (notwithstanding the provisions herein making that issue one to be resolved by the arbitrator), the exclusive jurisdiction and venue for any such review shall be the Superior Court for the County.

12.8.2 Administration of Proceedings. The arbitration proceedings shall be conducted by and in accordance with the commercial arbitration rules of Judicial Arbitration and Mediation Services, Inc. or the American Arbitration Association ("**Service**").

12.8.3 Third Parties. Declarant has the sole and absolute right, in its discretion, to join any person or entity who is not a party to the arbitration proceedings if the presence of such person or entity is required or is necessary for complete relief to be accorded in the arbitration proceedings or if the interest or responsibility of such person or entity in the Dispute is not insubstantial. The parties shall cooperate in good faith and shall diligently perform such acts as may be necessary to ensure that all necessary and appropriate parties are included in the arbitration proceedings.

12.8.4 Statutes of Limitation. Except for procedural issues, and to the extent not inconsistent with the Federal Act, the arbitration proceedings, the ultimate decisions of the arbitrator, and the arbitrator shall be subject to and bound by existing California case and statutory law including, but not limited to, applicable statutes of limitation established in Title 7.

12.8.5 Selection of Arbitrator. The arbitration proceedings shall be conducted by one (1) qualified neutral and impartial arbitrator who shall be selected in accordance with the rules of the Service no later than thirty (30) days following the date one party delivers to the other party an Arbitration Notice. The term “*qualified*” shall mean a neutral and impartial (i) retired judge who has experience with the laws governing residential real estate development and construction or (ii) attorney who has actively practiced law in California for at least fifteen (15) years and who has experience with the laws governing residential real estate development and construction. The arbitrator shall be selected within sixty (60) days from the receipt by any party of a written request to resolve the Dispute, unless the parties agree otherwise.

12.8.6 Authority of Arbitrator.. The arbitrator shall have the power to hear and dispose of motions, including motions relating to 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. In addition, the arbitrator shall have the power to summarily adjudicate issues of fact or law, including the availability of remedies, even if the issue adjudicated could dispose of an entire cause of action or defense. The arbitrator shall have the power to grant provisional remedies including preliminary injunctive relief. Prior to the selection of the arbitrator, any party shall have the right to petition the Superior Court of the County for any necessary provisional remedies. However, after obtaining any provisional remedies (pending selection of the arbitrator) the entire matter shall be referred to the Service for all purposes and the Superior Court shall have no further jurisdiction to monitor or enforce the provisional remedies or to make further determinations or awards or to issue additional provisional remedies. The Service shall have the sole power to enforce, extend, modify or vacate any such provisional remedies.

12.8.7 Discovery. All discovery shall be permitted by the arbitrator at the arbitrator's reasonable discretion upon a showing of good cause or based on the agreement of the parties. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

12.8.8 Full Disclosure. Each party shall make, in good faith, a full disclosure of all issues and evidence to each other party prior to the hearing. Any evidence or information that the arbitrator determines was unreasonably withheld shall be inadmissible by the party who withheld it. Except as provided in Section 12.8.7 and in the preceding sentence, no party shall be

entitled to bring any motion to exclude or limit the facts or evidence to be submitted to the arbitrator. The initiating party shall be the first to disclose all of the following, in writing, to each other party and to the arbitrator: (i) an outline of the issues and its position on each such issue; (ii) a list of all witnesses the party intends to call; and (iii) copies of all written reports and other documentary evidence, whether written or not or contributed to by its retained experts (collectively, "**Outline**"). The initiating party shall submit its Outline to each other party and the arbitrator within thirty (30) days of the final selection of the arbitrator. Each responding party shall submit its written response as directed by the arbitrator. If the Dispute involves a Title 7 Claim, then the Owner, the Master Association and/or Neighborhood Association, as applicable, shall be the first party to submit its written Outline, list of witnesses, and reports/documents and shall include a detailed description of the nature and scope of the alleged violation(s), its proposal for repair or restoration, all repairs made to date and an estimate of the cost of repair/restoration together with the calculations used to derive the estimate.

12.8.9 Title 7 Claim and Measure of Damages. If the Dispute involves a Title 7 Claim, the arbitrator shall determine whether a violation exists and whether Declarant Parties are responsible for the violation. If the arbitrator finds that Declarant Parties are responsible for a Title 7 Claim, the arbitrator shall determine the scope of any repair and the reasonable value of repairing the nonconformity, based on evidence presented to him by the parties and their experts. The reasonable value of repairing any nonconformity shall be limited to the lesser of (i) the repair costs, or (ii) the diminution in current value of the real property caused by the nonconformity, subject to the personal use exception as developed under common law. For all Title 7 Claims, the Owner, the Master Association and/or Neighborhood Association, are only entitled to damages for the reasonable value of repairing the nonconformity, 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 Improvement to meet the applicable standards, the reasonable cost of removing and replacing any improper repair by Declarant, reasonable relocation and storage expenses, lost business income if the Owner's Residence was used as a principal place of business licensed to be operated within the Residence or if the Improvements were used as a principal place of business licensed to be operated within the Community, reasonable and necessary investigative costs for each established violation, and all other costs or fees recoverable by contract or statute. If any of the damages described above are awarded to an Owner, the Master Association and/or a Neighborhood Association, as applicable, in any other cause of action not covered by this Section 12.8, the damages awarded pursuant to this Section 12.8.9 shall be reduced by the amounts recovered in such other causes of action. Declarant Parties shall not be responsible for, and shall be excused from, any obligation, damage, loss or liability to the extent that Declarant Parties can demonstrate any of the affirmative defenses set forth in California Civil Code Section 945.5.

12.8.10 Hearing. The arbitration shall be held in the County. The arbitration shall be conducted as promptly as possible after giving due consideration to the complexity of the issues, the number of parties and necessary discovery and other relevant matters. The arbitration shall be conducted as informally as possible. California Evidence Code Section 1152 *et seq.* shall apply for the purpose of excluding offers, compromises, and settlement proposals from evidence, unless there is agreement by all parties as to admissibility. The arbitrator shall be the sole judge of the admissibility of and the probative value of all evidence offered and is

authorized to provide all legally recognized remedies whether in law or equity, except as otherwise limited in this Section 12.8. Attorneys are not required and either party may elect to be represented by someone other than a licensed attorney. The cost of an interpreter shall be borne by the party requiring the services of the interpreter in order to be understood by the arbitrator and the expenses of witnesses shall be borne by the party producing such witnesses.

12.8.11 Decision. The decision of the arbitrator shall be binding on the parties and may be entered as a judgment in any court of the State of California that has jurisdiction and venue. The arbitrator shall (i) cause a complete record of all arbitration proceedings to be prepared similar to those kept in the Superior Court, (ii) try all issues of both fact and law, and (iii) issue a written statement of decision consistent with that described in California Code of Civil Procedure Section 643 which shall specify the facts and law relied upon in reaching the arbitrator's decision within twenty (20) days after the close of testimony. A stenographic record of the hearing shall be made which shall remain confidential except as may be necessary for post-hearing motions and appeals. The cost of the record shall be borne one-half by the Owner, the Master Association and/or Neighborhood Association, as applicable, and one-half by Declarant Parties, regardless of the outcome. Should any party refuse or fail to pay its pro-rata share, the remaining parties may pay such share, and the party or parties which pay such extra share shall be awarded such extra costs by the arbitrator in the arbitrator's decision.

12.8.12 Fees and Costs. Declarant shall advance any fee required by the Service to initiate the arbitration proceedings. Without limiting the generality of the foregoing, the total cost of the arbitration proceedings, including the fee of the arbitrator, the initiation fee advanced by Declarant and other fees of the Service and any related costs and fees incurred by the Service (such as experts and consultants retained by it), shall be borne one-half by the Owner or the Master Association, as applicable, and one-half by Declarant Parties, regardless of the outcome. The arbitrator shall not award attorneys' fees to any party. Nothing herein shall be construed to modify or abrogate any duty to defend and/or indemnify a third party pursuant to the terms of a contract between any such parties. A stenographic record of the hearing shall be made which shall remain confidential except as may be necessary for post-hearing motions and appeals. The cost of the record shall be borne one-half by the Owner or the Master Association, as applicable, and one-half by Declarant Parties, regardless of the outcome. Should any party refuse or fail to pay its pro-rata share, the remaining parties may pay such share, and the party or parties which pay such extra share shall be awarded such extra costs by the arbitrator in the arbitrator's decision. Notwithstanding the foregoing, under all circumstances the parties shall be responsible for their own attorneys' fees and expert witness costs. This provision does not modify any provision of any contract between Declarant and any third party requiring indemnification or establishing a different allocation of costs between Declarant and such third party.

12.9. Judicial Reference. If and to the extent the binding arbitration procedures provided for in Section 12.8 above are held not to apply or determined to be invalid, void or unenforceable in whole or material part for any reason preventing their use, the Dispute shall be submitted for resolution to general judicial reference pursuant to California Code of Civil Procedure Sections 638 through 645.1, inclusive, or any successor statutes thereto. A written notice of the intent to submit the Dispute to judicial reference ("**Judicial Reference Notice**") shall be delivered in accordance with Section 13.4 by the party desiring to submit such Dispute

to judicial reference to the other party within thirty (30) days after the conclusion of the Claim Process.

12.9.1 **Cooperation.** The parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceedings.

12.9.2 **Fees and Costs.** All fees and costs of the judicial reference proceedings shall be born in the same manner as arbitration.

12.9.3 **Referee.** The general referee shall be chosen from the panel of referees provided by Judicial Arbitration and Mediation Services, Inc. ("**JAMS**") and shall have the authority to try all issues, whether of fact or law, and to report a statement of decision to the court. The selection of the general referee shall occur no later than thirty (30) days following the date one party delivers to the other party a Judicial Reference Notice.

12.9.4 **Proceedings.** The parties shall use the procedures adopted by JAMS for judicial reference (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties), provided that the following rules and procedures shall apply in all cases unless the parties agree otherwise:

- (i) The judicial reference proceedings shall be heard in the County.
- (ii) The referee must be a retired neutral and impartial judge or a licensed attorney with substantial experience in relevant real estate matters.
- (iii) Any dispute regarding the selection of the referee shall be resolved by JAMS or the entity providing the reference services, or, if no entity is involved, by the court with appropriate jurisdiction.
- (iv) The referee may require one or more pre-hearing conferences.
- (v) The parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.
- (vi) A stenographic record of the reference trial shall be made, provided that the record shall remain confidential except as may be necessary for post-hearing motions and any appeals.
- (vii) The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable and shall be issued within twenty (20) days after the hearing has been concluded.
- (viii) The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.
- (ix) The statement of decision of the referee upon all of the issues considered by the referee is binding upon the parties, and upon filing of the statement of decision

with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the referee shall be appealable as if rendered by the court. This provision shall in no way be construed to limit any valid cause of action which may be brought by any of the parties.

(x) The participation by any party in any judicial proceedings concerning this Section or any Dispute shall not be deemed a waiver of the right to enforce this Section notwithstanding any provision of law to the contrary, shall not be asserted or accepted as a reason to delay, to refuse to participate in, or to refuse to enforce this judicial reference provision.

12.10. Construction Defect Litigation. The California Legislature has undertaken significant efforts to curb construction defect litigation, including the enactment of the comprehensive Right-to-Repair Act codified at California Civil Code Section 895 et seq. Notwithstanding these efforts, construction defect litigation persists. It is anticipated that within the first ten (10) years after the Community is completed, the Board of Directors and/or its property management company will be contacted by, or put in contact with, a plaintiffs' construction defect litigation law firm who will present the option of initiating Title 7 Claims against Declarant, the Merchant Builders and their related entities. The initiation of defect litigation has substantial and lasting impacts on the Master Association and its Members, the Lots and Condominiums and the Community as a whole. At least thirty (30) days before entering into any contingency fee agreement with a plaintiffs' construction defect law firm, the Master Association shall send a notice to the Members containing all of the following information:

(i) Identification of all building components alleged to be defective or under investigation, and copies of any reports prepared by or on behalf of the Master Association.

(ii) A detailed description of, and copies of any documents relating to, the Master Association's efforts to secure the Declarant Parties' participation in the investigation and repair of the alleged construction defects, and the Declarant Parties' response(s) thereto.

(iii) An estimate of the investigative costs and litigation expenses that will be paid by, or on behalf of, the Master Association if it proceeds with entering into the proposed contingency fee agreement and initiating construction defect litigation.

(iv) The fee structure of the proposed contingency fee agreement, including the attorney fee percentage and an explanation as to whether the investigative costs and litigation expenses are included in the fee or paid in addition to the fee.

(v) An explanation of who will be responsible for investigative costs and litigation expenses if no money, or insufficient money, is recovered by way of settlement or judgment.

(vi) A proposal for funding repairs if there are insufficient funds after paying the attorneys' fees, investigative costs and litigation expenses from any settlement or judgment.

(vii) A statement that the filing of a lawsuit involving either the Master Association Property, Master Association Maintenance Areas or the Residences may require disclosure to subsequent purchasers pursuant to California law.

(viii) The options available to the Master Association that do not involve the initiation of construction defect litigation.

The mandatory notice set forth in this Section is in addition to any notices required by California Civil Code Section 6150, and is an express condition precedent to the Master Association's authority to enter into a contingency fee agreement with a plaintiffs' construction defect litigation law firm.

ARTICLE XIII MISCELLANEOUS

13.1. Term and Termination. This Master Declaration continues in full force until a Declaration of Termination satisfying the requirements of an amendment to this Master Declaration as set forth in Section 13.2 of this Article is Recorded.

13.2. Amendments.

13.2.1 By Declarant. Prior to the first Close of Escrow for the sale of a Lot or Condominium this Master Declaration may be amended or terminated by Recording a written instrument signed by Declarant setting forth such amendment or termination. Notwithstanding any other provisions of this Master Declaration, after the first Close of Escrow for the sale of a Lot or Condominium to a member of the public pursuant to a transaction requiring the issuance of a Public Report for so long as Declarant owns any portion of the Community or the Annexable Property, Declarant may unilaterally amend this Master Declaration to (i) conform this Master Declaration to the requirements of VA, FHA, DRE, FNMA, GNMA, FHLMC, any applicable Governing Authority, or any other governmental agency or entity then in effect or to otherwise comply with or implement any state, federal or local law, regulation or ordinance (including without limitation the provisions of California Civil Code Sections 895 through 945.5, as enacted by California Statutes Chapter 722, as amended from time to time), (ii) correct typographical or inadvertent errors, (iii) update or supplement the disclosures contained in Section 13.7 below, (iv) amend the legal description of the Annexable Property, (v) revise any exhibits depicting Master Association Property and/or Master Association Maintenance Areas attached hereto or any Supplemental Declaration or Notice of Annexation, so long as such exhibits do not have a material effect on the Budget accepted by the DRE; (vi) place of public record a copy of the final master maintenance exhibit for the Community, if any, on file with the Manager, which exhibit generally depicts the Community and those certain portions thereof which will be maintained by the Master Association, a Neighborhood Association, the City or other Governing Authority, as applicable. Any such amendment shall be by a written instrument signed solely by Declarant and Recorded.

13.2.2 By Owners. Except as provided below, the provisions of this Master Declaration may be amended by Recording an instrument, signed and acknowledged by Declarant (for those amendments which must be approved by Declarant) and two (2) officers of

the Master Association, setting forth the amendment and certifying that such amendment has been approved by Owners representing sixty-seven percent (67%) of the voting power of the Master Association residing in the Owners and the requisite percentage of holders and insurers of first Mortgages, in the case of those amendments which this Master Declaration requires to be approved by first Mortgagees. Amendments shall be effective upon Recordation. However, notwithstanding the foregoing, until the earlier to occur of (a) the date which is twenty (20) years following recordation of this Master Declaration or (b) the date on which Declarant no longer owns any portion of the Community or Annexable Property, no amendment to this Master Declaration shall be completed without the written approval of Declarant.

13.2.3 Approval of First Mortgagees. Notwithstanding the foregoing, any of the following amendments, to be effective, must be approved by fifty-one percent (51%) of the first Mortgagees who have requested the Master Association to notify them of proposed action requiring the consent of a specified percentage of first Mortgagees, based upon one (1) vote for each Lot or Condominium pledged as security for the respective first Mortgage:

(i) **Rights of Lenders.** Any amendment which affects or purports to affect the validity or priority of encumbrances or the rights or protections granted to Beneficiaries, insurers and guarantors of first Mortgages as provided in Articles II, VI, IX, X, XI, and XII hereof.

(ii) **Lien Priority.** Any amendment which would necessitate a Mortgagee after it has acquired a Lot or Condominium through foreclosure to pay more than its proportionate share of any unpaid Assessment or Assessments accruing after such foreclosure.

(iii) **Forfeitures and Taxes.** Any amendment which would or could result in (a) an encumbrance being canceled by forfeiture, or (b) an individual Lot or Condominium not being separately assessed for tax purposes.

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

(v) **Termination and Subdivision.** Any amendment which would or could result in termination or abandonment of the Community or partition or subdivision of a Lot or Condominium, in any manner inconsistent with the provisions of this Master Declaration, provided that termination of the legal status of the Community as a common interest development for reasons other than substantial destruction or condemnation of the Community must be approved by the institutional Record holders of sixty-seven percent (67%) of the first Mortgages at the time of such amendment.

Any approval by a holder, insurer or guarantor of a first Mortgage required under this Section 13.2.3, or required pursuant to any other provisions of the Master Association Documents, must either be given in writing, or is deemed given if, within sixty (60) days after receipt of written notice of the proposed action sent via registered or certified mail, return receipt requested, the holder, insurer or guarantor does not submit a written response to the notice.

13.2.4 Veto by City. The City shall have the power to veto any purported amendment or termination of this Master Declaration which affects any provisions required by the City Entitlements. No amendment or written agreement purporting to terminate or modify such provisions of this Master Declaration shall take effect until thirty (30) calendar days following delivery by mail, return receipt requested, of written notice thereof to the City, and if no veto is exercised by the City within thirty (30) calendar days after the receipt of such notice, such amendment or termination shall thereafter become effective.

13.2.5 Certification. A certificate, signed and sworn to by two (2) officers of the Master Association that Owners representing sixty-seven percent (67%) of the Lots and Condominiums have voted for any amendment adopted as provided above, when Recorded, shall be conclusive evidence of that fact. The certificate reflecting any amendment which requires the consent of the City, Declarant or the record holders, guarantors or insurers of first Mortgages shall include a certification that the requisite approval of the City, Declarant, and such holders, guarantors or insurers of first Mortgages has been obtained. In addition, the certificate reflecting any amendment requiring Declarant's consent shall be signed and acknowledged by Declarant. The Master Association shall maintain in its files the record of all such votes and Declarant, City and Mortgagee consent solicitations and disapprovals for a period of at least four (4) years.

13.3. Mortgagee Protection-General. Notwithstanding any other provision of this Master Declaration, no amendment or violation of this Master Declaration will defeat or render invalid the rights of the Mortgagee under any Mortgage made in good faith and for value, and Recorded prior to the Recordation of such amendment (or a Recorded Notice of Delinquent Assessment). After the foreclosure of any such Mortgage such Lot or Condominium remains subject to this Master Declaration, as amended. Notwithstanding any and all provisions of this Master Declaration to the contrary, in order to induce FHLMC, GNMA, FNMA, VA and FHA to participate in the financing of Lots and Condominiums within the Community, the following provisions are added hereto (and to the extent these added provisions, pertaining to the rights of Mortgagees, FHLMC, FNMA, GNMA, VA and FHA, conflict with any other provisions of this Master Declaration or any other of the Master Association Documents, these added restrictions shall control):

13.3.1 Notice of Default. Each Mortgagee, insurer and guarantor of a first Mortgage encumbering any Lot or Condominium, upon filing a written request for notification with the Board, is entitled to written notice from the Master Association of (i) any condemnation or casualty loss which affects either a material portion of the Community or the Lot or Unit securing the Mortgage; (ii) any delinquency of sixty (60) days or more in the performance by the Owner of such Lot or Unit of any obligation arising pursuant to this Master Declaration, including without limitation the payment of Assessments or charges owed by the Owner of the Lot or Unit securing the respective first Mortgage, which notice each Owner consents to and authorizes; (iii) a lapse, cancellation, or material modification of any insurance policy kept by the Master Association; and (iv) any proposed action of the Master Association which requires consent by a specified percentage of first Mortgagees. who have submitted a written request to the Master Association for notice of such proposed action.

13.3.2 First Refusal Exemption. Every Owner, including every first Mortgagee of a Mortgage encumbering any Lot or Condominium, which obtains title to such Lot

or Condominium pursuant to the remedies provided in such Mortgage, or pursuant to foreclosure of the Mortgage, or by deed (or assignment) in lieu of foreclosure, is exempt from any “right of first refusal.”

13.3.3 Lien Priority. Each first Mortgagee of a Mortgage encumbering any Lot or Condominium and Recorded prior to a Notice of Delinquent Assessment which obtains title to such Lot or Condominium pursuant to judicial foreclosure or the powers provided in such Mortgage takes title to such Lot or Condominium free and clear of any claims for unpaid Assessments or charges against such Lot or Condominium which accrued prior to the time such Mortgagee acquires title to such Lot or Condominium in accordance with Section 6.13.

13.3.4 Books and Records. All Mortgagees, insurers and guarantors of first Mortgages on Lots or Condominiums, upon written request to the Master Association, may examine current copies of the Master Association’s books, records and financial statements and the Master Association Documents during normal business hours, and may require the Master Association to submit an annual audited financial statement for the preceding Fiscal Year without expense to the entity requesting the statement within one hundred twenty (120) days of the end of the Fiscal Year.

13.3.5 Mortgagee Notices. All Mortgagees, insurers and guarantors of first Mortgages of Lots or Condominiums who have filed a written request with the Master Association shall be given (i) sixty (60) days’ written notice prior to the effective date of any proposed, material amendment to this Master Declaration or the Articles or Bylaws, and prior to the effective date of any termination of an agreement for professional management of the Community following a decision of the Owners to assume self-management of the Community; (ii) written notice of all meetings of the Owners and the right to designate in writing a representative who shall be authorized to attend all such meetings; and (iii) immediate written notice as soon as the Board receives notice or otherwise learns of any damage to the Master Association Property or Master Association Maintenance Areas whenever the cost of reconstruction exceeds Ten Thousand Dollars (\$10,000), and as soon as the Board receives notice or otherwise learns of any condemnation or eminent domain proceedings or other proposed acquisition, with respect to any portion of the Community.

13.3.6 Master Association Property 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 Master Association Property and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such property, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Master Association.

13.3.7 Reserves. The General Reserve Fund described in Article VI must be funded by regular scheduled monthly, quarterly, semiannual or annual payments rather than by large Special Assessments.

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

13.3.9 No Priority. No provision in this Master Declaration shall give an Owner or any other party priority over the rights of the first Mortgagee of the Lot or Condominium pursuant to its Mortgage in the case of payment to the Owner of insurance proceeds or condemnation awards for losses to or taking a Lot or Condominium.

13.4. Notices.

13.4.1 General. Any notice permitted or required to be delivered under this Master Declaration shall be in writing and may be delivered either personally, by mail or by Federal Express (or similar overnight delivery service). If delivery is made by mail, it shall be deemed to have been delivered two (2) business days after a copy of the same has been deposited in the United States mail, certified, postage prepaid, addressed to any Person at the address given by such Person to the Master Association for the purpose of service of such notice, or to the Residence (or principal place of business in the case of a Neighborhood Association) of such Person if no address has been given to the Master Association (as applicable the “**Authorized Address**”). If delivery is made by personal service, the notice shall be deemed delivered upon delivery of such notice to the Authorized Address, whether or not the Person to whom such notice is addressed accepts such notice or is at the Authorized Address to which such notice is delivered, so long as such delivery is certified in writing by the Person making such delivery. If delivery is made by Federal Express (or similar overnight delivery service) the notice shall be deemed delivered upon delivery to the Authorized Address, whether or not the Person to whom it is addressed accepts such delivery or is at the Authorized Address to which such notice is delivered, so long as Federal Express or such delivery service certifies that delivery was attempted and in the case where the Person to whom the notice was addressed was not at the Authorized Address, that notice of the attempted delivery was left at the Authorized Address. A Person’s Authorized Address may be changed from time to time by notice in writing to the Master Association; provided that any notice of change of an Authorized Address shall not apply to notices sent, but not necessarily delivered, prior to delivery of the notice of change in the Authorized Address to the Master Association. In addition, the Master Association shall not be obligated to accept changes in an Authorized Address if it reasonably believes that such changes are being pursued in whole or in part to avoid or frustrate the delivery of notices.

13.4.2 Annual Notice by Owners. As set forth in California Civil Code Section 4041(a), each Owner of a Residence shall, on an annual basis, provide written notice to the Master Association of all of the following:

- (i) The Authorized Address to which notices from the Master Association are to be delivered;
- (ii) An alternate or secondary address to which notices from the Master Association are to be delivered;
- (iii) The name and address of his or her legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of the Owner's extended absence from the Residence; and

(iv) Whether the Residence is owner-occupied, is rented out, if the Residence is developed but vacant, or if the Residence is undeveloped land.

The Master Association shall solicit these annual notices of each Owner and, at least thirty (30) days prior to making its own required disclosure under Section 5300 of the California Civil Code, shall enter the data into its books and records.

13.5. Enforcement and Non-Waiver.

13.5.1 Right of Enforcement. Subject to Sections 5925 through 5965 and 6000 of the California Civil Code and Section 13.5.9, the Master Association, Owners, Neighborhood Associations, Declarant or any Merchant Builders (so long as Declarant or a Merchant Builder owns a Lot or Condominium in the Community or is entitled to add any portion of the Annexable Property to the Community with the exception of Article XII the enforceability of which shall not be conditioned on the ownership of any portion of the Community and/or Annexable Property), may enforce any of the provisions of the Master Association Documents against any portion of the Community which is in noncompliance, and against each Owner, the Master Association, any Neighborhood Association, or any other Person responsible for the noncompliance. Such right shall include proceedings for damages, as well as proceedings to enjoin any violation of the Master Association Documents. The City shall be entitled but not obligated to enforce all provisions of this Master Declaration required by the City as conditions to approval of development of the Community. Notwithstanding the foregoing, if an Owner ("**Complainant**") alleges that another Person ("**Respondent**") is violating the Master Association Documents (other than nonpayment of any Assessment), the Master Association is not obligated to pursue enforcement of the alleged violation if the Complainant is not in "good standing." If the Master Association informs the Complainant that the Complainant is not in good standing, then the Complainant may proceed with alternative dispute resolution, as required under California Civil Code Sections 5925 through 5965, or litigation against the Respondent for relief with respect to the alleged violation. For purposes of this Section 13.5.1, a Complainant is not in "good standing" if (i) the Complainant is delinquent in the payment of any type of Assessment or (ii) the Complainant is otherwise in violation of the Master Association Documents and such violation has not been remedied to the Master Association's reasonable satisfaction.

13.5.2 Neighborhood Declaration Enforcement. Subject to Sections 5925 through 5965 of the California Civil Code, Sections 5.2.11, 13.5.9 and Article XII above, the Master Association may commence and maintain actions and proceedings to restrain and enjoin any breach or threatened breach of the provisions of any applicable Neighborhood Declaration and to enforce, by mandatory injunctions or otherwise, all of the provisions of any applicable Neighborhood Declaration.

13.5.3 Violations are Nuisance. Every act or omission whereby any provision of the Master Association Documents is violated in whole or in part is declared a nuisance and every remedy allowed under the Master Association Documents, by law or equity against a nuisance, either public or private, shall be available.

13.5.4 Violation of Law. Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any of the Community is a violation of the Master Association Documents and subject to all of the enforcement procedures set forth in the Master Association Documents.

13.5.5 Remedies Cumulative. Each remedy provided by the Master Association Documents is cumulative and not exclusive. The Master Association may, without waiving the right to enforce its lien against the Lot or Condominium, bring a suit at law to enforce each Assessment obligation.

13.5.6 No Waiver. Failure to enforce any provision of the Master Association Documents does not waive the right to enforce that provision, or any other provision thereof.

13.5.7 Special Assessment. If any Owner, Owner Parties or any Neighborhood Association violates the Master Association Documents, the Board may, after Notice and Hearing and in addition to the other remedies available, impose a reasonable Special Assessment upon the applicable Owner or Neighborhood Association for each violation and may as further provided in the Bylaws, suspend or condition such Owner's right (and the right of the Owner Parties) to use any portion of the Master Association Property (other than streets and driveways providing access to such Owner's Lot or Unit). Any such suspension or conditional suspension shall be for a period of not more than thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including nonpayment of any Assessment) may be imposed for so long as the violation continues. The Board may also adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner or Neighborhood Association for failure of the Neighborhood Association or Owner or such Owner's Owner Parties, to comply with any provision of the Master Association Documents, other than Article VI hereof. Such fines or penalties may only be assessed by the Board after Notice and Hearing.

13.5.8 Notice of Noncompliance. After Notice and Hearing, the Board may direct the officers of the Master Association to Record a Notice of Noncompliance against a Residence owned by any Member of the Master Association who has violated any provision of the Master Association Documents. The notice shall include a legal description of the Lot or Condominium and shall specify the provision of this Master 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 Master Association to Record a notice that the noncompliance has been remedied.

13.5.9 Limitation on Expenditures. The Master Association may not incur litigation expenses, including without limitation attorneys' fees, or borrow money to fund litigation, where the Master Association initiates legal proceedings or is joined as a plaintiff in legal proceedings, unless the Master Association first obtains the approval of sixty-seven percent (67%) 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 Sections 5925 through 5965 of the California Civil Code. Such approval is not necessary if the legal proceedings are initiated (i) to enforce the use restrictions contained in Article VII, (ii) to enforce the

architectural and landscaping control provisions contained in Article VIII, (iii) to collect any unpaid Assessments levied pursuant to this Master Declaration, (iv) for a claim, the total value of which is less than five hundred thousand dollars (\$500,000), or (v) as a cross-complaint in litigation to which the Master Association is already a party. If the Master Association decides to use or transfer Reserve funds or borrow funds to pay for any litigation, such notice shall provide an explanation of why the litigation is being initiated or defended, why operating funds cannot be used, how and when the reserve funds will be replaced or the loan will be repaid, and a proposed budget for the litigation. The notice must state that the Members have a right to review an accounting for the litigation which will be available at the Master Association's office. The accounting shall be updated monthly.

13.6. No Public Right of Dedication. Nothing in this Master Declaration is a gift or dedication of all or any part of the Community to the public, or for any public use.

13.7. Disclosures. Much of the information included in this Section has been obtained from third party sources (*e.g.*, governmental and other public agencies and public records) and is subject to change for reasons beyond the control of Declarant and the Master Association. Therefore, Declarant and the Master Association do not guarantee the accuracy or completeness of any of the information in this Section. Further, neither Declarant nor the Master Association undertakes to advise any Person of any changes affecting the disclosures in this Section. Every Person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or Condominium or other portion of the Community agrees to every limitation, restriction, easement, reservation, condition and covenant contained in this Master Declaration, whether or not any reference to this Master Declaration is contained in the instrument by which such Person acquired an interest in the Community. Each Owner, by acceptance of a deed or other conveyance of a Lot or Condominium, whether or not it shall be so expressed in any such deed or other instrument, acknowledges and understands the following:

13.7.1 Conditions of Approval/Notice of Restriction. The Community is subject to, and required to comply with, all City Entitlements, including without limitation the conditions for the approval of the tentative tract map and development of the Community. Neither this Master Declaration, any Neighborhood Declaration nor any contract of sale, lease, or other written document or any means or method shall be established, or shall attempt to establish, any requirement, restriction or limitation on Declarant, or any person, individual or entity, which would operate, directly or indirectly, to prevent or preclude any other developers of the Community (or any portion thereof), or any person, individual or entity, in complying with all applicable conditions for the approval of the tentative map and development of the Community and other City ordinances, rules, policies or regulations.

13.7.2 Airport Flight Path. The Community is located in close proximity to the Mather Airport flight path. Although the Community is not located within what is known as an airport influence area (*i.e.*, an 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 as determined by an airport land use commission), the Community is subject to certain aviation easements in favor of the public generally for (a) noise and other negative impacts resulting from aircrafts flying to and from and other operations at Mather Airport and (b) a right-of-way for the free and unrestricted passage of aircrafts through the airspace above the

Community. Overflight noise may be present at various times within the Community, and residents may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (*e.g.*, noise, light, vibration, emissions and/or odors). Individual sensitivities to those annoyances can vary from person to person. Each Owner may wish to consider what airport annoyances, if any, are associated with the Community before the Owner completes the purchase of a Lot or Condominium in the Community to determine whether such annoyances are acceptable. Declarant makes no warranties or representations of any kind or nature, express or implied, regarding the potential for expansion of any airport, the type of aircraft permitted at any airport, the flight paths of any aircraft, the hours of operation of any airport or any other matters pertaining to any airport. Each Owner is solely responsible for investigating this matter to such Owner's sole and complete satisfaction prior to completing the purchase of a Lot or Condominium in the Community.

13.7.3 Right to Farm. The Community is located within one mile of farm or ranch land designated on the current county-level GIS "Important Farmland Map," issued by the California Department of Conservation, Division of Land Resource Protection. Accordingly, the Community may be subject to inconveniences or discomforts resulting from agricultural obligations that are a normal and necessary aspect of living in a community with a strong rural character and a healthy agricultural sector. Customary agricultural practices in farm operations may include, but are not limited to, noise, odors, dust, light, insects, the operation of pumps and machinery, the storage and disposal of manure, bee pollination, and the ground or aerial application of fertilizers, pesticides, and herbicides. These agricultural practices may occur at any time during the twenty-four (24) hour day. Individual sensitivities to those practices can vary from person to person. Each Owner may wish to consider the impacts of such agricultural practices before the Owner completes the purchase of a Lot or Condominium in the Community. Owners are advised that they may be barred from obtaining legal remedies against agricultural practices conducted in a manner consistent with proper and accepted customs and standards pursuant to Section 3482.5 of the Civil Code or any pertinent local ordinance.

13.7.4 Electric Power Lines and Electromagnetic Fields. Underground 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 studies on ELF-EMF health risks. The ELF-EMF studies consists 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. Further information on this subject is available from the Electric and Magnetic Fields Program, California Department of Health Services, 1515 Clay Street, 17th Floor, Oakland, California 94612, at (510) 622-4500, or from Sacramento Municipal Utility District. Additional information on ELF-EMF are available from the EMF-RAPID website at the World Health Organization's International EMF Project website at <http://www.who.int/peh-emf/project/en/> and the U.S. National Institute of Environmental Health Sciences website at <http://www.niehs.nih.gov/health/topics/agents/emf/>.

13.7.5 Telecommunications Towers. Three (3) telecommunications towers are currently located on certain portions of Lot 14 as shown on the Large Lot Map ("**Cellular Exclusive Easement Area**"). Pursuant to the Cellular Easement Agreements, American Tower is the holder of various cellular easements, including without limitation (a) exclusive easements over the Cellular Exclusive Easement Area for the installation, operation, maintenance, repair, replacement and modification of telecommunications improvements and equipment and has the exclusive right to lease the Cellular Exclusive Easement Area to cellular operators for the installation, maintenance and/or operation of telecommunications towers and equipment and (b) nonexclusive easements over portions of Lots 14 and 15 as shown on the Large Lot Map for access and public utilities. American Tower may also install at any time additional telecommunications towers and equipment within the Cellular Exclusive Easement Area, including temporary cellular tower structures while American Tower is performing any modifications, maintenance, repair or replacement of the existing telecommunications towers. As with power lines, ELF-EMF is generated by the equipment used for transmitting cellular telephone, paging and other data communications from the telecommunications towers located within the Cellular Exclusive Easement Area. The Federal Communications Commission (FCC) is the federal agency responsible for regulating communications facilities such as the telecommunications towers. For further information regarding FCC regulations regarding exposure to ELF-EMF from telecommunications towers and wireless communications facilities, please contact the Office of Engineering and Technology at the Federal Communications Commission, telephone (202) 418-2464.

13.7.6 Security and Privacy Disclaimer. Entry gates are not intended to provide security for persons, personal property or Residences within the Community. Declarant, Merchant Builders, the Master Association and Neighborhood Association(s) do not undertake to provide security for the Owners, Residences, Owner Parties or the Community nor do they make any representations or warranties whatsoever concerning the effect the gates may have on access into the Community or the privacy, safety or security of the Community.

13.7.7 Naturally Occurring Asbestos. The soils in the Community may contain naturally occurring asbestos. Asbestos is a generic term used to describe a group of naturally occurring silicate minerals which are made of thin, strong fibers. It occurs naturally in certain geologic settings in California, most commonly in ultrabasic and ultramafic rock, including serpentine rock. While asbestos is more likely found in these rock formations, its presence is not certain. Because asbestos is a mineral, asbestos fibers are generally stable in the natural environment. The fibers will not evaporate into the air; however, some naturally occurring asbestos can become friable, or crushed into a powder. This may occur when vehicles

13.7.13 Grading. The grading and drainage design in the Community should not be altered in the course of installing Improvements in a manner that will redirect surface water flow toward the Residences or onto adjacent property or that will trap water so that it ponds or floods. Drainage devices such as concrete ditches, area drain lines and gutters should be carefully designed and installed with professional assistance, then maintained in an unobstructed condition. Drainage devices installed by Declarant or a Merchant Builder should not be altered in a manner that will redirect or obstruct the drainage through these drainage devices. Grading and drainage modifications are subject to law, approval by the Board, and the terms of any drainage easements of Record.

13.7.14 Best Management Practices. The Master Association and each Neighborhood Association, as applicable, are required to comply with and implement the Best Management Practices that pertain to the (a) Master Association Property and/or Master Association Maintenance Areas (*i.e.*, the particular elements of the storm drain system described and delineated as maintained by the Master Association in this Master Declaration) and (b) Neighborhood Association Property, respectively. Each Owner is required to comply with and implement the Best Management Practices set forth in the Water Quality Management Plans that pertain to the Owner's Lot or Condominium (including any exclusive use area appurtenant to a Unit), including any and all storm water drainage facilities therein not specifically described and/or depicted as maintained by the Master Association in this Master Declaration and/or a recorded Notice of Annexation or by a Neighborhood Association in a Neighborhood Declaration and/or a recorded Neighborhood Declaration of Annexation. Each Owner is also responsible for reviewing and understanding the Water Quality Management Plans applicable to the Owner's Lot or Condominium (including any exclusive use area appurtenant to a Unit) and the provisions of this Master Declaration relating thereto. Educational and training requirements for such Best Management Practices are set forth in the Water Quality Management Plans.

13.7.15 Post Tension Concrete Slabs. Concrete slabs for some Residences constructed in the Community 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 Residence and/or personal injury. All Owners agree that: (a) they shall not cut into or otherwise tamper with the Post Tension Slab; (b) they shall 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 Residence; (c) they shall disclose the existence of the Post Tension Slab to any Person who rents, leases or purchases the Residence from Owner; and (d) they shall indemnify and hold Declarant, 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 by such Owner.

13.7.16 Community Facilities Districts. The Community lies within the boundaries of several 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. Each Owner of a Lot or Condominium in the Community will be required to pay special taxes to the Communities Facilities Districts in addition to the Owner's other property taxes. Although Declarant or a Merchant Builder may provide an Owner with information

regarding the Community Facilities Districts, each Owner is solely responsible for investigating all matters of concern to the Owner regarding the Community Facilities Districts prior to completing the purchase of a Lot or Condominium in the Community. This Section is not intended to be an exhaustive list of districts or assessment areas which presently affect the Community. Owners are advised to consult the County Assessor's office for further information.

13.7.17 Fuel Modification Zones. Although the Community is not located within an area designated by either the California Department of Forestry and Fire Protection or local fire authorities as a "very high fire hazard severity zone", the Folsom Fire Department requires that certain portions of the Master Association Property, Master Association Maintenance Areas and/or other areas within the Community be designated as Fuel Modification Zones and maintained in accordance with the Fuel Modification Plans for the Community. So long as the Master Association maintains the Fuel Modification Zones located on the Master Association Property and/or Master Association Maintenance Areas in accordance with the Fuel Modification Plans, each Owner hereby covenants and agrees to release the Master Association and its officers, directors, employees, contractors, consultants and agents from any and all claims, damages, costs, expenses, losses and other liability (including attorneys' fees) for death or injury to any person and/or damage to property arising from or relating to a fire. Each Owner acknowledges that compliance with the Fuel Modification Plans is not a guarantee against damage or destruction caused by fire.

13.7.18 Adjacent Highway. U.S. Route 50 ("***US Highway 50***"), a major east-west route of the U.S. Highway system that stretches just over approximately 3,000 miles from West Sacramento, California to the State of Maryland, is located immediately adjacent to the northern boundary of the Community. Residents in the Community may be impacted by dust, wind, fuel particles, fumes, odors, lights, traffic congestion, noise and other impacts from US Highway 50.

13.7.19 Capital SouthEast Connector Project. The Capital SouthEast Connector Joint Powers Authority, which includes the cities of Elk Grove, Folsom and Rancho Cordova and the counties of El Dorado and Sacramento, plans to construct a thirty-four (34) mile expressway connecting the I-5 Interstate Freeway to US Highway 50 ("***Connector Expressway***"). The Connector Expressway is planned to consist of four (4) to six (6) lanes of thoroughfare and expressway and will be constructed in multiple phases over a number of years. If constructed as planned, a portion of the Connector Expressway will be located immediately adjacent to the southern boundary of the second development phase of the Community. Residents in the Community may be inconvenienced by noise, dust and odors as well as increased vehicular traffic and delays as a result of construction of the Connector Expressway and if and when the Connector Expressway is constructed, living in proximity to an expressway. More information regarding the Connector Expressway project can be found at <https://www.connectorjpa.net/overview.html>.

13.7.20 Closed Rancho Seco Nuclear Generating Station. The Rancho Seco Nuclear Generating Station is a decommissioned nuclear power plant built by the Sacramento Municipal Utility District. The nuclear plant was decommissioned in 2009, and the power-generating equipment has been removed from the nuclear plant; however, the empty cooling

drive over unpaved roads or driveways that are surfaced with ultrabasic, ultramafic or serpentine rock, when land is graded for building purposes, or at quarrying operations. Asbestos may also be released naturally through weathering and erosion of the Earth's surface. Friable asbestos can become suspended in the air, and under these conditions, asbestos fibers represent a significant risk to human health. Asbestos is a known carcinogen, and inhalation of asbestos may result in the development of lung cancer. The longer a person is exposed to asbestos and the greater the intensity of that exposure, the greater the chances for health problems. The very nature of naturally occurring asbestos is such that neither Declarant nor any of the Merchant Builders can assure and do not guarantee the absence of naturally occurring asbestos in or around any residential Lot or Condominium or other portion of the Community.

13.7.8 Future Public Park and Public School. A future public park and elementary school, located on Lot 22 and Lot 20, respectively, as shown on the Large Lot Map, are planned to be built within the Community. The public park may include various sports facilities (e.g., basketball court(s), baseball field(s), softball field(s), soccer field(s), etc.), playground areas and equipment and fitness amenities. Residents living near the public park should expect to experience increased noise, increased vehicular and pedestrian traffic, increased use of parking areas and traffic related noises, light spillage and glare from nighttime sports lighting and other inconveniences. Such inconveniences may occur at all hours, seven (7) days a week. Residents living near the elementary school may be subject to light overflow from night lighting, increased vehicular and pedestrian traffic, increased use of parking areas and traffic related noises and noise throughout the day from bells, loudspeakers and children attending the school. Declarant has provided no assurances that the future public park and elementary school will be constructed or that they will be constructed as currently planned. Declarant, the Merchant Builders, the Master Association and the Neighborhood Association(s) have no control over any aspects of operation or maintenance of the public park and elementary school.

13.7.9 Active Adult Neighborhood(s). The second development phase of the Community is located within the southern portion of the Community and is planned to include a separate, gated development which may consist of four (4) neighborhoods, including two (2) age-qualified active adult neighborhoods for persons fifty-five (55) years of age and older and certain other qualified residents as well as all-age neighborhoods with attached and detached Residences. In addition to being subject to the Master Association Documents, Residences located within the second development phase of the Community will be subject to a Neighborhood Association with its own governing documents, including a neighborhood declaration of covenants, conditions and restrictions that will include, among other things, senior housing restrictions for the age-qualified active adult neighborhoods.

13.7.10 Historic Railroad Line. The Community is generally bounded on the west by Placerville Road and the historic Southern Pacific railroad right-of way ("**Railroad Line**"). The Railroad Line is currently being used by the Placerville & Sacramento Valley Railroad to operate an excursion rail service ("**Excursion Rail Service**"), including for scenic train and motorcar rides and wine tasting rides. The Excursion Rail Service is currently operated on weekends but may be available for weekday charters. The Hampton boarding location for the Excursion Rail Service is located in close proximity to the northwestern boundary of the Community, on 155 Placerville Road, and is host to an annual railroad themed-festival that may feature train, motorcar and hand car rides, railroad equipment displays, food vendors, live

performances and music and kids' play stations and bounce houses. Residents in the Community may be impacted by noise (*e.g.*, noise from the trains passing by, regular horn use as trains pass, events hosted aboard trains/motorcars, including live music, and the annual railroad themed-festival), light, emission, odor and vibration. In addition, the Railroad Line may attract children and adults who may loiter on or in the vicinity of the Railroad Line. Declarant has no control over (a) the use, maintenance and/or care of the Railroad Line, which may change to an active freight and/or passenger line in the future, and (b) the operations of the Excursion Rail Service, including the type of trains used, frequency and times of trips, types of special events, use of horns, all of which are subject to change without notice by Placerville & Sacramento Valley Railroad and the applicable Governing Authorities. The Placerville & Sacramento Valley Railroad has the right to use the Railroad Line and operate the Excursion Rail Service at its discretion and may increase and/or change the use of the Railroad Line.

13.7.11 Reclaimed Water. Although the City is not currently requiring reclaimed water (*i.e.*, treated wastewater) to be used in the Community, the City has required that infrastructure be installed within the Community which could connect to a reclaimed water system in the future. Therefore, it is possible that reclaimed water may be used in the future to irrigate the Master Association Property and/or Master Association Maintenance Areas in the Community. Reclaimed water is non-potable and therefore not suitable for human consumption. As with any water overspray, the repeated spray of reclaimed water may stain or discolor personal property, fencing and structural Improvements. The standards imposed for reclaimed water quality are established by governmental regulatory agencies, and these standards are subject to change. Declarant, the Merchant Builders, the Master Association and the Neighborhood Association(s) and their respective agents are not liable for any property damage or personal injury caused by reclaimed water.

13.7.12 Effect of Expansive Soil. The soil within the Community may be composed of formations that have “expansive” characteristics. Owners should perform soils testing, use special construction techniques and take precautions 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 prior to making or modifying any Improvements:

(a) **Concrete and Masonry Improvements.** Special attention is required in designing concrete and masonry Improvements such as masonry walls and planters, concrete slabs, pools, spas 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. Pools and spas located at the top or bottom of a slope or on expansive soils require special design.

(b) **Drainage and Irrigation.** Owners must use adequate drainage and irrigation control. 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.

towers remain a prominent part of the local landscape, and residents in the Community will be able to see the nuclear plant from the Community.

13.7.21 Use Agreement for Recreational Facility. The Recreational Facility is located in a later Phase of Development. Therefore, Declarant and the Master Association have entered into a Use Agreement whereby during the early Phases of Development, Owners may use the Recreational Facility and Declarant shall have full control over the Recreational Facility and will be responsible for the maintenance and operation of the Recreational Facility. If the Recreational Facility is turned over to the Master Association before a sufficient number of Lot and/or Condominiums are subject to Assessment, it is possible that Common Assessments will increase to enable the Master Association to operate and maintain the Recreational Facility.

13.7.22 Native Open Space Areas. Native open space areas have been or will be dedicated to the City on the Recorded subdivision maps, tract maps and/or parcel maps of the Community or conveyed to the City by separate Recorded instrument(s). The City will be responsible for maintaining any native open space areas which have been accepted for dedication or conveyance by the City, and the costs of such maintenance may be included in any existing or future special assessment district, maintenance district or Community Facilities District with jurisdiction over the Community.

13.7.23 Offers of Dedication. Portions of the Dedicated Master Association Property are subject to irrevocable offers of dedication as shown on the Recorded subdivision maps, tract maps and/or parcel maps of the Community. The Governing Authority may accept the offer of dedication and assume responsibility for maintaining these portions of the Dedicated Master Association Property at any time.

13.7.24 Disclaimer of Liability. Neither Declarant nor the Master Association shall be liable or responsible for any damage to Improvements constructed or modified by an Owner or that is the result of Improvements constructed or modified by an Owner. Improvements should not be installed, constructed or modified without the assistance of qualified consultants.

13.7.25 No Representations or Warranties; Not an Enhanced Protection Agreement. No representations or warranties of any kind, express or implied, have been given or made by Declarant or its agents or employees in connection with the Community or any portion of the Community, or any Improvement thereon, its physical conditions, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof, except as specifically and expressly set forth in this Master Declaration and except as may be filed from time to time with the DRE or with any other governmental authority. This Master Declaration is not an "enhanced protection agreement" (as described in California Civil Code Section 901, as enacted by California Statutes, Chapter 722, as amended from time to time, or any successor statute). Nothing in this Master Declaration shall be construed to be an enhanced protection agreement.

13.7.26 Additional Provisions. The Master Association, each Neighborhood Association and the Owners should be aware that there may be provisions of various laws,

including the Davis-Stirling Common Interest Development Act codified at Sections 4000 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 Master Association Documents. Declarant makes no representations or warranties regarding the future enforceability of any portion of the Master Association Documents.

13.8. Standard of Care; Nonliability.

13.8.1 Scope of Powers and Standard of Care.

(i) **General Scope of Powers.** Rights and powers conferred on the Board, the Owners, the Master Design Review Committee or other committees or representatives of the Master Association by the Master Association Documents are not duties, obligations or disabilities charged upon those Persons unless the rights and powers are explicitly identified as including duties, obligations or disabilities in the Master Association Documents or by applicable law. Unless a duty to act is imposed on the Board, Owners, Master Design Review Committee or other committees or representatives of the Master Association by the Master Association Documents or applicable law, the Board, Owner 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.

(ii) **Business Affairs.** This Subsection 13.8.1(ii) applies to Board member actions in connection with management, personnel, maintenance and operations, insurance, contracts and finances and Master 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 Master Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. When performing Board member duties, a Board member is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

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

(B) Legal 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

(C) A committee of the Board upon which the Board member does not serve, as to matters within such committee's designated authority, where the Board member believes the decision of or information provided by such committee should reasonably be relied on, 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.

This Subsection 13.8.1(ii) is intended to be a restatement of the business judgment rule established in applicable law as it applies to the Master Association. All amendments, modifications, restatements and interpretations of the business judgment rule applicable to the

Master Association shall be interpreted to amend, modify, restate or interpret this Subsection 13.8.1(ii).

(iii) **Master Association Governance.** This Subsection 13.8.1(iii) applies to Board actions, Master Design Review Committee decisions and other committee decisions in connection with interpretation and enforcement of the Master Association Documents, architectural and landscaping control, regulation of uses within the Community, rulemaking and oversight of committees. Actions taken or decisions made in connection with these matters shall be reasonable, fair and nondiscriminatory.

13.8.2 **Nonliability.**

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

(ii) **Nonliability of Volunteer Board Members and Officers.** A volunteer Board member or volunteer Master Association officer shall not be personally liable to any Person who suffers injury, including without limitation bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of the volunteer officer or Board member if all of the applicable conditions specified in Section 5800 of the California Civil Code, as modified, amended, or replaced, are met.

13.9. Enforcement of Certain Bonded Obligations. If (i) the Improvements on the Master Association Property or Master Association Maintenance Areas located on any Phase of Development of the Community are not completed by the developer (or Declarant or any Merchant Builder, as the case may be) of such Phase of Development of the Community (herein the "**Developer**"), prior to the issuance of a Final Subdivision Public Report for that Phase of Development by the DRE, and (ii) the Master Association is obligee under a bond, letter of credit or other arrangement ("**Bond**") required by the DRE to secure performance of the Developer's commitment to complete the Improvements, the following provisions of this Section will be applicable:

13.9.1 Board Action. The Board shall consider and vote on the question of Master Association action 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 Master Association has given an extension in writing for the

completion of any Improvement on the Master Association Property or Master Association Maintenance Areas, 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 the extension.

13.9.2 Owner Action. A special meeting of Owners, for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the Board's failure to consider and vote on the question, shall be held no fewer than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by Owners representing in the aggregate not less than five percent (5%) of the Master Association total voting power. A vote of Owners representing a majority of the Master Association voting power, disregarding any votes attributable to Lots or Condominiums owned by the Developer, to take action to enforce the obligations under the Bond shall be deemed the Master Association's decision, and the Board must thereafter implement this decision by initiating and pursuing appropriate action in the Master Association's name.

Neither the Master Association nor Owner shall make any claim against any Bond or delay release of any Bond for purposes that are not solely related to the Developer's failure to complete the obligations secured by such Bond.

13.10. Joint Ownership. As used in this Section, the term "Co-Owner" shall mean a Person who holds an interest in a Lot or Condominium with at least one other Person. Each Co-owner may attend any Master Association meeting, but only one (1) such Co-owner shall be entitled to exercise the single vote to which the Lot or Condominium is entitled. Co-owners owning the majority interests in a Lot or Condominium may designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot or 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 Lot or Condominium shall be exercised as the Co-owners owning the majority interests in the Lot or Condominium agree. Unless the Master 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 Lot or Condominium if the Co-owners owning the majority interests in such Lot or 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 Lot or Condominium and are entitled to all other benefits of ownership.

[SIGNATURES ON FOLLOWING PAGE]

Declarant and Initial Merchant Builder have executed this Master Declaration as of the date set forth below.

Dated: March 16, 2020

“DECLARANT”

TNHC RUSSELL RANCH LLC, a Delaware limited liability company

By: TNHC Land Company LLC, a Delaware limited liability company
Its: Managing Member

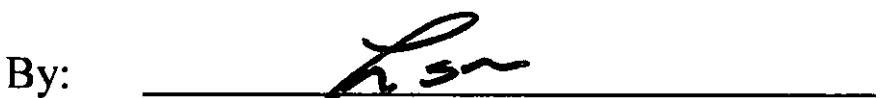
By: 
Name: Mark Kauranemi
Title: SVP

By: _____
Name: _____
Title: _____

Dated: March 16, 2020

“INITIAL MERCHANT BUILDER”

THE NEW HOME COMPANY NORTHERN CALIFORNIA LLC, a Delaware limited liability company

By: 
Name: LEONARD S. MILLER
Title: PRESIDENT/CEO

By: _____
Name: _____
Its: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

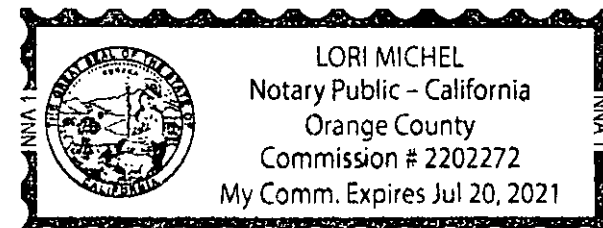
STATE OF CALIFORNIA)
COUNTY OF Orange)

On March 16, 2020, before me, Lori Michel, a Notary Public, personally appeared Mark Kawanaum, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Lori Michel
Notary Public



(SEAL)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

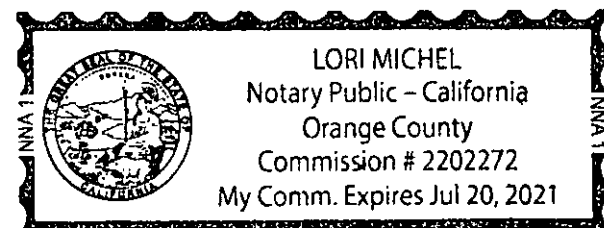
STATE OF CALIFORNIA)
COUNTY OF Orange)

On March 16, 2020, before me, Lori Michel, a Notary Public, personally appeared Leonard S. Miller, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Lori Michel
Notary Public



(SEAL)

EXHIBIT "A"

LEGAL DESCRIPTION OF RESIDENTIAL AREA IN FIRST SUBDIVISION

All that certain real property located in the City of Folsom, County of Sacramento, described as follows:

Lots 13 to 24, inclusive, as shown on Final Map (PN 16-122.07) –
Russell Ranch Phase 1 Village 7, Filed on April 3, 2019, in Book
410, of Maps, at Page 5, in the County Recorder's Office.

EXHIBIT "B"

LEGAL DESCRIPTION OF ANNEXABLE PROPERTY

All that certain real property located in the City of Folsom, County of Sacramento, State of California, described as follows:

PARCEL 1

Lots 7 to 11, inclusive, and Lots 13 to 23, inclusive, as shown on Final Map (PN 16-122) – Russell Ranch Large Lot, Filed on September 21, 2017, in Book 398, of Maps, at Page 1, in the County Recorder's Office.

PARCEL 2

Lots 1, 3, and 5 to 15, inclusive, as shown on Final Map (PN 17-288) – Russell Ranch Phase 2 Large Lot, Filed on October 30, 2018, in Book 407, of Maps, at Page 2, in the County Recorder's Office.

PARCEL 3

That certain map titled "Final Map (PN 16-122.01) Russell Ranch Phase 1 Village 1", Filed on April 3, 2019, in Book 410, of Maps, at Page 4, in the County Recorder's Office.

PARCEL 4

That certain map titled "Final Map (PN 16-122.02) Russell Ranch Phase 1 Village 2", Filed on April 3, 2019, in Book 410, of Maps, at Page 6, in the County Recorder's Office.

PARCEL 5

That certain map titled "Final Map (PN 16-122.03) Russell Ranch Phase 1 Village 3", Filed on April 3, 2019, in Book 410, of Maps, at Page 7, in the County Recorder's Office.

PARCEL 6

That certain map titled "Final Map (PN 16-122.04) Russell Ranch Phase 1 Village 4", Filed on June 21, 2019, in Book 412, of Maps, at Page 4, in the County Recorder's Office.

PARCEL 7

That certain map titled "Final Map (PN 16-122.05) Russell Ranch Phase 1 Village 5", Filed on April 15, 2019, in Book 411, of Maps, at Page 3, in the County Recorder's Office.

PARCEL 8

That certain map titled "Final Map (PN 16-122.06) Russell Ranch Phase 1 Village 6", Filed on March 15, 2019, in Book 410, of Maps, at Page 2, in the County Recorder's Office.

PARCEL 9

Lots 1 to 12, inclusive, Lots 25 to 41, inclusive, Lot A and Lot B as shown on that certain map titled "Final Map (PN 16-122.07) – Russell Ranch Phase 1 Village 7", Filed on April 3, 2019, in Book 410, of Maps, at Page 5, in the County Recorder's Office.

PARCEL 10

That certain map titled “Final Map (PN 16-122.08) Russell Ranch Phase 1 Village 8”, Filed on April 15, 2019, in Book 411, of Maps, at Page 2, in the County Recorder's Office.

PARCEL 11

Resultant Lot 2A and Resultant Lot 4A as described in and shown on that certain Certificate of Compliance – Lot Line Adjustment, Recorded on June 10, 2019, as Instrument No. 201906100486, in the Official Records of the County.

EXHIBIT "C"

**LEGAL DESCRIPTION AND/OR DEPICTION OF THE
MASTER ASSOCIATION PROPERTY AND MASTER ASSOCIATION WALLS
IN FIRST SUBDIVISION**

There is no Master Association Property in the First Subdivision.

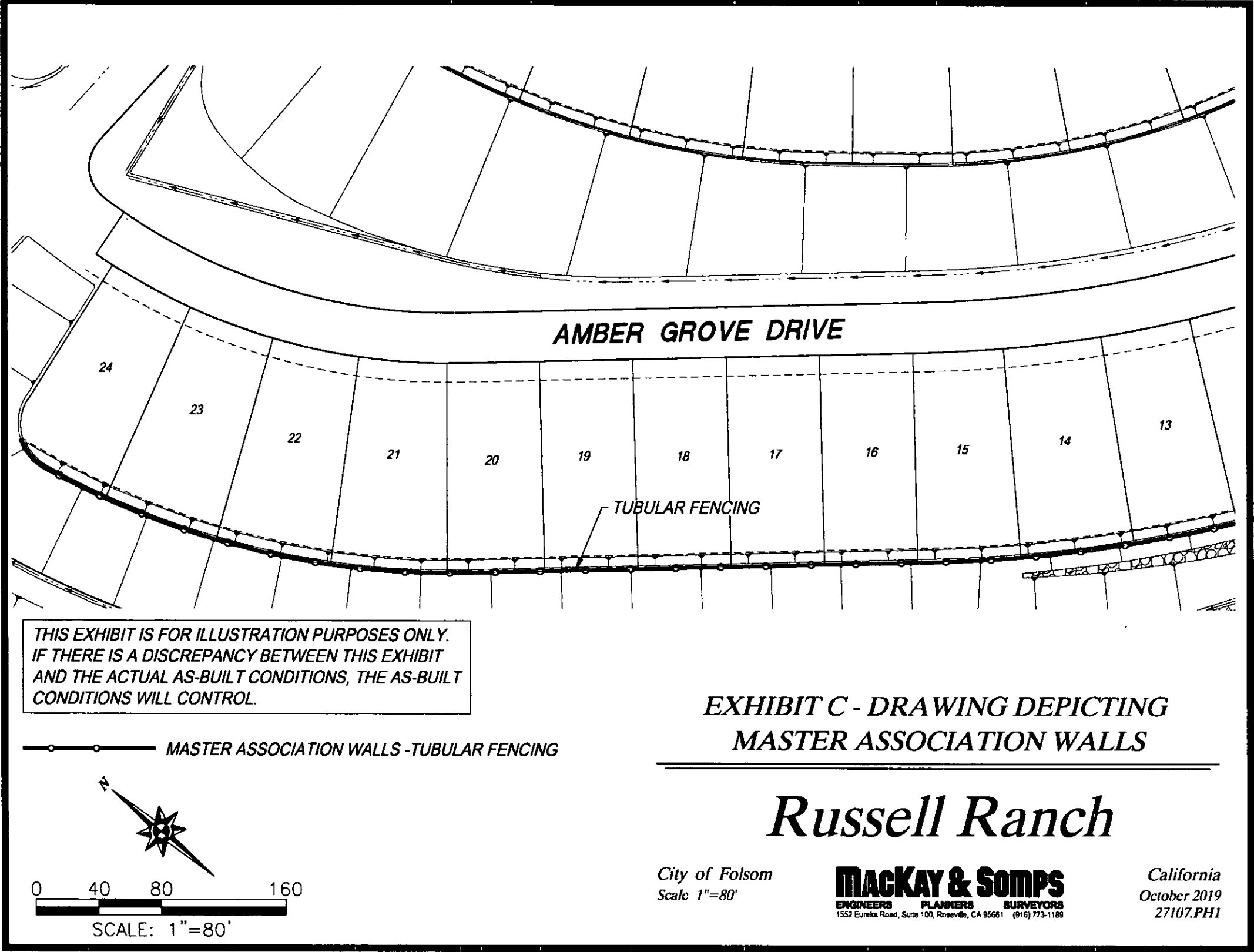
The Master Association Walls in the First Subdivision are generally depicted on this *Exhibit "C"*.

EXHIBIT “C” (CONTINUED)

DRAWING DEPICTING MASTER ASSOCIATION WALLS

[See attached].

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EXHIBIT "D"

**LEGAL DESCRIPTION AND/OR DEPICTION OF
MASTER ASSOCIATION MAINTENANCE AREAS IN FIRST SUBDIVISION**

All that certain real property located in the City of Folsom, County of Sacramento, State of California, as described as follows:

Those areas generally depicted and described on this *Exhibit "D"* as "Master Association Maintenance Area – Parkway" located on Lots 13 to 24, inclusive, as shown on Final Map (PN 16-122.07) – Russell Ranch Phase 1 Village 7, Filed on April 3, 2019, in Book 410, of Maps, at Page 5, in the County Recorder's Office.

EXHIBIT "D" CONTINUED

DRAWING DEPICTING MASTER ASSOCIATION MAINTENANCE AREAS

[See attached.]

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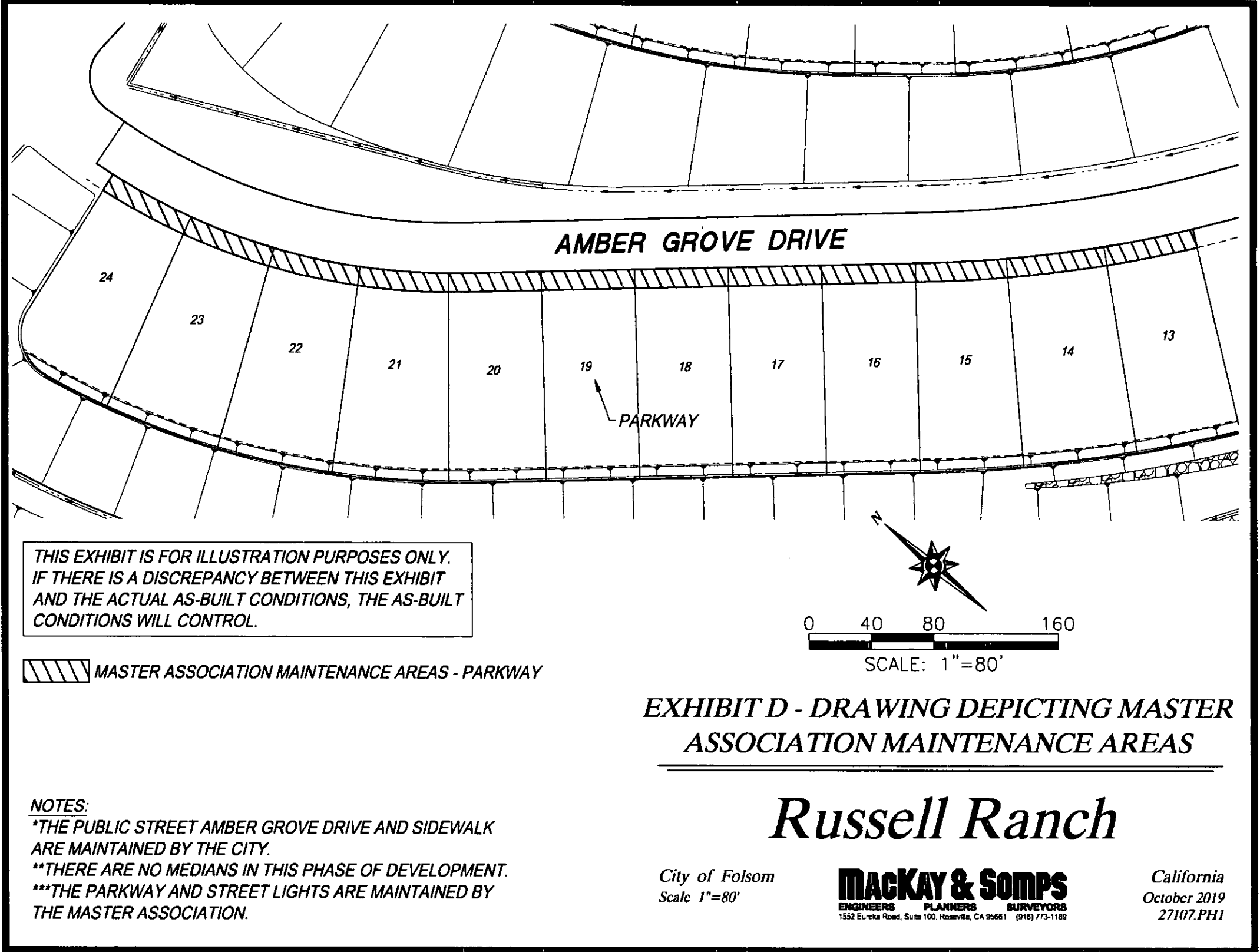


EXHIBIT “E”

**LEGAL DESCRIPTION AND/OR DEPICTION OF
THE NEIGHBORHOOD ASSOCIATION PROPERTY IN FIRST SUBDIVISION**

None.

EXHIBIT “F”

ARTICLES OF INCORPORATION OF MASTER ASSOCIATION

4 5 6 5 4 6 5

LB

ARTICLES OF INCORPORATION
OF

FILED
Secretary of State
State of California

FEB 07 2020 2cc

RUSSELL RANCH COMMUNITY ASSOCIATION

ONE: The name of this corporation ("*Corporation*") is RUSSELL RANCH COMMUNITY ASSOCIATION.

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 name and address in the state of California of this Corporation's initial agent for service of process is: Ms. Miek Harbur, The New Home Company, 85 Enterprise, Suite 450, Aliso Viejo, CA 92656.

FOUR: a. The initial street address of the Corporation is: 85 Enterprise, Suite 450, Aliso Viejo, CA 92656.

b. The initial mailing address of the Corporation is: 85 Enterprise, Suite 450, Aliso Viejo, CA 92656.

FIVE: a. The specific purpose of this Corporation is to manage a common interest development known as "Russell Ranch" ("*Project*") under the Davis-Stirling Common Interest Development Act. The Project is near the intersection of Placerville Road and White Rock Road, Folsom, California 95630-0000.

b. Notwithstanding any of the above statements of purposes and powers, this Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purposes of this Corporation.

c. This Corporation is a homeowners association within the meaning of Section 23701t of the California Revenue and Taxation Code and Section 528 of the Internal Revenue Code. The Corporation does not have a corporate office.

d. 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. So long as there is a Class B Membership, any amendment to these Articles of Incorporation shall be submitted to and approved by the Department of Veterans Affairs of the United States of America or Federal Housing Administration of the United States Department of Housing and Urban Development, as applicable, if the Department of Veterans Affairs of the United States of America or the Federal Housing Administration of the United States Department of Housing and

4 5 6 5 4 6 5

Urban Development is insuring any mortgage or deed of trust secured by the residence of a Member of the Corporation. 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.

e. This Corporation has no managing agent.

The undersigned, who is the incorporator of the Corporation, has executed these Articles of Incorporation on February 7, 2020.



Print Name: Mark Kawahara

"Incorporator"



I hereby certify that the foregoing transcript of 2 page(s) is a full, true and correct copy of the original record in the custody of the California Secretary of State's office.

FEB 26 2020 *AM*

Date: _____

Alex Padilla

ALEX PADILLA, Secretary of State

EXHIBIT “G”

BYLAWS OF MASTER ASSOCIATION

BYLAWS

OF

RUSSELL RANCH COMMUNITY ASSOCIATION

**TABLE OF CONTENTS
FOR
BYLAWS OF
RUSSELL RANCH COMMUNITY ASSOCIATION**

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>PAGE NO</u>
ARTICLE I PLAN OF OWNERSHIP	1
1.1. Name	1
1.2. Application.....	1
1.3. Definitions.....	1
ARTICLE II VOTING BY MASTER ASSOCIATION MEMBERSHIP	1
2.1. Voting	1
2.2. Quorum	1
2.3. No Proxies.....	2
2.4. Approval by Members	2
ARTICLE III ADMINISTRATION	2
3.1. Master Association Responsibilities	2
3.2. Place of Meetings of Members	2
3.3. Annual Meetings of Members	2
3.4. Special Meetings of Members	2
3.5. Notice of Meetings.....	3
3.6. Record Dates	3
3.7. Adjourned Meetings.....	3
3.8. Order of Business.....	4
3.9. Action By Written Ballot.....	4
3.10. Consent of Absentees.....	4
3.11. Minutes, Presumption of Notice	4
3.12. Inspectors of Election	5
ARTICLE IV BOARD OF DIRECTORS	5
4.1. Number	5
4.2. Qualifications for Holding Office	5
4.3. Powers and Duties.....	6
4.4. Special Powers and Duties.....	6
4.5. Management Agent.....	9
4.6. Books, Audit	9
4.7. Election and Term of Office	13
4.8. Vacancies	15
4.9. Removal of Directors.....	15
4.10. Compensation	16
4.11. Meetings.....	16

<u>DESCRIPTION</u>	<u>PAGE</u>
4.12. No Action Without Meeting	18
4.13. Quorum and Adjournment	18
4.14. Fidelity Bonds.....	18
4.15. Committees	18
ARTICLE V OFFICERS	19
5.1. Designation	19
5.2. Election of Officers.....	19
5.3. Removal of Officers.....	19
5.4. Compensation	19
5.5. President.....	19
5.6. Vice President	19
5.7. Secretary	20
5.8. Treasurer	20
ARTICLE VI OBLIGATIONS OF MEMBERS	20
6.1. Assessments	20
6.2. Maintenance and Repair	20
ARTICLE VII AMENDMENTS TO BYLAWS.....	21
7.1. Vote of Members	21
7.2. Additional Consents.....	21
ARTICLE VIII MORTGAGEES	21
8.1. Notice to Master Association.....	21
8.2. Notice of Unpaid Assessments	22
ARTICLE IX CONFLICTING PROVISIONS	22
ARTICLE X INDEMNIFICATION OF DIRECTORS AND OFFICERS	22
ARTICLE XI MISCELLANEOUS	22
11.1. Checks, Drafts and Documents.....	22
11.2. Execution of Documents.....	22
11.3. Master Association Documents	22
11.4. Fiscal Year	23
ARTICLE XII NOTICE AND HEARING PROCEDURE	23
12.1. Initial Complaint	23
12.2. Scheduling Hearings	23
12.3. Conduct of Hearing.....	24
12.4. Imposition of Sanctions	24
12.5. Limits on Remedies	25
CERTIFICATE OF SECRETARY.....	26

BYLAWS
OF
RUSSELL RANCH COMMUNITY ASSOCIATION

ARTICLE I
PLAN OF OWNERSHIP

1.1. **Name.** The name of the corporation is RUSSELL RANCH COMMUNITY ASSOCIATION, hereinafter referred to as the “*Master Association*.” The principal office of the Master Association shall be located in the County of Sacramento, State of California.

1.2. **Application.** The provisions of these Bylaws are applicable to the master planned community described in that certain Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Russell Ranch (“*Master Declaration*”), located in the City of Folsom, County of Sacramento, State of California. All present and future Owners and their tenants, future tenants, employees, and any other person who might use the facilities of the Community in any manner, are subject to the regulations set forth in these Bylaws and in the Master Declaration Recorded or to be Recorded in the Official Records of Sacramento County and applicable to the Community. The mere acquisition or rental of any Lot or Condominium in the Community or the mere act of occupancy of any Lot or Condominium signifies that these Bylaws are accepted, ratified, and will be complied with.

1.3. **Definitions.** Unless otherwise expressly provided herein, the capitalized terms in these Bylaws have the same meanings as are given to such terms in the Master Declaration.

ARTICLE II
VOTING BY MASTER ASSOCIATION MEMBERSHIP

2.1. **Voting.** The classes of voting Memberships and the number of votes (*i.e.*, voting power) held or represented by the Members are set forth in the Master Declaration, and the provisions of the Master Declaration governing all such matters are specifically incorporated herein by reference.

2.2. **Quorum.** Except as otherwise provided in these Bylaws or the Master Declaration, the presence in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act of Members representing at least twenty-five percent (25%) of the voting power of the Master Association constitutes a quorum of the Membership; provided that, if any action to be taken at any meeting of Members requires only the approval of Members in a particular Cost Center, then the presence in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act of Members representing at least twenty-five percent (25%) of the voting power of the Members in such Cost Center constitutes a quorum of the Membership for purposes of said approval. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a

majority of Members required to constitute a quorum (or such greater percentage of Members as may be required by the Master Association Documents for any specific action).

2.3. **No Proxies.** As authorized by California Corporations Code Section 7613(a), proxies may not be used in connection with voting on any matter with respect to which Members are entitled to vote.

2.4. **Approval by Members.** If a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting, entitled to vote and voting on any matter, is the act of the Members, unless the vote of a greater number or voting by classes is required by the Master Association Documents or applicable law. If a meeting is actually attended, in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act, by Members representing less than one-third (1/3) of the voting power of the Master Association, notwithstanding the presence of a quorum, no matter may be voted upon except matters which were generally described in the notice of the meeting. No action by the Members on any matter is effective if the votes cast in favor are fewer than the minimum number of votes required by the Master Association Documents to approve the action.

ARTICLE III ADMINISTRATION

3.1. **Master Association Responsibilities.** In accordance with the Master Declaration, the Master Association is responsible for administering, maintaining and repairing the Master Association Property and Master Association Maintenance Areas, approving the annual Budget for the Community, establishing and collecting all Assessments applicable to the Community authorized pursuant to the Master Declaration, and supervising the overall architectural control of the Community.

3.2. **Place of Meetings of Members.** Meetings of the Members shall be held within the Community or such other suitable place in Sacramento County, as proximate thereto as practical and convenient to the Members, as designated by the Board.

3.3. **Annual Meetings of Members.** The first annual meeting of Members shall be held within forty-five (45) days after the Close of Escrow for the sale of fifty-one percent (51%) of the Lots in the First Subdivision, but in no event later than six (6) months after the first Close of Escrow for the sale of a Lot or Condominium in the Community. 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. The annual meetings of the Members shall be open to attendance by all Members and Mortgagee representatives to the extent of the permissible capacity of the meeting room.

3.4. **Special Meetings of Members.** The Board shall call a special meeting of the Members (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of the Master Association, or (c) upon receipt of a petition signed by Members representing at least five percent (5%) of the Master 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 petition. The notice must state the date, time and place of such

meeting and the general nature of the business to be transacted thereat. The special meeting must be held not less than thirty-five (35) days nor more than ninety (90) days after adoption of such resolution or receipt of such 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. The special meetings of the Members are open to attendance by all Members and by Mortgagee representatives to the extent of the permissible capacity of the meeting room.

3.5. Notice of Meetings. The Secretary shall send a notice of each annual or special meeting to each Member of record, to the Class C Member (if Directors are to be elected at such meeting), and to each first Mortgagee who has filed a written request for notice with the Secretary, by personal delivery or by first-class mail, at least ten (10) but not more than ninety (90) days prior to such meeting. The notice must specify those voting proposals which are to be presented for action by the Members, as well as the date, hour and place where the meeting is to be held, and may set forth time limits for speakers and procedures for the meeting. In the case of meetings at which Directors are to be elected, the notice of the meeting (i) must set forth the procedures for nominating candidates for the Board, and (ii) must specify that cumulative voting procedures must be followed for the election of Directors where more than one (1) vacancy is being filled. Nominations of candidates for the Board from the floor of the meeting of Members are not permitted. The notice of a meeting of Members shall be considered served (a) two (2) business days after such notice has been deposited in a regular depository of the United States mail, postage prepaid, or (b) immediately if sent by facsimile (with electronic confirmation of transmittal) or other means of telecommunication such as through the Internet and any Website maintained by the Master Association). Such notice shall be deemed served upon any Member upon posting in a conspicuous place on the Master Association Property if no address has been furnished the Secretary.

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

3.6. Record Dates. The Board may fix a date in the future as a record date for determining which Members are entitled to notice for any meeting of Members. The record date so fixed must be not less than ten (10) nor more than ninety (90) days before the date of the meeting. If the Board does not fix a record date for notice to Members, 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 Members entitled to vote at any meeting of the Members. The record date so fixed must be not less than ten (10) nor more than ninety (90) days before the date of the meeting. If the Board does not fix a record date for determining Members entitled to vote, Members on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting.

3.7. Adjourned Meetings. If a quorum is not present at the time and place established for a meeting, a majority of the Members who are present, either in person or by

written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act, 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 written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act of Members holding at least twenty-five percent (25%) of the Master 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.

3.8. Order of Business. Meetings of Members must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Master Association may adopt. The order of business at all Member meetings is as follows: (i) roll call to determine the voting power represented at the meeting; (ii) proof of notice of meeting or waiver of notice; (iii) reading of minutes of preceding meeting; (iv) reports of officers; (v) reports of committees; (vi) election of Directors (at annual meetings or special meetings held for such purpose); (vii) unfinished business; and (viii) new business.

3.9. Action By Written Ballot. Except for election of Directors, any action subject to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act which may be taken at a meeting of the Members may be taken without a meeting by written ballot of the Members. Ballots must be solicited in the same manner as provided in these Bylaws for the giving of notice of meetings of Members. Such solicitations must specify (i) the number of responses needed to meet the quorum requirements, (ii) the percentage of approvals necessary to approve the action, and (iii) the time by which ballots must be received in order 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 Member specifies a choice, the vote shall be cast in accordance therewith. A matter shall be approved by written ballot upon receipt within the time period specified in the solicitation of both (A) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (B) a number of approvals which exceeds or equals the number of votes which would be required for approval if the action were taken at a meeting.

3.10. Consent of Absentees. The actions taken at any meeting of Members, however, called and noticed, are valid as though taken at a meeting duly held after regular call and notice, if (i) a quorum is present either in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act, and (ii) either before or after the meeting, each of the Members not present in person or by written ballot pursuant to Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act signs (A) a written waiver of notice, (B) a consent to the holding of such meeting, or (C) 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.

3.11. Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, are presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given is prima facie evidence that such notice was given.

3.12. **Inspectors of Election.** Prior to any meeting of Members, the Board shall appoint inspectors of election for that meeting in accordance with California Civil Code Section 5110. There shall be three (3) inspectors of election. The decision, act or certification of a majority shall be effective as the decision, act or certification of all. Any report or certificate of the inspectors of election is prima facie evidence of the matters stated therein. Inspectors of election do not have to be Owners and may be professionals or consultants, including without limitation certified public accountants or attorneys. If the Board does not appoint inspectors of election or if an inspector fails to appear at a meeting, the chairman of the Member's meeting may appoint the inspector of election. If the chairman fails to appoint the inspectors of election, then any Member may request that inspectors of election be appointed. If a Member makes such a request, then the inspectors of election shall be elected by Members representing a majority of the Members present. In case of an action to be taken by the Members by written ballot, the Board shall also appoint inspectors of election to count the ballots in accordance with Section 5110 of the California Civil Code. The results of the election shall be promptly reported to the Board, recorded in the minutes of the next meeting of the Board and made available for review by Members. Within fifteen (15) days, the Board shall publicize the results of the election in a communication directed to all Members.

The inspectors of election shall (a) determine the number of Memberships outstanding, the voting power of each, (b) the number of Members represented at the meeting and the existence of a quorum, (c) receive votes, ballots or consents, (d) hear and determine all challenges and questions in any way arising in connection with the right to vote, (e) count and tabulate all votes or consents, (f) determine when the polls shall close, (g) determine the results of the election, and (h) do such acts as may be proper to conduct the election or vote, with fairness to all Members in accordance with Section 5110 of the California Civil Code. Without limiting the generality of the foregoing, the inspectors of election may appoint and oversee independent third parties to verify signatures and to count and tabulate votes as the inspectors deem appropriate. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical.

ARTICLE IV BOARD OF DIRECTORS

4.1. **Number.** The property, business and affairs of the Master Association shall be governed by a Board of Directors which initially consists of three (3) persons. Upon the Class C Termination Date, the authorized number of Directors may be increased to five (5) or seven (7) when the Board adopts a resolution approving an increase in the authorized number of Directors. An increase in the authorized number of Directors provided for in the immediately preceding sentence is effective as of the annual meeting of Members immediately following the date on which the resolution is adopted by the Board. Any other change in the authorized number of Directors requires an adopted amendment to the Bylaws.

4.2. **Qualifications for Holding Office.** Each Director, except for those initially appointed by Declarant to serve as interim Directors until the first annual meeting, must either be an Owner who meets the qualifications set forth in the Master Declaration or, so long as Declarant or a Merchant Builder (if applicable) owns a Lot or Condominium in the Community

or any portion of the Annexable Property, an agent of Declarant or an agent of a Merchant Builder (if applicable).

4.3. Powers and Duties. Subject to the limitations in the Master Declaration and these Bylaws, the Board has the powers and duties necessary to administer the Master Association's affairs and may do all acts and things not otherwise prohibited by law, the Master Declaration or these Bylaws or done exclusively by the Members.

4.4. Special Powers and Duties. Without prejudice to the Board's general powers and duties, as such powers and duties are set forth in the Master Declaration, the Board has the following powers and duties:

4.4.1 Officers, Agents and Employees. The power and duty to select, appoint, and remove all Master Association officers, agents, and employees; to prescribe such powers and duties for them as may be consistent with law and the Master Association Documents; to fix their compensation (where compensation is permitted) and require from them security for faithful service as the Board deems advisable; and to contract to provide them with such indemnification as the Board determines is appropriate.

4.4.2 Contracts. The power to enter into contracts. This includes contracts (i) for maintenance, legal, accounting, landscaping and common utilities and other services relating to the Master Association Property and/or Master Association Maintenance Areas; (ii) materials, supplies and other Common Expenses; (iii) employing personnel necessary to manage the Community, including legal and accounting services; and (iv) paying for Improvements on the Master Association Property and/or Master Association Maintenance Areas. The Board may not enter into any contract with a third person wherein the third person will furnish goods or services for the Master Association Property and/or Master Association Maintenance Areas or to the Master Association for a term in excess of one (1) year, without the vote or written consent of Members representing at least a majority of the Master Association's voting power (excluding Declarant and any Merchant Builders), except for the following:

(i) 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;

(ii) a management contract with a term not to exceed three (3) years, the terms of which have been approved by the VA or FHA and conform to Section 4.5 hereof;

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

(iv) a contract approved by the DRE for a term approved by the DRE;
or

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

4.4.3 Business Affairs. The power and duty to conduct, manage and control the Master Association's affairs and business, and to make and enforce such Rules and Regulations therefor consistent with law and the Master Association Documents as the Board deems necessary or advisable.

4.4.4 Principal Office, Place of Meeting, Corporate Seal. The power, but not the duty, to move the Master Association's principal office to any location selected by the Board; to designate any place in the County of Sacramento for the holding of any annual or special meetings of Members consistent with the provisions of Section 3.2 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, deems best, provided that such seal shall at all times comply with the provisions of law.

4.4.5 Borrowings. With the approval of Members representing at least sixty-seven percent (67%) of the Master Association's voting power, the power, but not the duty, to borrow money and incur indebtedness for the Master Association's purposes, and to cause to be executed and delivered therefor, in the Master Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities therefor.

4.4.6 Assessments. The power and duty to fix and levy Assessments as provided in the Master Declaration; to fix and levy in any Fiscal Year Capital Improvement Assessments applicable to that year only for capital improvements to the Master Association Property and/or Master Association Maintenance Areas; to determine and fix the due date for the payment of such Assessments; provided, however, that such Assessments shall be fixed and levied only to provide for the payment of Common Expenses and for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Master Association for the general benefit and welfare of its Members, in accordance with the provisions of the Master Declaration. Subject to any limitations imposed by the Master Declaration and these Bylaws, the Board shall have the power and duty to incur any and all such expenditures for any of the foregoing purposes and to provide or cause to be provided Reserves for repairs and replacements of the Master Association Property and/or Master Association Maintenance Areas. The funds collected by the Board from the Owners for replacement Reserves and for capital Improvements are at all times held in trust for the Members. Disbursements from such trust Reserve Funds may only be made in accordance with the provisions of the Master Declaration. The Board shall fix all Common Assessments, Cost Center Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments in accordance with the provisions of the Master Declaration. If a Member fails to pay such Assessments before delinquency, the Board may enforce the payment of such delinquent Assessments as provided in the Master Declaration.

4.4.7 Enforcement. The power and duty to enforce the Master Association Documents and any agreements entered into by the Master Association and to impose sanctions against Owners for violating the Master Association Documents.

4.4.8 Insurance. The power and duty to contract and pay for insurance insuring the Members, the Master Association, any Manager, the Board, the members of the Master Design Review Committee, and other interested parties, in accordance with the provisions of the Master Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which coverage may include, without limitation, medical expenses of persons injured on the Master Association Property or Master Association Maintenance Areas). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on the Master Association's behalf.

4.4.9 Utility Easements. The power, but not the duty, to grant or quitclaim easements, licenses or rights-of-way in, on, or over the Master Association Property for purposes consistent with the intended use of the Community as a master planned community.

4.4.10 Rules and Regulations. The power and duty to adopt such Rules and Regulations as the Board deems necessary for managing the Community, which Rules and Regulations are effective and binding after (i) they are adopted by a majority of the entire Board, and (ii) they are either (A) posted in a conspicuous place in the Master Association Property, or (B) sent to the Members by first class U.S. mail. Such Rules and Regulations may concern, without limitation, use of the Master Association Property, signs, parking restrictions, minimum standards of property maintenance consistent with the Master Association Documents, and any other matter within the Master Association's jurisdiction as specified in the Master Association Documents; provided that such Rules and Regulations are enforceable only to the extent that they are consistent with the Master Association Documents.

4.4.11 Corporate Records. The power and duty to keep, or cause to be kept, a complete record of all Master Association acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by Members representing in the aggregate not less than ten percent (10%) of the Members who are entitled to vote.

4.4.12 Sale of Property of Master Association. Subject to the Master Declaration, the power, but not the duty, to sell property of the Master Association, provided, however, that the prior vote of Members representing at least a majority of the Master Association's voting power must be obtained to sell during any Fiscal Year property of the Master Association having an aggregate fair market value greater than five percent (5%) of the Master Association's Budgeted gross expenses for that Fiscal Year.

4.4.13 Governing Documents. The power and duty to make available to any prospective purchaser of a Lot or Condominium, any Owner of a Lot or Condominium, any first Mortgagee, and each holder, insurer and guarantor of a first Mortgage on any Lot or Condominium, current copies of the Master Association Documents and all other books, records and financial statements of the Master Association. The Master Association may charge a fee for

providing such documents, but in no event shall the fee exceed the reasonable cost to reproduce the requested documents.

4.4.14 Subsidy Agreements. The power, but not the duty, to negotiate and enter into subsidy agreements or other arrangements with Declarant or any Merchant Builders pursuant to which Declarant or such Merchant Builders may subsidize a portion of the Common Expenses in exchange for the Master Association's assumption of the obligation to repair and maintain additional real property and Improvements which it would not be able to so maintain at current Budget levels absent such a subsidy. Any such subsidy agreements or other arrangements must be approved by the DRE.

4.4.15 Delegation of Powers. The power, but not the duty, to delegate its powers according to law and to adopt these Bylaws.

4.4.16 Adoption of Election Rules. The power and duty to adopt election rules in accordance with Section 5105(a) of the California Civil Code.

4.4.17 Taxes and Assessments. The power, but not the duty, to pay taxes and assessments which are, or could become, a lien on the Master Association Property or a portion thereof.

4.5. Management Agent. The Board shall employ for the Master Association a Manager at a compensation established by the Board to perform such duties and services as the Board authorizes, including, without limitation, the duties listed in Sections 4.3 and 4.4.

4.6. Books, Audit. The Board shall distribute the following financial information to all Members (and any Mortgagee, insurer and guarantor of a first Mortgage upon request), regardless of the number of Members or the amount of assets of the Master Association:

4.6.1 Annual Budget Report. An annual budget report (as defined in California Civil Code Section 4076) consisting of at least the following information ("**Annual Budget Report**"), must be distributed thirty (30) to ninety (90) days prior to the end of the Fiscal Year:

(i) A pro forma operating Budget, showing the estimated revenue and Common Expenses computed on an accrual basis, and allocated among the various Maintenance Funds specified in the Master Declaration.

(ii) A summary of the Master Association's Reserves prepared pursuant to Section 5565 of the California Civil Code, which summary shall be based upon the most recent review or study conducted pursuant to Section 5550 of the California Civil Code based only on assets held in cash or cash equivalents, printed in bold type and include all of the following:

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

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

(1) The current estimate of the amount of cash Reserves necessary to repair, replace, restore, or maintain the major components of the Master Association Property and/or Master Association Maintenance Areas for which the Master Association is responsible (*“Estimated Reserves”*).

(2) The current amount of accumulated cash Reserves actually set aside to repair, replace, restore or maintain the major components of the Master Association Property and/or Master Association Maintenance Areas for which the Master Association is responsible (*“Actual Reserves”*).

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

(d) The current deficiency in reserve funding, expressed on a per unit basis and calculated in accordance with Section 5565 of the California Civil Code.

(iii) A summary of the reserve funding plan adopted by the Board, as specified in paragraph (5) of Section 5550(b) of the California Civil Code. The summary shall include notice to the Members that the full reserve study plan is available upon request, and the Master Association shall provide the full reserve plan to any Member upon request.

(iv) A statement as to whether the Board has determined to defer or not to undertake repairs or replacement of any major component of the Master Association Property and/or Master Association Maintenance Areas with a remaining life of thirty (30) years or less for which the Master Association is responsible, including a justification for the deferral or decision not to undertake the repairs or replacement.

(v) A statement as to whether the Board, consistent with the reserve funding plan adopted pursuant to California Civil Code Section 5560, has determined or anticipates that the levy of one (1) or more Capital Improvement or Reconstruction Assessments will be required to repair, replace, or restore any major component of the Master Association Property and/or Master Association Maintenance Areas for which the Master Association is responsible or to provide adequate Reserves therefor. If so, the statement shall also set out the estimated amount, commencement date and duration of the Assessment.

(vi) A statement as to the mechanism or mechanisms by which the Board will fund Reserves to repair or replace major components, including Assessments, borrowing, use of other assets, deferral of selected replacement or repairs, or alternative mechanisms.

(vii) A general statement setting forth the procedures used by the Board in calculating and establishing Reserves to defray the future repair, replacement of or additions to those major components of the Master Association Property and/or Master Association Maintenance Areas which the Master Association is obligated to maintain. The report shall include, but need not be limited to, reserve calculations, made using the formula described in

California Civil Code Section 5570(b)(4), and may not assume a rate of return on cash Reserves greater than as permitted by California Civil Code Section 5500(b)(7).

(viii) A statement as to whether the Master Association has any outstanding loans with an original term of more than one (1) year. If so, the statement shall also set out the name of the payee, interest rate, amount outstanding, annual payment and when the loan is scheduled to retire.

(ix) A summary of the Master Association's insurance policies as set forth in Section 4.6.5.

The Board may distribute a summary of the Annual Budget Report in lieu of the Annual Budget Report itself, so long as the Board complies with the provisions of Section 5320 of the California Civil Code.

4.6.2 Reserve Study. The Board shall cause a study of the reserve account requirements of the Community to be conducted in accordance with Section 5550 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 Master Association Property and/or Master Association Maintenance Areas which the Master Association is obligated to maintain. Concurrently with the distribution of the Annual Budget Report, the Master Association shall distribute to Members the information required pursuant to California Civil Code Section 5570(a).

4.6.3 Balance Sheet. A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date on which Common Assessments first commenced, and an operating statement for the period from the date on which Common Assessments commenced to such accounting date, must be distributed within sixty (60) days after the accounting date. Such operating statement must include a schedule of assessments received and receivable identified by the number of the Lot or Condominium and the name of the Owner assessed.

4.6.4 Annual Financial Report. A financial report consisting of the following (“*Annual Financial Report*”) must be distributed within one hundred twenty (120) days after the close of the Fiscal Year:

- (i) A balance sheet as of the end of the Fiscal Year;
- (ii) An operating (income) statement for the Fiscal Year;
- (iii) A statement of changes in financial position for the Fiscal Year;
- (iv) Any information required to be reported under Section 8322 of the California Corporations Code;
- (v) For any Fiscal Year in which the Master Association’s gross income exceeds Seventy-Five Thousand Dollars (\$75,000), a copy of a review of the Annual

Financial Report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy; and

(vi) A statement of the place where the names and addresses of the Members are located.

If the Annual Financial Report is not prepared by an independent accountant, it must be accompanied by the certificate of an authorized Master Association officer certifying that the statement was prepared from the books and records of the Master Association without independent audit or review.

4.6.5 Insurance Information. The Master Association shall distribute, as part of the Annual Budget Report, a summary of the Master Association's property, general liability and other insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit and the amount of the deductible, if any.

(i) The Master Association shall, as soon as reasonably practical, provide individual notice to the Members pursuant to Section 4040 of the California Civil Code 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 Master Association receives any notice of nonrenewal of a policy described above, the Master Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

(ii) To the extent that any of the information required to be disclosed 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.

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

“This summary of the Master Association’s policies of insurance provides only certain information, as required by Section 5300 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 Member of the Master Association may, upon request and provision of reasonable notice, review the Master Association’s insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Master Association maintains the policies of insurance specified in this summary, the Master 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. Members of the Master Association should consult with their individual insurance broker or agent for appropriate additional coverage.”

4.6.6 Annual Policy Statement. In addition to financial statements, the Board shall distribute within thirty (30) to ninety (90) days prior to the end of the Fiscal Year an annual policy statement which provides the Members with information about the Master Association’s policies pursuant to Section 5310 of the California Civil Code.

4.6.7 Quarterly Reviews. On at least a quarterly basis, the Board shall: (i) cause to be completed and review a current reconciliation of the Master Association’s operating and reserve accounts, (ii) review the current Fiscal Year’s Actual Reserves and expenses compared to the Budget for the then current Fiscal Year, (iii) review the income and expense statement for the Master Association’s operating and reserve accounts, (iv) review the most current account statements prepared by the financial institutions where the Master Association maintains its operating and reserve accounts, and (v) fulfill any additional duties established by Civil Code Section 5500. The signatures of either (i) two (2) Directors, or (ii) one (1) Director and one (1) Master Association officer (who is not also a Director) are required for the withdrawal of money from the Master 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 Master Association Property and/or Master Association Maintenance Areas which the Master Association is obligated to maintain.

4.7. Election and Term of Office.

4.7.1 Election of Directors. At the first meeting of the Members, and thereafter at each annual meeting of the Members coinciding with the expiration of a Director’s term of office or at which a vacancy on the Board exists, the Members and the Class C Member, as applicable, shall elect new Directors to fill vacancies of the Board in accordance with Article 4 of Chapter 6 of the Davis-Stirling Common Interest Development Act. If an annual meeting is not held, or all positions on the Board are not filled at the annual meeting, the Board may be elected at any special meeting of the Members held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence.

4.7.2 Term of Office.

(i) **Concurrent/Staggered Terms.** For so long as there are only three (3) authorized Directors, the terms of office of all Directors shall be two (2) years. If the authorized number of Directors is expanded pursuant to Section 4.1, the terms of the Directors shall become staggered on a three-two (3-2) or on a three-four (3-4) basis, as applicable.

(ii) **Term Period.** Except as otherwise provided in this Subsection in connection with the filling of vacancies resulting from the expansion of the number of authorized

Directors pursuant to Section 4.1, the term of office of each Director elected or appointed to fill a vacancy created by the expiration of the term of office of the respective past Director shall be for two (2) years. The term of office of each Director elected or appointed to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any person serving as a Director may be reelected or reappointed, and there is no limit on the number of terms during which he or she may serve.

If the authorized number of Directors is expanded pursuant to Section 4.1, the initial terms of office of the Directors elected to fill the new positions so created shall exceed by one (1) year the then unexpired terms of the three (3) Directors whose terms expire simultaneously, unless vacancies resulting from expiration of the terms of such three (3) Directors are being concurrently filled, in which case the entire Board shall be elected as follows:

(a) The terms of office of the majority of Directors appointed by the Class C Member (or if there is no Class C Member, the majority of Directors receiving the highest number of votes) shall be three (3) years, and

(b) The terms of office of the balance of the Directors receiving the next highest number of votes shall be two (2) years.

(iii) **Cumulative Voting.** Voting shall be by secret written ballot. With the exception of vacancies filled by the Class C Member, a Member 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) the Member has given notice at the meeting before the voting of such Member's intent to cumulate votes. If a Member cumulates his votes, such Member shall cast a total number of votes allocated to the Member as set forth in the Master Declaration, multiplied by the number of Directors to be elected by vote of Members representing the Class A and Class B Members.

4.7.3 Election by Non-Declarant Owners. Notwithstanding the foregoing, whenever notice is given for an election of Directors, and upon such date, (i) Declarant or any Merchant Builders are entitled to exercise a majority of the voting power of the Master Association, and (ii) the Members, other than Declarant and any Merchant Builders, do not have a sufficient percentage of the Master Association's voting power to elect a number of Directors representing at least twenty percent (20%) (though not less than one (1)) of the entire Board through the foregoing cumulative voting procedure, then such notice must also provide for the following special election procedure:

(i) **Minimum Number.** Election of Directors will be first apportioned to Members other than Declarant and any Merchant Builders until the aggregate number of Directors on the Board elected by Members casting votes attributable to Members other than Declarant and any Merchant Builders represents at least twenty percent (20%) (though not less than one (1)) of the entire Board (*i.e.*, the Members must ensure that at least one (1) Director is an Owner not connected directly or indirectly with Declarant or any Merchant Builder ("**Nonaffiliated Owner**") for so long as a majority of the voting power of the Master Association is attributable to Lots or Condominiums owned by Declarant and any Merchant Builders).

(ii) **Procedure.** Any Nonaffiliated Owner otherwise eligible to serve on the Board is an eligible candidate for the special election upon receipt by the Secretary of a declaration of candidacy, signed by the candidate, at any time prior to the election. The Nonaffiliated Owner(s) receiving the greatest number of votes cast by the Members other than Declarant or any Merchant Builders shall be elected to the Board. The remaining members of the Board will be elected through the customary voting procedure outlined above.

4.8. **Vacancies.** A vacancy on the Board is deemed to exist (i) in case of death, resignation, removal, judicial adjudication of mental incompetence of any Director or failure by a Director to satisfy all of the qualifications for holding office as specified in the Master Association Documents, or (ii) if the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place. Until filled by the Members or the Class C Member, as applicable, vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Members may be filled by a vote of the majority of the remaining Directors, even though they may constitute less than a quorum; provided that until termination of the Class C Membership, a vacancy in the office of a Director who was appointed by the Class C Member shall be filled only by an appointee of the Class C Member. Subject to applicable eligibility requirements, each person elected to fill a vacancy pursuant to this Section shall be a Director until a successor is elected at the next annual meeting of the Members, or at a special meeting of the Members called for that purpose.

4.9. **Removal of Directors.** At any regular or special meeting of the Members duly called, any individual Director or the entire Board may be removed prior to the expiration of their terms of office with or without cause as follows: (a) for so long as fewer than fifty (50) Lots and Condominiums are included within the Community, by the vote of Members representing a majority of the total Master Association's voting power (including votes attributable to Declarant and any Merchant Builders), and (b) once fifty (50) or more Lots and Condominiums are included within the Community, by the vote of Members representing a majority of a quorum of the Members. 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 must be given an opportunity to be heard at the meeting at which the voting proposal for removal of such Director is considered. If any Directors are removed, new Directors may be elected at the same meeting if the election of the Directors to fill such vacancies was included as a part of same voting proposal for the removal of Directors. Notwithstanding any other provision of this Section, (a) any Director elected to office solely by the votes of Members representing Members other than Declarant and any Merchant Builders pursuant to Section 4.7.3 may be removed from office prior to the expiration of the term of office only by the vote of at least a simple majority of the Master Association's voting power represented by Members other than Declarant and any Merchant Builders and, in the event of such removal, such Director's successor shall be elected in the same manner as such Director, pursuant to the provisions of Section 4.7.3; and (b) until termination of the Class C Membership, any Director who has been appointed by the Class C Member may be removed from office and the vacancy filled only by the Class C Member.

4.10. **Compensation.** Directors may not receive any compensation for their services as Directors unless such compensation is first approved by Members representing at least a majority of the Master Association's voting power. However, (a) nothing in these Bylaws precludes any Director from serving the Master 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 a Merchant Builder or any affiliate of Declarant or a Merchant Builder may receive any compensation for service as Director of the Master Association.

4.11. **Meetings.**

4.11.1 **Organization Meeting.** The first regular meeting of a newly elected Board shall be held at such time and place determined by that Board, for the purpose of organization, election of officers and the transaction of other business. Notice of the time and place of the first meeting shall be posted at a prominent place or places in the Master Association Property and unless waived pursuant to Section 4.11.8, given to each Director in the same manner as notice of regular meetings.

4.11.2 **Regular Meetings.** Regular meetings of the Board must be open to the Members, to the extent of the permissible capacity of the meeting room, and may be held at such time and place within the Community (or as proximate thereto as possible) as determined by a resolution adopted by a majority of a quorum of the Directors; provided that such meetings shall be held no less frequently than quarterly. Notice of the time and place of regular Board meetings shall be posted at a prominent place or places in the Master Association Property and unless waived pursuant to Section 4.11.8, must be given to each Director at least four (4) calendar days before the date of the meeting by first-class mail, or delivered personally or given 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. If served by mail, each notice shall be sent, postage prepaid, to the address reflected on the records of the Master Association, and shall be deemed given, if not actually received earlier, at 5:00 p.m. on the second (2nd) calendar day after it is deposited in a regular depository of the United States mail as provided herein. Whenever any Director is absent from any regular or special meeting of the Board, an entry in the minutes to the effect that notice was given is conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein.

4.11.3 **Special Meetings of Board.** Special meetings of the Board must be open to all Members, to the extent of the permissible capacity of the meeting room. Special meetings may be called by the President or by any two (2) Directors. Notice of the time and place of special meetings of the Board shall be posted at a prominent place or places in the Master Association Property and unless waived pursuant to Section 4.11.8, given to each Director on four (4) days' notice by first-class mail, or delivered personally or given 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. If served by mail, each notice shall be sent, postage prepaid, to the address reflected on the records of the Master Association, and shall be deemed given, if not actually received earlier, at 5:00 p.m. on the second (2nd)

calendar day after it is deposited in a regular depository of the United States mail as provided herein. The notice must state the time, place and the purpose of the meeting.

4.11.4 Executive Sessions. The Board may convene in executive session to (i) discuss and vote upon personnel matters, litigation in which the Master Association is or may become involved, matters relating to the formation of contracts with third parties, member discipline, and orders of business of a similar nature or (ii) meet with a Member, upon the Member's request regarding the Member's payment of Assessments, as specified in California Civil Code Sections 5660 and 5665. The nature of any and all 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 in accordance with California Civil Code Section 4935. In any matter relating to the discipline of a Member, the Board must meet in executive session if requested by that Member. The Member may attend the executive session.

4.11.5 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. In addition, a teleconference where a sufficient number of Directors to establish a quorum of the Board, in different locations, are connected by electronic means, through audio or video, or both, shall constitute a meeting of the Board. A teleconference meeting shall be conducted in a manner that protects the rights of Members and otherwise complies with the requirements of California Civil Code Sections 4900 *et seq.* Except for a meeting which will be held solely in executive session, the notice of the teleconference meeting shall identify at least one physical location so that Members may attend, and at least one Director or a person designated by the Board shall be present at that location. Participation by Directors in a teleconference meeting constitutes presence at that meeting as long as all Directors participating are able to hear one another, as well as Members speaking on matters before the Board.

4.11.6 Notice to Members. Except for an emergency meeting held pursuant to California Civil Code Section 4923 ("*emergency meeting*") or a meeting which will be held solely in executive session, Members shall be given notice of the time and place of a meeting at least four (4) days before the meeting. Except for an emergency meeting, Members shall be given notice of the time and place of a meeting which will be held solely in executive session at least two (2) days prior to the meeting. 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 Members, 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 Members pursuant to California Civil Code Section 4923. Notice of a Board meeting shall be given by general delivery pursuant to Section 4045 of the California Civil Code. The notice shall contain the agenda for the meeting. Except as described in California Civil Code Section 4930, the Board may not discuss or take action on any item at a nonemergency meeting unless the item was placed on the agenda included in the notice that was distributed pursuant to this Section.

4.11.7 Member Participation. All Members shall have the right to attend any regular, special or other meeting of the Board, except an executive session. As specified in

California Civil Code Section 4090(b), a Member shall be entitled to attend a teleconference meeting or the portion of a teleconference meeting which is open to Members, and that meeting or portion of the meeting shall be audible to the Members in a location specified in the notice of the meeting described in Section 4.11.6. Members who are not Directors may not participate in any deliberation or discussion at Board 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 Members to speak, subject to reasonable limits imposed by the Board.

4.11.8 Waiver of Notice. Before or at any meeting of the Board, any Director may, in writing, waive personal notice of such meeting and such waiver is equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board is a waiver of notice to him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to the Directors is required and any business may be transacted at such meeting provided the requirements of California Civil Code Sections 4900 *et seq.* are satisfied. The transactions of any Board meeting, however called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present, (b) notice to the Members of such meeting was posted as provided in Section 4.11.6, (c) either before or after the meeting, each of the absent Directors signs such a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof and (d) the meeting otherwise complies with the requirements of California Civil Code Sections 4900 *et seq.* The Secretary shall file all such waivers, consents and approvals with the Master Association records or make them a part of the minutes of the meeting.

4.12. No Action Without Meeting. Pursuant to California Civil Code Section 4910, the Board shall not take action on any item of business outside of a meeting. Notwithstanding Section 7211 of the California Corporations Code, the Board shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except as a method of conducting an emergency meeting, if all Directors individually or collectively consent in writing to such action, and if the written consent or consents are filed with the minutes of the meeting. These written consents may be transmitted electronically.

4.13. Quorum and Adjournment. Except as otherwise expressly provided herein, 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 is 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.

4.14. Fidelity Bonds. The Board shall require that all officers and employees and the Manager of the Master Association handling or responsible for Master Association funds furnish adequate fidelity bonds as further provided in the Master Declaration. The premiums on such bonds shall be paid by the Master Association.

4.15. Committees. The Board may, by resolution, designate such advisory and other committees as it desires, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee must (i) provide for the

appointment of a chairperson and its members, (ii) state the purposes of the committee, and (iii) provide for reports, termination and other administrative matters as the Board deems appropriate.

ARTICLE V OFFICERS

5.1. **Designation.** The Master 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.

5.2. **Election of Officers.** The Board shall annually elect the Master 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 or otherwise disqualified to serve or his successor is elected and qualified to serve.

5.3. **Removal of Officers.** Upon an affirmative vote of a majority of the entire Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose. 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 otherwise specified in the notice, acceptance of the resignation by the Board is not necessary to make it effective.

5.4. **Compensation.** Officers, agents, and employees may receive such reasonable compensation for their services as authorized or ratified by the Board; provided that: (i) no officer may receive any compensation for services performed in the conduct of the Master Association's business unless such compensation is first approved by the vote or written consent of Members representing at least a majority of the Master Association's voting power; and (ii) nothing in these Bylaws precludes any officer from serving the Master Association in some other capacity and receiving compensation therefor; and (iii) any officer may be reimbursed for actual expenses incurred in the performance of Master Association duties. Appointment of any officer, agent, or employee does not of itself create contractual or other rights of compensation for services performed by such officer, agent, or employee. Notwithstanding the foregoing, no officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation.

5.5. **President.** The President is the chief executive officer of the Master Association and shall (i) preside at all Member and Board meetings, (ii) have all of the general powers and duties which are usually vested in the office of the President of a corporation, and (iii) subject to the control of the Board, have general supervision, direction and control of the Master Association's business and shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

5.6. **Vice President.** The Vice President shall take the President's place and perform the President's duties whenever the President is absent, disabled or unable to act. If the President

and the Vice President are unable to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as imposed by the Board or these Bylaws.

5.7. **Secretary.** The Secretary shall (i) keep the minutes of all meetings of the Board and the minutes of all meetings of the Master Association at the Master Association's principal office or at such other place as the Board may order, (ii) keep the Master Association's seal in safe custody, (iii) keep such books and papers as the Board may direct, (iv) perform all of the duties incident to the office of Secretary, (v) give, or cause to be given, notices of meetings of the Members and the Board required by the Master Association Documents or by law to be given, and (vi) perform such other duties as may be prescribed by the Board or these Bylaws.

5.8. **Treasurer.** The Treasurer is the Master Association's chief financial officer and is responsible for Master Association funds and securities. The Treasurer shall (i) keep, or cause to be kept, full and accurate accounts, tax records and business transactions of the Master Association, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Master Association, (ii) be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Master Association in such depositories as the Board designates, (iii) disburse the Master Association's funds as ordered by the Board, in accordance with the Master Declaration, (iv) render to the President and Directors, upon request, an account of all transactions as Treasurer and of the Master Association's financial condition, and (v) have such other powers and perform such other duties prescribed by the Board and these Bylaws.

ARTICLE VI OBLIGATIONS OF MEMBERS

6.1. **Assessments.** All Members must pay, in accordance with the Master Declaration, all Assessments imposed by the Master Association, to meet all Common Expenses. All delinquent Assessments shall be enforced, collected or foreclosed in the manner provided in the Master Declaration.

6.2. Maintenance and Repair.

6.2.1 **Members' Obligations.** Every Member must perform promptly, at his or her sole cost, all maintenance and repair work on the Member's Lot or Condominium, as required by the Master Declaration and any applicable Neighborhood Declaration. As further provided in the Master Declaration, and subject to the exemption of Declarant and the Merchant Builders (if applicable), all plans for Construction Activities within the Community must receive the prior written consent of the Design Review Committee. The Design Review Committee shall adhere to the Design Guidelines when granting such approvals, in accordance with the Master Declaration.

6.2.2 **Damages by Members.** As further provided in the Master Declaration, each Member shall reimburse the Master Association for any expenditures incurred in repairing or replacing any portion of the Master Association Property, Master Association Maintenance Areas or other properties owned or controlled by the Master Association, which are damaged

through such Member's willful misconduct or negligence. Such expenditures shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of the Master Association Documents.

ARTICLE VII AMENDMENTS TO BYLAWS

7.1. **Vote of Members.** These Bylaws may be amended by the vote or written consent of Members representing at least (a) a majority of the voting power of each class of the Owners, and (b) a majority of the Master Association's voting power represented by Owners other than Declarant and the Merchant Builders (if applicable); provided that the specified percentage of the Members necessary to amend a specific Section or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. Notwithstanding the foregoing, these Bylaws may be amended by a majority of the entire Board, at any time prior to the first Close of Escrow for the sale of a Lot or Condominium to a purchaser from Declarant pursuant to a transaction requiring issuance of a Final Subdivision Public Report by the DRE.

7.2. **Additional Consents.** Article II, Sections 3.1, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9 and Article VII of these Bylaws may not be amended without the written consent of Declarant until the later to occur of the date on which neither Declarant nor any Merchant Builder owns a Lot or Condominium in the Community. Before any material amendment to these Bylaws affecting matters delineated in Sections 9.2, 9.3, 13.2.3 or 13.3 of the Master Declaration is effective, such amendment must be approved by the same percentage of Mortgagees of first Mortgages as specified in the Master Declaration section which would be affected by such amendment, and this sentence may not be amended without such prior written approval. Notwithstanding the foregoing, if a first Mortgagee who receives a written request from the Board to approve a proposed amendment or amendments to the Bylaws does not deliver a negative response to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved the proposed amendment or amendments. So long as there exists a Class B Membership, and the VA or FHA has made or is insuring a Mortgage on a Lot or Condominium in the Community, 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 Master Association (except pursuant to merger or consolidation), or (3) convey the Master Association Property. A draft of the proposed amendment must be submitted to VA and FHA for approval before its approval by the Membership.

ARTICLE VIII MORTGAGEES

8.1. **Notice to Master Association.** Upon request, every Member who Mortgages a Lot or Condominium shall notify the Master Association through the Manager, or through the Secretary if there is no Manager, of the name and address of the Member's Mortgagee. Upon request, Members shall notify the Master Association of the release or discharge of any such Mortgage.

8.2. **Notice of Unpaid Assessments.** The Master Association shall, at the request of a Mortgagee, report any unpaid Assessments due from the Owner of such Lot or Condominium in accordance with the provisions of the Master Declaration.

ARTICLE IX CONFLICTING PROVISIONS

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

ARTICLE X INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Board may authorize the Master Association to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against, any present or former Master Association Director, officer, committee member, employee or agent as provided in the Master Declaration.

ARTICLE XI MISCELLANEOUS

11.1. **Checks, Drafts and Documents.** All checks, drafts or other orders for payments of money, notes or other evidences of indebtedness, issued in the name of or payable to the Master Association, must be signed or endorsed by the President and Treasurer of the Master Association, or by such person or persons and in such manner as the Board designates by resolution, subject to the provisions of Section 6.3 of the Master Declaration.

11.2. **Execution of Documents.** The Board may authorize any officer or agent to enter into any contract or execute any instrument in the name and on behalf of the Master Association, and 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 Master Association by any contract or engagement or pledge its credit or render it liable for any purpose or in any amount.

11.3. **Master Association Documents.** In addition to the rights afforded by the Master Declaration to Mortgagees, insurers and guarantors of first Mortgages with regard to inspection of the Master Association's management documents, the Master Association shall maintain at its principal office (or at such other place within the Community as the Board may prescribe) (a) the Master Association Documents and (b) any documents or items (i) defined under Section 5200 of the California Civil Code as "association records" and "enhanced association records" or (ii) required to be kept pursuant to any other applicable provision of the California Civil Code and the California Corporations Code (collectively, the "*Master Association Documents*"), each of which shall be made available for inspection and copying by any Member or the Member's duly appointed representative for a purpose reasonably related to the Member's interest as a Member, all in accordance with applicable provisions of the California Civil Code and California Corporations Code.

11.3.1 Access Rules. The Board shall establish reasonable rules regarding (i) notice to be given to the custodian of the Master Association Documents by the Person desiring to make the inspection, (ii) hours and days of the week when such an inspection may be made, and (iii) payment of the cost of copying any of the requested Master Association Documents; provided that every Director shall have the absolute right at any reasonable time to inspect all Master Association Documents and the physical properties owned or controlled by the Master Association, which right shall include the right to make extracts and copies of documents.

11.3.2 Minutes. The minutes, minutes that are proposed for adoption and 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 Members within thirty (30) days of the meeting. The minutes, proposed minutes or summary minutes must be distributed to any Member upon request and upon reimbursement of the Master Association's costs in making that distribution. Members must be notified in writing, at the time that the Annual Budget Report required in Section 4.6.1 hereof is distributed or at the time of any general mailing to the entire Master 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.

11.3.3 Copies/Statements. Notwithstanding any contrary Board rules, no later than ten (10) days after the Master Association receives written request from any Member, the Master Association must provide to that Member a copy of each of the documents listed in California Civil Code Section 4525 requested by the Member. The Master Association may charge a fee for this service not exceeding the Master Association's reasonable cost to prepare and reproduce the requested documents.

11.4. Fiscal Year. The Board shall determine the Master Association's Fiscal Year. The Fiscal Year is subject to change as the Board determines.

ARTICLE XII NOTICE AND HEARING PROCEDURE

12.1. Initial Complaint. Persons who believe a violation of the Master Association Documents 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 12.2 below. The Board may direct the Manager to assist the Board in any of the steps the Board chooses to take in enforcing the Master Association Documents except that decisions made at hearings must be made by the Board.

12.2. 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:

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

12.2.2 Basis for Violation. A reference to the specific provisions of the Master Association Documents which the Respondent is alleged to have violated.

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

12.2.4 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.

12.3. 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 Master 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.

12.4. 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:

- (i) Levy a Special Assessment as provided in the Master Declaration;
- (ii) Suspend or condition the right of the Respondent and persons claiming through the Respondent to use any recreational facilities the Master Association owns, operates or maintains commencing on a date in the future selected by the Board;
- (iii) Suspend the Respondent's voting privileges as a Member, as provided in the Master Declaration;
- (iv) If permitted by law, Record a notice of noncompliance encumbering the Respondent's Lot or Condominium, the Neighborhood Association Property or Apartment Area; or
- (v) Enter upon the Respondent's Lot or Condominium, the Neighborhood Association Property or the Apartment Area to perform maintenance which, according to the Master Declaration, is the responsibility of the Respondent.

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. Suspension of Membership privileges does not relieve the Respondent's obligation to pay all Assessments levied by the Master Association or to otherwise comply with the Master Association Documents. Written notice of any sanctions to be imposed must be delivered to the Respondent personally via first class mail within fifteen (15) days

following the date of the decision to impose the sanction. No action against the Respondent arising from the alleged violation may take effect prior to five (5) days after the hearing.

12.5. Limits on Remedies. The Board's failure to enforce the Master Association Documents does not waive the right to enforce them. The remedies provided by the Master Association Documents are cumulative and not exclusive. However, any individual Member or Neighborhood Association must exhaust all available internal Master Association remedies prescribed by the Master Association Documents, before that Member or Neighborhood Association may resort to a court of law for relief with respect to any alleged violation of the Master Association Documents by another Member or Neighborhood Association. The foregoing limitation pertaining to exhausting internal remedies does not apply to the Board or to any Member or Neighborhood Association where the Complaint (as defined below) alleges nonpayment of Master Association Assessments.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of RUSSELL RANCH COMMUNITY ASSOCIATION, a California nonprofit corporation ("*Master Association*"); and

2. The foregoing Bylaws comprising twenty-six (26) pages including this page constitute the Bylaws of the Master Association duly adopted by the Board of Directors of the Master Association at a meeting of the Board on _____, 202__.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Master Association this _____ day of _____, 202__.

_____, Secretary

[SEAL]

EXHIBIT “H”

COST CENTER IN FIRST SUBDIVISION

None.

EXHIBIT "I"

SIDEYARD EASEMENT AREAS IN FIRST SUBDIVISION

None.

EXHIBIT "J"

FUEL MODIFICATION ZONES IN
FIRST SUBDIVISION

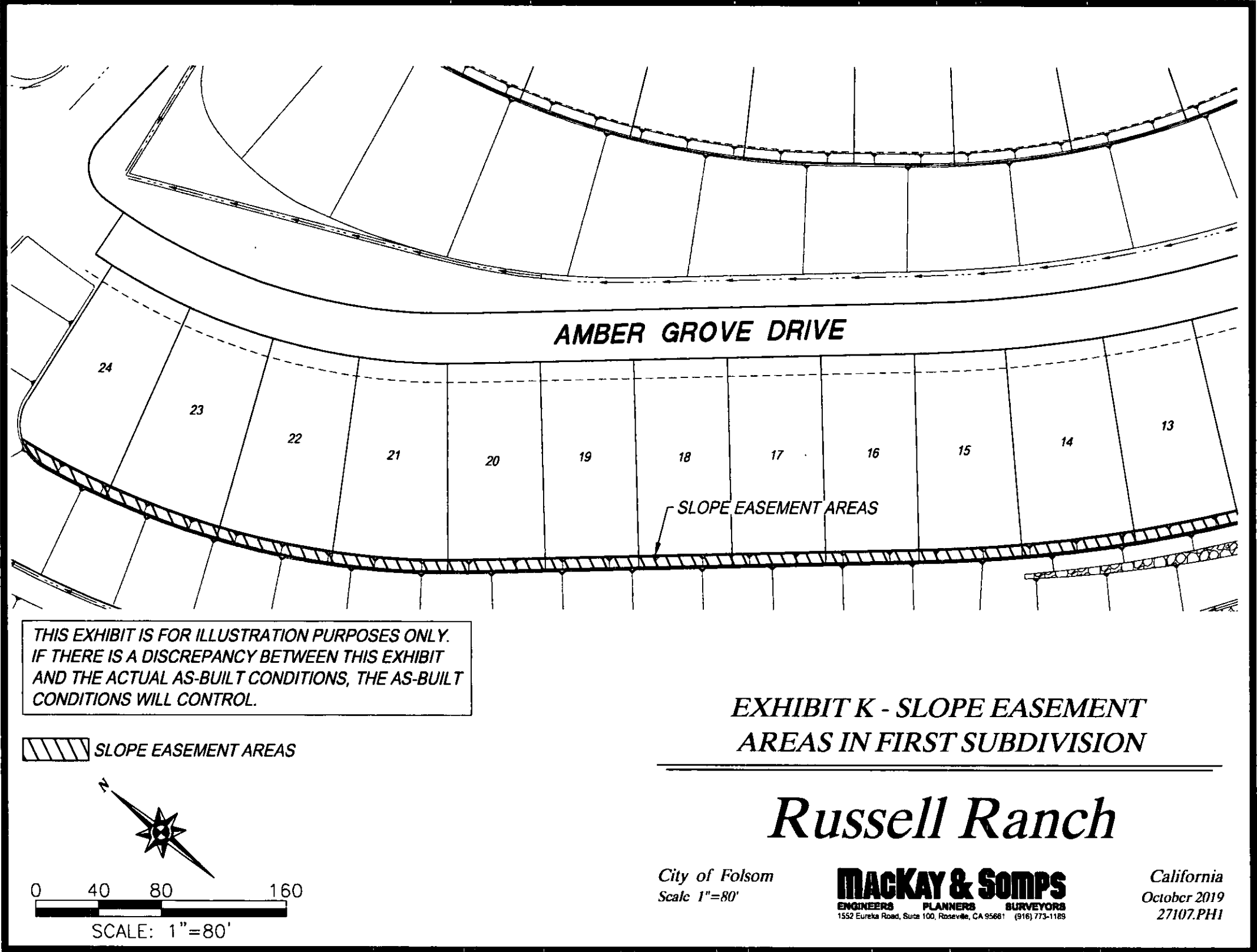
None.

EXHIBIT “K”

SLOPE EASEMENT AREAS IN FIRST SUBDIVISION

[See attached.]

Mackay and Soms is not responsible for the accuracy or completeness of reproductions of this document generated by others from electronic media.



SUBORDINATION

The undersigned, as beneficiary of the beneficial interest in and under the Deed of Trust dated and Recorded on July 31, 2018, as Instrument No. 201807310742, in the Official Records of Sacramento County, California ("**Deed of Trust**"), which Deed of Trust is between The New Home Company Northern California LLC, a Delaware limited liability company, as Trustor, First American Title Insurance Company, as Trustee, and TNHC Russell Ranch LLC, a Delaware limited liability company, as Beneficiary, hereby expressly subordinates such Deed of Trust and its beneficial interests thereunder to the foregoing Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Russell Ranch ("**Master Declaration**"), to any Notice of Annexation recorded pursuant to the provisions of Article II of the Master Declaration ("**Notice of Annexation**"), and to all easements to be conveyed to the Master Association in accordance with the Master Declaration or any Notice of Annexation. By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Community 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 Master Declaration and any applicable Notice of Annexation, which shall remain in full force and effect.

Dated: March 16, 2020

TNHC RUSSELL RANCH LLC, a Delaware limited liability company

By: 

Name: Mark Kawahana

Title: SVP

By: _____

Name: _____

Its: _____

"Beneficiary"

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

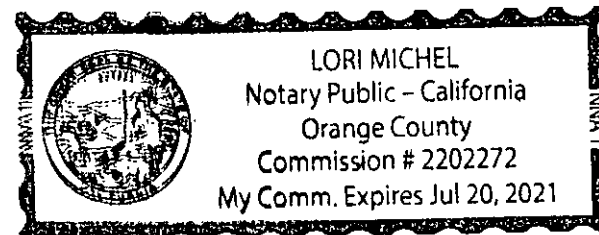
STATE OF CALIFORNIA)
COUNTY OF Orange)

On March 16, 2020, before me, Lori Michel, a Notary Public, personally appeared Marie Kawaravani, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Lori Michel
Notary Public



(SEAL)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

(SEAL)