

**SECOND AMENDMENT TO THE
DECLARATION OF RESTRICTIONS
FOR PEPPER TOWNEHOMES ASSOCIATION**

THIS SECOND AMENDMENT to the Declaration of Restrictions for Pepper Townehomes Association ("Association") is made this ____ day of _____, 2022, by the members of the Association.

WHEREAS, the Association was officially incorporated on or around January 10, 1972, in the office of the Secretary of State of California; and

WHEREAS, the Association is generally located at 7819 Rancho Fanita Dr., Santee, California, 92071, more particularly described as follows:

Lots 1, 2 and 3 of Pepper Hill Townehomes in the County of San Diego, State of California, according to Map No. 7198, filed in the Office of the County Recorder of San Diego County, California, on February 8, 1972.

WHEREAS, the Association's original Declaration of Restrictions was recorded on June 9, 1972, as File Page No. 147241, Book 1972 in the Office of the Recorder for San Diego County (hereinafter referred to as the "Original Declaration").

WHEREAS, the Association amended the Original Declaration with the First Amendments to the Declaration of Restrictions recorded on February 18, 1977, as Document No. 77-062591, in the Office of the Recorder for San Diego County (hereinafter referred to as the "First Amendment").

WHEREAS, Section 16 of the Original Declaration provides that the Declaration may be amended by a vote or written assent of at least 75% of all members of the Association.

WHEREAS, the members of the Association deem it is in the best interest of the Association to amend the Original Declaration and have duly approved this revision hereinafter set forth by the requisite vote.

NOW THEREFORE, the Original Declaration and First Amendment are amended as follows:

1. Current Section 7(e) is deleted in its entirety and shall now read as follows:

7(e). Any assessment not paid within thirty (30) days after the due date, shall bear interest annually at the maximum rate allowed per law from the assessment due date until paid in full. Also, any delinquent assessment shall accrue late fees as permitted by applicable law.

2. Delete Section 9 of the Original Declaration in its entirety and replace as follows:

9. Extension of Restrictions. The Declaration and any amendments thereto will run with and bind the land as an equitable servitude for a term of twenty (20) years from the date of recording this Second Amendment to the Declaration and shall automatically be extended for successive periods of ten (10) years, unless seventy-five percent (75%) of the total voting power of the Association has voted for and recorded a written instrument in which it is agreed that this Declaration shall terminate.

3. Delete Section 16 of the Original Declaration in its entirety and replace as follows:

16. Amendments. The Declaration, and any amendments thereto, may be amended at any time and from time to time by the vote or written consent of fifty percent plus one (50% + 1) of the total voting power of the Association. Notwithstanding the foregoing, the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes required for action to be taken under that clause. Any amendment must be recorded in the Office of the San Diego County Recorder.

4. Add new Sections 19.1-19.9 to the Original Declaration as follows:

19.1 Types of Insurance Coverage. The Association shall purchase, obtain and maintain, with the premiums therefor being paid out of common funds, the following types of insurance, if and to the extent such insurance, with the scope of coverages described below, is available and obtainable at a reasonable premium cost as determined by the Board of Directors:

(a) *Fire and Casualty Insurance.* The intent of this Second Amendment is to shift responsibility for most fire and casualty insurance coverage from the Association to the individual Owners. The Association shall only insure those portions of the Common Area outside of the residential buildings. The term “residential building” is defined to include any building in which a Living Unit is located and does not include any building that has no Living Units. The individual Owners shall each purchase their own Fire and Casualty Insurance covering the Living Unit and the portions of the residential building in which the Living Unit is located. The Association shall obtain and maintain fire and casualty insurance for the Common Area improvements, but not including the Living Units and Common Area portions of the residential buildings in which the Living Units are located. The Association insurance shall name as party insured the Association and contain the standard extended coverage and replacement cost endorsements and such other or special endorsements as will afford protection and insure, for the full insurable, current replacement cost as determined annually by the insurance carrier, for or against the following:

- (i) Loss or damage by fire or other risks covered by the standard extended coverage endorsements;
- (ii) Loss or damage from theft, vandalism or malicious mischief; and
- (iii) Such other risks, perils or coverage as the Board of Directors may determine.

Such policy or the endorsement made a part thereof shall, to the extent available, provide that the insurer issuing the policy agrees to abide by the decision of the Association made in accordance with the provisions of this Declaration or any amendments thereto as to whether or not to repair, reconstruct or restore all or any damaged or destroyed portion of the Common Area.

(b) *Public Liability and Property Damage Insurance.* To the extent such insurance is reasonably obtainable, the Association shall obtain and maintain a policy of

comprehensive public liability and property damage insurance naming as parties insured the Association, each member of the Association's Board of Directors, any manager, the Owners and occupants of Living Units, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the ownership and use of the Common Area and any other Association owned or maintained real or personal property and including, if obtainable, a cross liability or severability of interest endorsement insuring each insured against liability to each other insured. The aggregate limits of such insurance shall not be less than \$2,000,000.00 covering all claims for death, personal injury and property damage. Such insurance may include coverage against water damage liability, liability for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location and use.

(c) *Directors and Officers Liability Insurance.* The Board shall purchase and maintain a policy of directors and officers liability insurance naming as parties insured the Association, each member of the Board of Directors, each officer of the Association, any manager and any other person as the Board may determine.

(d) *Fidelity Insurance.* The Board shall purchase and maintain a fidelity bond or policy of fidelity insurance covering loss due to wrongful acts or misappropriation by officers, directors, managing agents, or employees.

(e) *Workers' Compensation Insurance.* The Board shall purchase and maintain a policy of workers' compensation insurance in such amounts as the Board shall determine.

(f) *Umbrella Policy.* The Board may purchase and maintain an umbrella policy of liability insurance providing coverage supplemental to that provided by the general liability and directors and officers liability policies.

19.2. Additional Insurance and Bonds. To the extent such insurance is reasonably obtainable, the Association may also purchase with common funds such additional insurance and bonds as it may, from time to time, determine to be necessary or desirable, including, without limiting the generality of this Section, demolition insurance, flood insurance and earthquake insurance.

19.3. Responsibility for Deductible Amounts. The full insurance deductible and any liability shall be paid by the party at whose Living Unit the acts or omissions are responsible for any damage that results in a property damage claim filed under the Association's insurance policy. If the acts or omissions are those of an Owner or the Owner's guest or occupant, the Owner shall be responsible for paying the deductible. If it is impossible to determine whose acts or omissions were responsible for the loss, the deductible shall be paid by the parties on a pro-rata basis based upon the amount of insurance proceeds received by each party divided by the total amount of insurance funds paid out.

19.4. Coverage Not Available or Cost Prohibitive. In the event any insurance policy, or any endorsement thereof, required by Section 19 is for any reason not available or is reasonably determined to be cost prohibitive by the Board, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage described above. The Board shall notify, via individual notice, the Owners of any material adverse changes in the Association's insurance coverage.

19.5. Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

19.6. Owner's Insurance. An Owner shall obtain and maintain fire and casualty insurance at his or her sole expense, to protect against any damage to the Living Unit and the portion of the residential building in which the Living Unit is located, or loss of the Owner's personal property, and the cost of repair or replacement of damaged items, including, but not limited to, any upgrades to the Living Unit interior made by an Owner, any personal property, fixtures, wall and floor coverings and any exterior items. The Association will not maintain any fire and casualty insurance whatsoever covering any portion of the Living Unit or the residential building in which the Living Unit is located unless the Association later opts to do so per Section 19.8 and provides prior written notice to the Owners at least sixty (60) days in advance of any such change in coverage. The Owner's policy shall be the primary policy for any claims for damages to or loss of Owner's Living Unit, residential building and personal property. The Association shall not be liable to any Owner or his or her guests or others for damage to or loss of any such property, or the cost of repair or replacement of any damaged property or portions of such Owner's Living Unit or residential building. Owners shall also obtain liability insurance in a reasonable amount for any liability type claims concerning their Living Unit for damage caused to the Common Area or other Living Units. Owners may, and are encouraged to also obtain loss assessment insurance coverage in a reasonable amount for assessments levied by the Association for damage, destruction, injury, or other liabilities sustained relating to Common Areas that exceed the Association's insurance policy limits, if any.

19.7. Water, Mold and Interior Damage. Notwithstanding any other provision in this Declaration, each Owner shall be solely responsible for the repair or replacement of any damage to his or her Living Unit, or Exclusive Use Area appurtenant to an Owner's Living Unit, and the cost of such damage, including, but not limited to, any personal property, decorations, interior surfaces, floor and wall coverings, appliances, fixtures or other items in the Living Unit, caused by any Common Area component or improvement or any other component or improvement maintained by the Association, including water intrusion and mold from whatever source not covered by the Association's fire and casualty policy. An Owner shall obtain and maintain such insurance, at his or her sole expense, to protect against any damage or loss of real or personal property due to water intrusion, or the cost of repair or replacement of damaged items for which such Owner is responsible. The Association shall not be liable for damage to a Living Unit or Exclusive Use Common Area appurtenant to an Owner's Living Unit resulting from water which may leak or flow from any pipes, drains, conduits, appliances or equipment or from any other place or cause unless caused by the gross negligence of the Association, its Board, officers, agents or employees.

19.8. Association May Elect to Provide Residential Building Coverage. This Second Amendment to the Declaration is intended to shift fire and casualty insurance coverage from the Association to the individual Owners for both the residential buildings and Living Units. Notwithstanding anything else to the contrary in the Declaration, the Association may at any time and upon at least sixty (60) days prior written notice to the Owners once again assume responsibility to insure the residential buildings in which the Living Units are located with fire and casualty coverage intended to replace any Owner coverage for the buildings.

19.9 Board Amendments to Sections 19.1-19.9. The Board shall at any time have the unilateral authority via unanimous vote of all directors to amend or repeal all or any portions of

Sections 19.1-19.9 via a subsequent recorded amendment in order to correct any error or inconsistencies, or to address any requirements or concerns that an insurance carrier may have concerning this Second Amendment.