

connection therewith shall first be used to correct and or repair such Alleged Defect or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Alleged Defect. In the event the Association recovers any funds from Declarant (or any other person or entity) to repair an Alleged Defect, any excess funds remaining after repair of such Alleged Defect shall be paid into the Association's reserve fund as applicable.

ARTICLE XX **ANNUAL INSPECTION**

20.1 Duty to Inspect. It shall be the duty of the Board to have the Common Areas inspected at least once each year.

20.2 Purpose of Inspection. The purpose of the inspection shall be to (i) determine whether the Common Areas are being maintained adequately in accordance with the standards of maintenance established in Sections 6.2 and 7.1 hereof, (ii) identify the condition of the Common 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 which may be taken to reduce potential maintenance costs to be incurred in the future.

20.3 Scope of Inspection. All of the Common Areas and Improvements thereon including, but not limited to, the exterior and structural integrity of all structures, gates, walls, walkways, irrigation systems, landscaping, and drainage devices shall be inspected.

20.4 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 Article.

20.5 Report to Owners. The Board shall have a report of the results of the inspection of the Common Areas required by this Article prepared. The report shall be furnished to Owners within the time set forth for furnishing Owners with the budget described in California Civil Code Section 1365.5. The report shall, at a minimum, include the following:

- (a) a description of the condition of the Common Areas, including a list of items inspected, and the status of maintenance, repair and need for replacement of all such items;
- (b) a description of all maintenance, repair and replacement planned for the ensuing fiscal year and included in the DRE Approved Budget;
- (c) if any maintenance, repair or replacement is to be deferred, the reason for such deferral;
- (d) a summary of all reports of inspections performed by any expert or consultant employed by the Board to perform inspections;
- (e) a report of the status of compliance with the maintenance, replacement and repair needs set forth in the inspection report for preceding years; and
- (f) such other matters as the Board deems appropriate.