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**THIRD AMENDED AND RESTATED DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS OF**

**ROYALE SHORES
A Condominium Project**

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**THIRD AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS OF ROYALE SHORES**

A Condominium Project

This Third Amended and Restated Declaration of Covenants, Conditions and Restrictions of Royale Shores ("**Declaration**") is made by the Royale Shores Condominium Owners Association ("**Association**"), a California nonprofit mutual benefit corporation, pursuant to California Civil Code Section 4270 and Section 18.1 of the Amended & Restated Declaration of Covenants, Conditions & Restrictions recorded on March 25, 2004, as Document No. 2004007424, in the Official Records of the County of Lake, State of California ("**Second Restated Declaration**"). Upon recordation, this Declaration supersedes and replaces in its entirety the Second Restated Declaration.

WITNESSETH:

WHEREAS, the Association is a membership organization comprised of all of the Owners of forty-two (42) residential Units, which property is a condominium project subject to the provisions of the Davis-Stirling Common Interest Development Act;

WHEREAS, the Members of the Association desire to amend and restate the restrictions heretofore adopted under a general plan of improvement for the benefit of all of said Units and Common Area and the Owners thereof; and

NOW, THEREFORE, the Association hereby declares that all of the real property described on the Map, shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions which are for the purpose of providing a means of managing the Project, of maintaining the Common Area, and of protecting the value and amenities of the Project, and which shall run with the real property and be binding on all parties having any right, title or interest in the described Project or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE 1 DEFINITIONS

1.1 Additional Charges shall mean costs, fees, changes and expenditures, including, without limitation, attorneys' fees, late charges, interest and recording and filing fees actually incurred by the Association in collecting and/or enforcing payment of assessments, fines, and/or penalties.

1.2 Alteration shall mean the construction, installation, remodel, repair, replacement, demolition and/or change in any Improvement or change in the color, tone, intensity, shade or hue of any Improvement.

1.3 Architectural Review Committee shall mean the Committee described in Article 5 (Architectural Control) and previously referred to as the "Design Review Committee."

1.4 Architectural Standards shall mean Article 5 (Architectural Control) of this Declaration and the portion of the Association Rules, which specifically address architectural and aesthetic matters.

1.5 Articles shall mean the Articles of Incorporation of the Association which are filed in the Office of the Secretary of State of California, as amended from time to time.

1.6 Association shall mean the Royale Shores Condominium Owners Association, a California nonprofit mutual benefit corporation, its successors and assigns.

1.7 Association Rules shall mean the rules and regulations adopted and amended by the Board regulating the general management and operation of the Project, the conduct of the business and affairs of the Association, and the use and enjoyment of the Common Area, including the Architectural Standards, as amended from time to time.

1.8 Board shall mean the Board of Directors of the Association.

1.9 Bylaws shall mean the Second Amended and Restated Bylaws of the Association which are or shall be adopted by the Board, as amended from time to time.

1.10 City shall mean the City of Lakeport.

1.11 Common Area shall mean all portions of the Project and Improvements, but excluding the Units. Without limiting the generality of the foregoing, Common Area includes:

(a) All of the land or other Improvements located upon the Development, and all non-residential Improvements now or hereafter erected upon the Project, including walks, fences, walls, gates, carports, parking spaces, driveways and landscaping that is not contained within Exclusive Use Common Areas;

(b) All elements of a condominium building which are not a part of a Unit, including foundations, basements, columns, girders, beams, subfloors and roofs;

(c) All unfinished floors, ceilings, columns, vertical supports and bearing walls wherever located, and/or common walls separating individual Units;

(d) All common lobbies, stairs and hallways;

(e) All exterior walls and decorative elements;

(f) All heating and air conditioning systems, reservoirs, tanks, pumps, motors, ducts, flues and chutes, specifically excluding those systems or portions therein which are located within the exterior boundaries of individual Units;

(g) All boilers, conduits, pipes, plumbing, wires and other utility installations (except the outlets thereto which are located within a residential Unit), including any utility installation for the common use of two (2) or more Units, including those which may protrude into the airspace of a Unit;

(h) All sprinklers, sprinkler pipes and sprinkler heads, including those which protrude into the airspace of a Unit; and

(i) All Common Facilities, as defined in Section 1.12 below.

The Common Area includes an original pier, one guest dock located on Clear Lake adjacent to the Project. The Exclusive Use Common Area includes a locking gate, a ramp, a floating dock and individual boat slips leased by individual Owners.

1.12 Common Facilities

The Common Facilities include but are not limited to: swimming pool, pool house, pool equipment, the recreational building/clubhouse, the two garage structures with 42 assigned

Parking Spaces (concrete floors), 42 open/covered non-exclusive resident parking spaces and driveways (asphalt), all storage spaces, and a continuous retaining wall extending the length of the Project separating it from Clear Lake.

1.13 Condominium shall mean an estate in real property, as defined in California Civil Code Section 4125, consisting of an undivided interest in the Common Area together with a separate fee interest in a Unit and any other easement interests in the Project as may be described in this Declaration, the Condominium Plan or the deed conveying the Condominium.

1.14 Condominium Plan or Plan shall mean the diagrammatic floor plan which is part of the Map (defined below), which identifies each Unit and establishes its dimensions pursuant to California Civil Code Section 4285.

1.15 County shall mean the County of Lake, State of California, and its various departments, divisions, employees and authorized representatives.

1.16 Declaration shall mean this Third Amended and Restated Declaration of Covenants, Conditions and Restrictions of Royale Shores, and any subsequently recorded amendments thereto.

1.17 Dock shall mean the pier, the floating dock and one guest dock in the Marina which is located in Clear Lake adjacent to the Project and/or the individual slips/docks constructed and utilized by individual lessees.

1.18 Exclusive Use Common Area shall mean those portions of the Common Area set aside for the exclusive use of an Owner with respect to his or her Unit as set forth in this Declaration. The Exclusive Use Common Area shall also include the following portions of the Common Area exclusively serving a single Unit: screens, windows, window boxes, exterior stairs leading exclusively to a Unit, exterior doors, door frames and hardware incident thereto, and any exterior treatment installed by an Owner pursuant to Association approval.

(a) **Decks.** Decks shall mean each portion of the Common Area, which is shown on the Condominium Plan as "D" followed by the Unit to which it is appurtenant. The perimeter boundaries of each Deck are to the interior unfinished surfaces of the fences and/or railings and to the exterior finished surfaces of any Common Area walls enclosing the Deck. The vertical boundaries of each Deck are to the interior unfinished surface of the floor and to a horizontal plane extended from the ceiling of the Unit which adjoins the Deck. The approximate dimensions of each Deck are shown on the Condominium Plan. Each Deck includes the airspace encompassed within its boundaries.

(b) **Parking Spaces.** Parking Space shall mean each covered Parking Space assigned to a Unit, as particularly described in Exhibit C attached hereto and incorporated herein. Each covered Parking Space is assigned two (2) letters.

(c) **Storage Compartments.** Storage Compartments shall mean each portion of the Common Area, which is shown on the Condominium Plan as "S" followed by the Unit to which it is adjacent and appurtenant. The boundaries of each storage compartment are in the interior surfaces of the perimeter walls, ceiling, floor, and door and each Storage Compartment includes the surfaces so described in the airspace so encompassed.

(d) **Marina Slips and Docks.** There are private marina slips and floating dock which are part of the Common Area. These are considered Exclusive Use Common Area and are identified on the map. They include individual Marina slips, adjacent floating dock, ramp and locking gate. These are subject to leases with the Association.

1.19 Governing Documents shall mean Articles, Bylaws, this Declaration and the Association Rules, as amended from time to time.

1.20 Improvements shall mean all structures and appurtenances thereto of every type and kind, including but not limited to, buildings, swimming pools, saunas, jacuzzis or other Common Facilities and equipment, laundry facilities and equipment, walkways, sprinkler pipes, driveways, roads, parking areas, fences, retaining walls, Decks and Deck covers, storage spaces, awnings, stairs, planted trees and shrubs, poles, signs, and all other structures or landscaping improvements of every type and kind.

1.21 Invitee shall mean any person whose presence within the Project is approved by or is at the request of the Association or a particular Owner, including, but not limited to, lessees, tenants, and the family, guests, employees, licensees or invitees of Owners, tenants or lessees.

1.22 Maintenance shall be the exercise of reasonable care to keep buildings, landscaping, lighting and other Common Area, Common Facilities, Improvements and/or real or personal property in which the Association or an Owner holds an interest in a state similar to their original condition, normal wear and tear excepted. Maintenance of landscaping shall include the exercise of regular fertilization, irrigation or other garden management practices necessary to promote a healthy and weed free environment.

1.23 Map shall mean the map entitled "Condominium Plan Royale Shores" filed for record on December 30, 1981, in Book 13 of Maps at Pages 13 through 20, inclusive, in the Official Records of the County of Lake, State of California.

1.24 Marina shall mean the short pier, all docks described above, the piers, ramps, and fences in Clear Lake adjacent to the Project.

1.25 Member shall mean an Owner of a Condominium.

1.26 Owner shall mean the holder of record fee title to a Condominium. If more than one person owns a single Condominium, the term "Owner" shall mean all owners of that Condominium. The term "Owner" shall also mean a contract purchaser (vendee) under an installment land contract, but shall exclude the contract vendor and any person having an interest in a Condominium merely as security for performance of an obligation.

1.27 Unit shall mean a separate interest, as defined in California Civil Code Section 4185. Units bearing the numbers 1 through 14 with the prefix "A" designate first floor Units, those with the letter "B" designate second floor Units, and those with the letter "C" designate third floor Units. The letter and number combination shall be referred to as the Unit number. The boundaries of each Unit shall be the interior unfinished surfaces of the perimeter walls, floors (surfaces and sub-base), ceilings, and includes doors and windows (including glass). Each Unit includes the airspace encompassed by its boundaries. The Unit expressly includes, regardless of location, the following components: the interior finish materials of walls and ceilings (including textured ceiling material); carpeting, floor coverings and related components (excluding the plywood substrate); fixtures; cabinets; interior doors, exterior sliding glass doors, windows, and the weather-stripping, screens, hardware, and locks on doors and windows; light fixtures; toilets, wax rings, showers, shower pans, bathtubs, sinks, drains (including p-traps) and drain seals as well as bathroom and kitchen plumbing fixtures (including the joints where the fixtures attach to pipes), faucets, fans, valves, washers, and gaskets; air conditioning equipment, forced air Units, filters, furnaces, heating conduits, ducts, blowers, and clothes dryer vents; water heaters; tile, grout, caulking and waterproof elements of any bathroom and kitchen surfaces, including any waterproof elements behind tiles or other finish material. Electrical switches, receptacles, boxes and panels, fuses, circuit breakers, battery

operated smoke detectors and similar alarms, utility components, fixtures, and appliances which are located wholly within the boundaries of a Unit or are recessed in the wall of the Unit and accessible from the Unit, and which service only that Unit, are also part of the Unit. The Unit does not include bearing walls or the space containing pipes and conduit between the walls of Units; the columns; and vertical supports; subfloors; unfinished floors, roofs; foundations pipes, ducts, flues, conduits, wires, and other utility installations which are located outside the boundaries of a Unit.

ARTICLE 2 PROPERTY RIGHTS AND EASEMENTS

2.1 Ownership of Units

Title to each Unit shall be conveyed in fee to an Owner.

2.2 Ownership of Common Area

Each Owner of a Unit shall be conveyed an undivided 1/42 interest in the Common Area.

2.3 No Separate of Unit from Common Area

Each Owner's right to use the Common Area is appurtenant to that Owner's Unit. Any transfer of a Unit shall automatically transfer the right to use the Common Area regardless of whether the instrument of transfer references the Common Area.

2.4 Owners' Easement over Common Area

By reference to this Declaration, each grant deed to a Unit shall be deemed to be conveyed with the benefit of, and subject to, all applicable easements set forth in this Article 2, regardless of whether the instrument of transfer references all applicable easements. The easements described in this Article 2 shall not be transferred or encumbered separately from the Unit to which they are appurtenant.

2.5 Common Area

Each Owner shall have a non-exclusive right and easement for the ingress, egress, use and enjoyment of the Common Area which shall be appurtenant to and shall pass with the title to every Condominium, subject to the following provisions:

(a) The right of the Board to adopt Association Rules governing use of the Common Area and Common Facilities, including charging a usage fee;

(b) The right of the Board to suspend rights to use the Common Facilities for any violation of the Governing Documents (after notice and a hearing);

(c) The right of the Association to grant, convey and dedicate fee title to or easements over all or any portion of the Common Area; and

(d) The right of the Association to grant a license or to rent any unassigned Exclusive Use Common Area.

2.6 Association's Right of Entry

Each Unit and Exclusive Use Common Area shall be subject to the right of the Association or its agents to enter for the purpose of inspection, obligations, and duties under this Declaration, including to enforce such obligations or duties, with regard to maintenance or

repair of any components or facilities as provided in this Declaration (whether the Association's or Owner's responsibility), upon forty-eight (48) hours' written notice to the Owner (or less, if urgency is necessitated by an emergency situation). Notice to a resident may be in written or verbal form. No notice is required prior to entry in case of an emergency originating in, or threatening the Common Area or a Unit, whether or not the resident is present. Each Owner must notify the Association of any maintenance problem or any hazardous or unsafe condition that exists in that Owner's Unit or Exclusive Use Common Area. The Association shall not be deemed negligent for failure to address a problem which was not brought to the attention of the Board in a timely manner or for any situation where an opportunity to take action upon the problem was not reasonably provided to the Association. Each Owner shall provide the Association with his or her emergency contact information.

2.7 Delegation of Use

To the extent any Unit is leased or rented to third parties, tenants shall receive the right to use the Common Area and Common Facilities under assumed delegation by the Owner of the Unit. The Owner shall be responsible to take whatever steps are necessary to assure that the tenants and/or guests are familiar with the Governing Documents of the Association and comply with all of the Association Rules. Owner shall provide to tenant(s) copies of all Association Rules of the Association and be responsible for tenant and guest conduct. All delegated rights are subject to suspension for violation of the Governing Documents.

2.8 Utility Easements

Each Owner and the Association shall have a non-exclusive right and easement over, under, through and across the Project for utility lines, pipes, wires, conduits, or other devices for electricity, cable television, internet services, fiber optics, telecommunication equipment, power, telephone and other purposes, and any similar Improvements originally installed for the benefit of the Project. All governmental and quasi-governmental agencies shall have an easement over the Common Area and Units in order to perform their duties and maintain all publicly-maintained utilities.

2.9 Encroachments

There is reserved for the benefit of each Unit, as dominant tenement, an easement for encroachment, support, occupancy and use of such portion of the Project and each other Unit and the Common Area jointly as the servient tenement, as shall be encroached upon, used and occupied by the dominant tenement as a result of any accretion, erosion, addition, subsidence, deterioration, decay, construction errors, movement or subsidence of any residence building or structure or any portion thereof or any other cause. The easement of encroachment may be cured by repair and restoration of the structure.

2.10 Partition Prohibited

Except as provided in California Civil Code Section 4610, there shall be no judicial partition of the Project or of any part thereof. Each Owner, and each successor of each Owner, specifically waives and abandons all rights, interests and causes of action for judicial partition of the tenancy-in-common ownership of the Common Area. Each Owner agrees that no action for judicial partition of the Project shall be instituted, prosecuted or reduced to judgment, except in compliance with California Civil Code Section 4610. If a Condominium is owned by two or more Owners as partners, tenants-in-common, or joint tenants or as community property, nothing contained in this Section shall be deemed to prevent a judicial partition of their co-ownership.

ARTICLE 3 USE RESTRICTIONS

3.1 Activities Affecting Insurance

Nothing shall be kept in or on any Unit which might increase the rate of, or cause the cancellation of, insurance on the Project, or any portion thereof, without the prior written consent of the Association. No Owner shall permit anything to be done or kept in or on his or her Unit which is in violation of any law, ordinance, statute, rule or regulation of any local, city, county, state or federal body.

3.2 Antennas and Satellite Dishes

No antenna or satellite dish with a diameter or diagonal measurement exceeding one meter (three (3) feet), or with a height more than twelve (12) feet above the roof line shall be permitted anywhere in the Project. Installation of a radio, video, or television antenna, including a satellite dish, designed to receive television signals that is, or will be, situated wholly within the boundaries of an Owner's Unit or Deck must meet the applicable requirements of California Civil Code Section 4725 and the U.S. Code of Federal Regulations, 47 CFR Section 1.4000, or comparable superseding statutes and regulations. The Board may adopt Association Rules which: (a) establish and impose penalties on Owners who violate this Section and any applicable Association Rules; (b) require that the Owner notify the Board prior to installation of such radio, video, or television antenna, including a satellite dish; and (c) require installation in preferred locations or impose painting or other camouflage requirements, provided such requirements do not impair reception or place an unreasonable financial burden on the Owner.

3.3 Business and Commercial Uses Prohibited

No part of the Project shall be used or allowed or authorized in any way directly or indirectly for any business, commercial, civil, manufacturing, mercantile, storing, vending, or other such nonresidential purposes except for home offices or occupations without any external evidence of said office or occupation. External evidence includes but is not limited to extra vehicles, foot traffic, signs, employees onsite, excessive deliveries, loud noise or other nuisance, and any other visible signs of business. No Unit may be used for any business activity that is not legal or permitted by the City, by the Association Rules or this Section. A permit issued by the City and/or adherence to municipal regulations and ordinances does not provide an Owner the right to conduct a particular home business within the Association.

3.4 Clothes Drying Area

There shall be no exterior drying or laundering of clothes or other items on Decks.

3.5 Common Area

No appliances, materials, improvements, structures, storage bins or other items may be kept or constructed on the Decks, Parking Spaces or other portions of the Common Area. There shall be no storage of any items within the Common Area, except items allowed in Storage Compartments, unless prior written approval is obtained by the Board.

3.6 Daycare Facilities

Certain daycare facilities are allowed by State law. Anyone wishing to operate such a facility must comply with all applicable laws, must register as appropriate with the local municipality and/or the State of California (as state law requires), and must also register with the Board. The Board may require the provider to supply a copy of the municipal or state license. Daycare providers or Owners of the Unit being used for daycare must obtain liability insurance

to cover personal injury and/or property damage with a policy limit that is acceptable to the Board and must name the Association as an additional insured, and provide a certificate of insurance to the Association. If there is an additional cost to name the Association as additional insured (which the Association may require by law), the Association shall reimburse the additional cost. Daycare operators and all customers or clients must comply with Association Rules.

3.7 Electric Vehicle Charging Stations and Usage of Power

No unusually large or heavy use of electricity involving a central meter or any situation involving separate power that causes a threat or safety hazard to the surrounding structures or any persons is allowed within the Project. This includes electricity use related to electric vehicle charging stations ("EVCS") as well as any power equipment, appliances, etc. An Owner may install an EVCS after obtaining written approval from the Board. Owners are required to pay all related costs including but not limited to installation and removal, construction, consumption of electricity, and insurance, and may be required to execute a recordable agreement indemnifying the Association and its Members from future damage and personal injury arising out of the use and maintenance of the EVCS. The California Civil Code provides requirements for Owners and Associations regarding EVCS and the cost of electricity, rule-setting capability, and insurance requirements and allows designation of Common Area Parking Spaces for EVCS without membership approval.

3.8 Exterior Lighting

All exterior lighting shall comply with the Association Rules and standards established by the City of Lakeport.

3.9 Indoor and Outdoor Spas or Jacuzzi Tubs

No Jacuzzis, Jacuzzi tubs, hot tubs or spas may be installed inside or outside on the Decks.

3.10 Rental of Units

The following rental restrictions are consistent with the Second Restated Declaration recorded on March 24, 2004, which established the date of retroactivity for the rental prohibitions. Since the rental prohibitions became effective prior to the adoption of California Civil Code Section 4740 [exempting current Owners], they apply to current and future Owners.

(a) **Rental of Units.** No Unit shall be leased or subleased for transient or hotel purposes (i.e. a rental for any period less than thirty (30) days and/or a rental which includes providing the occupants with customary hotel service such as room service for food and beverage, maid service, laundry and linen service, or bellboy service).

(b) **Two Year Owner-Occupancy Requirement.** All Units shall be occupied by the Unit's Owner(s) during the first two (2) years after the Unit is acquired by said Owner(s). This two (2) year period shall commence as of the date that the grant deed transferring title is recorded.

(c) **Grandfathered Units.** All Owners who were leasing Units as of March 25, 2004 (the recordation date of the Second Restated Declaration), are grandfathered for the Unit owned as to the restrictions herein. Upon transfer to another (not including placing in a trust in the Owner's name) by sale, gift, inheritance or otherwise, the grandfathering ends. Upon vacancy of a grandfathered Unit for more than thirty (30) days, the grandfathering ends.

(c) **20% Limitation.** In order to preserve the ability to obtain conventional loans, the Association shall limit the number of Units that may be leased or rented at any time to twenty percent (20%), which is the equivalent of 8 Units. For purposes of this Section, a Unit is not considered leased or rented when at least one of the residents of the Unit is an Owner or a member of Owner's immediate family, which shall be defined as father, mother, husband, wife, son or daughter of an Owner.

(e) **Hardship Exemption.** The Board may, in its discretion, grant a temporary exemption to the restrictions on the two-year owner occupancy requirement and/or the 20% cap if the request from an Owner, presented in writing, demonstrates a hardship. The Owner must present the Board with a written request outlining the circumstances such as the Owner's illness, death, or extreme financial hardship such as loss of job or transfer, necessity of caring for a relative affected by illness, required deployment for military service or training, or other hardship to warrant a temporary exemption. The exemption shall not exceed more than one year. One follow-up request may be made for up to an additional year.

Within thirty (30) days of receipt of an Owner's written request for a temporary exemption, the Board shall review the request and provide a written notification to the Owner stating whether the written request was approved or disapproved, and shall provide the specific reason for any disapproval. Within fifteen (15) days after the date of the Board's written notification, the Owner may request a hearing before the Board. The Board shall determine the date for the rehearing and shall provide Owner at least ten (10) days written notice.

(f) **Priority/Waiting List.** The Association shall keep a list of all leased or rented Units as defined by this Section. If at any time the number of leased Unit falls below 20%, the Association may authorize additional Owners to lease their Unit. The Association shall keep a waiting list of Owners requesting authority to lease the Unit. The Owner's name shall be placed on the waiting list in the order that the Owner's written request to lease is received by the Association. Subject to a hardship exemption, the Owner at the top of the waiting list shall be given the next available opportunity to lease the Unit. Once the Association has granted an Owner authority to lease the Owner's Unit, the Owner shall have the right to continue leasing the Unit to two (2) consecutive renters as long as the Owner complies with the provisions of this Section. However, if the Unit is not renter-occupied for a period in excess of thirty (30) days, then that Unit loses its lease status and that Owner must reapply for and receive the Association's authorization before leasing said Unit.

(g) **Responsibility of Owner for Tenant Conduct.** Each Owner leasing a Unit shall be strictly liable to the Association and its Members for the actions of his or her tenants within the Project and compliance with the Governing Documents.

(h) **Disclosure Requirements.** Owners of all Units must disclose to potential buyers the existence of these rental restrictions. Each Owner must provide the Association with the names and contact information for any and all tenants of the Owner's Unit within ten (10) days of the tenant's occupancy.

3.11 Nuisances

No unusually noisy, hazardous, noxious, unlawful or offensive activity shall be allowed anywhere in the Project. No excessively loud music shall be allowed in any Unit or portion of the Project, and nothing shall be done or kept in the Project which may be or may become an annoyance or nuisance to the neighbors. No activity shall be allowed which shall in any way interfere with other Owners' quiet enjoyment of property. The Board may adopt specific rules intended to address or avoid nuisances and to protect the community, including rules restricting smoking in the Common Area, and may impose restrictions on smoking in Units where the smoking impacts the neighbors. Allowing second hand smoke to waft into a neighboring Unit or

any portion of the Common Area or Exclusive Use Common Area may be considered a nuisance. Additionally, all local regulations addressing smoking may be enforced. Any continuing or recurring violation of this Declaration or Association Rules is considered a continuing or recurring nuisance subject to disciplinary action including but not limited to fines imposed on a continuing or recurring basis.

3.12 Open Fires Prohibited

No open fires are allowed. Owners shall act responsibly in using barbecues or other devices that present potential fire hazards and shall advise tenants to be responsible. The Board may adopt Association Rules limiting the use of any device that allows for an open flame or large propane cannister. Fireplaces are designed for Presto logs only. Burning real wood is not allowed and considered a serious fire hazard. The Association's insurance does not allow briquette or propane barbecues, only electric barbecues are allowed.

3.13 Pets

All residents and visitors are subject to the municipal codes regarding pet/animal restrictions. The limit on the number of pets is two (2) and the types of pets are limited to cats or dogs or any pet defined by law in California Civil Code Section 4715. Dogs shall be limited to small breeds under thirty (30) pounds, unless approved by the Board. No animals of any kind shall be raised, bred or kept on any portion of the Project for commercial purposes. Owners are responsible for their pets and any nuisance or damage caused by them and are required to pick up solid waste left by pets. Owners may not allow pet waste to accumulate on Decks, walkways or in the Common Area such that it becomes a nuisance. All dogs must be on a leash at all times when in the Common Area. No vicious or threatening pets will be allowed in the Project. Breeds of dogs that have been identified as uninsurable by some companies including Pit Bull, Rottweiler, Akita, Bernese, Canary Dog, Chow Chow, Doberman, Husky, Karelian Bear, Rhodesian Ridgeback, or Russo-European Laika are prohibited. To the extent any Owners have a dog on this list, the pet will be grandfathered if the resident registers the pet with the Board, giving the breed, size, name and a description. Grandfathering a pet does not preclude an order of removal if the pet exhibits threatening tendencies towards persons, other pets or damages property, or becomes a nuisance. All Owners are strictly liable for any costs or damages that the Association or any resident incurs caused by an animal kept or brought into the Project by an Owner or any person associated with a Unit. The Board may adopt additional rules, restrictions, and regulations regarding pets and may order removal of any animal that becomes a nuisance. None of these provisions shall be enforced in a manner that will constitute discrimination against a disabled person or violate California or Federal law.

3.14 Signs

No sign or flag of any kind shall be displayed to the public view on or from any Unit or in the Common Area without prior written consent of the Board, except those regulated by California law and Association rules, which may include: (1) noncommercial signs as limited by law, (2) display of the U.S. Flag by methods of display allowed by the Association Rules compliant with State and Federal law, (3) any sign required by legal proceedings, and (4) a real estate sign advertising the Unit for sale or lease, to be placed in a window of the Unit or any other acceptable area designated by the Board. All signs, flags, and banners are subject to size limitations specified in Association Rules adopted by the Board or set forth in California Civil Code Section 4710.

3.15 Solar Tubes and Skylights

No Owner skylights or solar tubes may be installed within the Units.

3.16 Sports Apparatus

No sports apparatus or equipment may be used or left unattended in the Common Area.

3.17 Trash, Recycling and Green Waste

Garbage and other waste items must be placed in designated dumpsters. No hazardous waste including fluorescent light bulbs or electronic waste disposal is permitted in the containers. Such items must be taken to local hazardous waste disposal stations. The Association may impose fines or other disciplinary action for deposit of hazardous items or furniture or other items that do not fit in the containers provided. Owners are subject to fines or Reimbursement Assessments for trash and debris left behind by tenants or occupants of the Unit so move in/move out situations should be monitored by the Owner.

3.18 Use and Occupancy of Residences

All Condominiums shall be subject to use under the local residential zoning regulations defining single family residential use. No more than two (2) persons per bedroom, plus one additional person per Unit, not including temporary guests, may reside in any Unit. In no event shall a Unit be occupied by more individuals than permitted by applicable zoning laws or governmental regulations.

3.19 Use of Walkways, Pathways and Driveways

Common Area walkways and pathways are for ingress and egress from the Units. Roads and driveways are for vehicle ingress and egress. Riding or use of any wheeled vehicles that present an unnecessary risk are prohibited on the walkways and driveway areas. This Section shall not be invoked to prevent those items used by a disabled person to accommodate transportation or mobility.

3.20 Vehicles, Parking, Carport Use and Parking Rules

(a) **Prohibited Vehicles.** No trailer, camper, mobile home, commercial vehicle, or truck in excess of 3/4 ton, inoperable or dilapidated vehicles, or similar equipment shall be permitted to remain upon the Project unless specific written consent of the Board is given. "Commercial vehicles" do not include sedans or standard-size pickup trucks which are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board.

Boats on trailers belonging to the occupants of a Unit may be parked in the Project in an assigned space in the garage or one unassigned parking space in the open spaces so long as the residents of any Unit park any vehicles constituting more than two (2) outside the Project. Boats on trailers must comply with the following:

- (1) Officially and currently registered and licensed with the appropriate licensing agency; and
- (2) Operable and not dilapidated;
- (3) Securely covered with a tarp or special cover such that the cover is tied down or secured and not left to blow around or flap in the wind;
- (4) No larger than 16' long, 7' high and 8' wide; and
- (5) Parked in the Parking Space assigned or available to the Owner of the boat.

(b) **Assigned Parking Spaces:** Each of the 42 Units is assigned one garage parking space. These spaces are subject to (a) above and are for use otherwise to park operable

vehicles only. The term "operable vehicles" means those vehicles which display current registration legal for driving on the public streets, are not dilapidated or missing important parts, and which fit within the assigned Parking Space without interfering with access to the adjacent Parking Space. No storage of any items is allowed in any Parking Space.

(c) **Open Parking Spaces:** The open parking spaces are reserved for resident parking and each resident may park one (1) vehicle on a first-come, first-served basis. The same requirements apply as to types of vehicles that are allowed by (a) and (b).

(d) **Violations/Towing of Vehicles.** Residents who park in violation of rules in any parking spaces are subject to disciplinary action or having their vehicle towed. Likewise, guests' vehicles parked in spaces designated for residents at any time are subject to being towed. Owners of Units occupied by any persons or responsible for visitors that are in violation of any rules are subject to disciplinary action including fines, loss of assignment to use an open parking space, or suspension of rights in addition to the towing remedy for all violations of this Declaration or Association Rules.

(e) **Identification of Vehicles.** Parking in the Project is limited and not adequate to freely allow residents to park multiple vehicles in open parking spaces. It may become necessary to implement additional requirements to regulate parking. Owners shall comply and require compliance of any occupants of the Unit to provide information regarding descriptions of vehicles and license plate numbers to the Board or management if requested, and shall comply with all requirements employed by the Board to regulate parking including any permit parking policy. Rules may be adopted relating to the provision of information or any permit parking to assist the Board in implementing control of parking in the Project.

(f) **No Vehicle Repairs.** No vehicle repairs are allowed in the Project, except minor repairs such as changing a tire or jump starting a vehicle, unless written consent is given by the Board.

(g) **Parking Rules and Regulations.** The Board may impose additional rules and regulations if determined prudent by the Board to control and regulate parking in the Project.

3.21 Window Coverings

Colors shall be limited to white or off-white colors. The Board may adopt more definitive rules and regulations relating to window coverings for windows that can be seen from the streets or Common Area. Windows shall not be covered with sheets, foil, blankets or other non-standard window coverings.

ARTICLE 4 MAINTENANCE AND REPAIR OBLIGATIONS

4.1 Association's Maintenance Obligations

(a) **Common Area.** The Association shall maintain, repair, and replace, as needed, all elements and facilities of the Common Area. Common Area includes the Common Facilities, the residential buildings (excepting the Units), the grounds and retaining wall, which are addressed in detail on the Exhibit B (Maintenance Matrix) attached hereto.

(b) **Landscaping of Common Area.** The Common Area grounds include the lawn turf, trees, and bushes. Landscaping responsibilities shall include all decisions relating to trees, and any and all other features and aspects of landscaping that are a part of the Common Area.

(c) **Fences and Retaining Wall.** The Association shall maintain, repair and replace all fences and the continuous retaining wall between the buildings and Clear Lake.

(d) **Marina.** The boat slip lessees shall maintain the floating dock and all boat slips and private docks, gates and ramps. The Association is not responsible for any costs of building new docks and is not obligated to pay for upgrades to existing docks.

(e) **Utilities.** The Association shall maintain, repair and replace all utilities facilities within the Common Area, including all pipes, lines, meters, breakers, lighting, irrigation, gas, electricity, sewer and water, and utilities improvements that are not maintained by public entities.

(f) **Pests and Termites.** Exterior repairs and preventive measures that are deemed necessary by the Board due to the presence of termites, pests, wasps, rats, yellow jackets, other harmful pests or organisms, and dry rot on the buildings and outside of the Units are the Association's responsibility. If fumigation by tenting is determined by the Board to be necessary for the eradication of termites, or for any other reason the Units must be vacated for repairs, the Owners are responsible for any and all relocation costs of occupants. The Association does not pay these costs.

4.2 Owner's Maintenance Obligations

Except for those portions of the Project which the Association is responsible for maintaining under Section 4.1 above, each Owner shall be responsible, at his or her sole cost, for cleaning, maintaining, repairing and replacing all Improvements within his or her Unit and Exclusive Use Common Area, as described on or Exhibit B (Maintenance Matrix) attached hereto.

(a) **Interior of Unit.** Each Owner shall maintain, repair and replace all fixtures, items, upgrades, and Improvements located in a Unit, and shall have the exclusive right at his/her sole cost to paint, repaint, tile, wax, paper or otherwise refinish and decorate the inner surfaces of the walls, ceilings, floor surfaces, windows and doors and the surfaces of bearing walls and partitions within his/her Unit, including substituting new finished interior surfaces in place of those existing on the walls, floors, partitions or ceilings, with exceptions as noted. Owners are responsible for all ceiling, wall and flooring covering and finishes. No changes to the flooring or any of the structural portions of the building or shared walls, electrical, plumbing, or utility systems may be made, installed or relocated without written approval under Article 5 (Architectural Control). Any of these modifications made without approval is subject to removal and restoration of the area. If an approved modification proves to be a nuisance or safety issue, the Board may order removal or restoration of the area.

(b) **Water Damage Including Mold.** Each Owner shall promptly cleanup and repair of all property within his or her Unit when damaged because of water intrusion or sewer backup. Each Owner or resident must promptly report to the Association any evidence of a water leak or backup so that the Association may investigate the cause and determine if there is any Common Area property that is in need of repair. The Association shall promptly repair any damaged Common Area or any roofs, gutters, or Common Area pipes or lines that are the source of a leak or water intrusion into the Common Area or a Unit. Interior repairs of all interior plumbing, water, and electrical pipes, tubes, and lines that are within the Unit are the responsibility of the Owner of the Unit; provided, however the Board may require or arrange for such repairs to prevent further damage if the Owner is not acting quickly to take responsibility. The Board may adopt a water damage/mold remediation policy to provide more detail and protocols in the handling of issues or claims that arise due to water leaks and/or intrusion.

(c) **Appliances and Fixtures.** Each Owner shall maintain, repair and replace all appliances and fixtures in a Unit including all tubing, filters and vents. Nothing may be modified, installed or relocated that would affect shared utility, electrical, venting, or plumbing systems

without receiving specific written approval under Article 5 (Architectural Control) as well as adherence to all Association Rules. Owners shall maintain, repair and replace their HVAC units, interior and exterior. Any replacement shall be coordinated through the Association's management company.

(d) **Plumbing Facilities/Wiring/Utilities.** Each Owner shall maintain, repair and replace, as needed, all systems within the boundaries of his or her Unit and repairing damage caused by such systems including plumbing, electric, water, sewer, telephone, internet, and cable. Modification, replacement, or repair of any wall containing electrical conduit or plumbing or any wiring or plumbing systems that connect to systems serving other Units and/or the Common Area requires specific written architectural approval under Article 5 (Architectural Control).

(e) **Termites, Pests, and Dry Rot.** Each Owner shall eradicate pests within his or her Unit, including bed bugs, cockroaches, fleas, ants, and dry rot that is caused by conditions within the Unit or Deck (i.e. water overflowing from planters). If fumigation is required, the Board may order it and seek reimbursement or payment of costs if the pest is caused by the Owner or Owner's Invitee. Owners are responsible for their own relocation costs in the event it is determined that tenting or fumigation is required to eradicate any pests. Each Owner shall repair dry rot in any area caused by a condition within the Owner's Unit, including failure to perform maintenance or promptly report a leak affecting a Unit or Common Area and the delay causes additional damage. An Owner may be held responsible for any damage that can be traced to a failure to promptly report any leak originating from the Common Area.

4.3 Failure to Maintain Unit and/or Exclusive Use Common Area

In the event that an Owner fails to maintain the interior of his or her Unit or Exclusive Use Common Area, or any of the items which the Board deems necessary to preserve the appearance and value of the Project, the Board may notify the Owner of the work required and request that it be done within sixty (60) days from the giving of such notice. In the event the Owner fails to carry out such maintenance within the sixty (60) day period, the Association may, but is not obligated to, enter the Unit, Exclusive Use Common Area or other Common Area and perform such maintenance itself and to levy a Reimbursement Assessment to recover such maintenance or repair costs, after providing the Owner with notice and the opportunity for a hearing before the Board. Entry into a Unit or Exclusive Use Common Area shall be made only after forty-eight (48) hours' notice in accordance with Section 2.6 (Association's Right of Entry).

4.4 Damage to Common Area or Exclusive Common Area Caused by Owner

If any portion of the Common Area or Exclusive Use Common Area is damaged and such damage originates from a Unit, the Owner of the Unit from which the damage originated shall pay to repair the damage and/or the Association's insurance deductible, without regard to whether the Owner was negligent. If any portion of the Common Area or Exclusive Use Common Area is damaged and such damage is caused by the negligent act or omission of an Owner or Owner's Invitee, the responsible Owner shall pay to repair the damage and/or the Association's insurance deductible. If the Owner fails to pay to repair the damage or the insurance deductible, the Association may pay to repair the damage and/or pay the insurance deductible on behalf of the responsible Owner and then levy a Reimbursement Assessment against that Owner's Unit.

4.5 Damage to Units Caused by Owner

If any portion of a Unit is damaged and such damage originates from a Unit, the Owner of the Unit from which the damage originated shall pay to repair such damage, without regard to

whether the Owner was negligent. If the responsible Owner fails to pay to repair the damage, the Association may pay to repair such damage and then levy a Reimbursement Assessment against that Owner's Unit to recover its repair costs.

ARTICLE 5 ARCHITECTURAL CONTROL

5.1 Alteration Requiring Prior Approval

The Board may appoint members to serve as the Architectural Review Committee ("**ARC**"), or serve as the ARC if there are not sufficient qualified volunteer Owners to serve on the Committee. ARC members if appointed, shall serve in that capacity for a one-year term. If there is a separate ARC, it shall serve to review applications and to make recommendations to the Board. The Board may remove an ARC member from the committee without cause and appoint a successor to fill the remaining term of the removed member. If the Board does not appoint an ARC, the Board shall assume all duties and responsibilities of the ARC.

Owners may not commence any of the following without applying for and receiving written architectural approval from the Board:

(a) Any change, modification, rearrangement, or additions or installations in any Unit that involves construction, rewiring, or replumbing that would touch, concern, affect or alter the roof or roofing system, any neighboring Unit, any common walls or common utility or plumbing or other shared systems, or that would affect the supporting structures;

(b) Any exterior addition, change or installation that could adversely affect the Common Area or existing retaining walls or that involves installation of an antenna, satellite dish, pole, standard, or any other item/structure placed anywhere on a building, roof, on a Deck or in a yard area or that may be affixed to any exterior wall. Nothing may be affixed to any portion of the exterior of buildings without ARC approval. No one is allowed to be on the roof of any building unless authorized by the Board.

(c) There shall be no hard surface flooring installed in any Unit that is not a ground floor Unit.

5.2 Alteration Not Requiring Prior Approval

Notwithstanding the foregoing, an Owner may improve or alter any Improvements located within the interior boundaries of the Owner's Unit without Board approval such as replacement of wall coverings; replacement of floor coverings; and the placement of artwork, mirrors, wall covering or other items to be affixed to the drywall but which do not penetrate beyond the drywall. No prior approval is required for any Alteration to the existing plumbing or electrical fixtures, pipes, lines, cables, conduits and/or other plumbing or electrical apparatus located within a Unit or which exclusively serves a single Unit, including such items within the exterior walls or roof of said Unit.

5.3 Architectural Standards

The Board or ARC may, from time to time, adopt, amend, and repeal rules and regulations to be known as "Architectural Rules." Said Architectural Rules shall interpret and implement the provisions of this Article 5 by setting forth the standards and procedures for construction of improvements.

5.4 Submission of Plans and Specifications

Prior to commencing any Alteration that requires approval, the Owner shall submit a completed architectural application form, plans and specifications, evidence of contractor's license and certificate of insurance and other information required by the Association Rules.

5.5 Response

The Board/ARC shall respond in writing to an Owner's notice of the proposed Alteration within sixty (60) calendar days of receipt of the completed application and plans and specifications. If the Board/ARC fails to respond within sixty (60) calendar days, the applicant may deliver a written demand for action. If the Board/ARC fails to approve or disapprove the application within sixty (60) calendar days of the written demand, approval shall be deemed granted unless a written extension is executed by the person submitting the application or by the Board/ARC. The Board/ARC's response may be an approval, a conditional approval, or denial of the proposed Alteration. If the Board/ARC's response is a conditional approval or denial, the reasons for such decision shall be provided in the written response provided to the Owner. If the Board/ARC's response is a conditional approval, the written response shall also include direction as to how the Owner should modify the proposed Alteration to obtain an unconditional approval. The Board may require the applicant to sign a recordable indemnity agreement that will require the applicant to perform all needed maintenance, repair and replacement at his or her expense. The agreement shall then be recorded in the chain of title to the Unit so it will be binding on successor Owners of the Unit. Applications for satellite dish or electrical vehicle charging station (EVCS) installations will be given expedited review. If an ARC that is separate from the Board has made recommendations, any Owner whose application is denied shall be entitled to seek reconsideration by the Board if the request is made within thirty (30) days of the date of written denial or approval with conditions is sent to the Owner. The Board shall consider the matter at the next Board meeting scheduled after the request is made, or at a special Board meeting that is an open meeting, scheduled for the purpose of reconsidering the application.

5.6 Completion

Upon approval by the Board, no subsequent material modification to the approved plans and specifications shall be permitted, unless the Owner first requests and obtains approval of such modification from the Board. Prior to starting work, the Owner shall pay a refundable deposit, in an amount determined by the Board, to cover any repairs or losses resulting from damage to the Common Area by the Owner's contractor or agent. All work shall be completed within ninety (90) days after receipt of approval, unless the Owner obtains written approval from the Board for any delays.

5.7 Inspection

Inspection of work and correction of defects therein shall proceed as follows:

(a) Upon twenty-four (24) hours' oral or written notice, Board members or representatives shall have the right to inspect the jobsite during the construction or installation of the proposed Alteration to confirm that work is proceeding in accordance with the approved plans and specifications. If it is not, the Owner shall be notified in writing by the Board of the violation(s) and shall have thirty (30) calendar days to remedy the non-compliance.

(b) Upon completion of the construction or installation work, the Owner shall provide the Board with a written notice of completion.

(c) Within sixty (60) calendar days after the Board receives the notice of completion, the Board's designated representative shall have the right to inspect the completed work to determine whether or not said work substantially complies with the approved plans and specifications.

5.8 Non-Compliance

If (a) an Owner fails to obtain the necessary approval, as described in Section 5.4 (Submission of Plans and Specifications); or (b) an Owner fails to complete work within the one hundred eighty (180) day period or alternative timeframe specified in Section 5.6 (Completion); or (c) the construction or installation of the proposed alteration does not substantially comply with the approved plans and specifications, then the Board shall provide the Owner with written notice of the non-compliance, describing the violation(s). Where the Board discovers a violation during the sixty (60) day final inspection period, the notice of non-compliance must be mailed or delivered to the Owner within that sixty (60) day timeframe. The Owner shall be provided with thirty (30) calendar days to rectify the violation(s), measured from the date the Board delivers its notice of non-compliance to the Owner. If the Owner fails to rectify the violation(s) within the thirty (30) day timeframe, the Board shall provide notice and an opportunity for a hearing to consider the Owner's continuing non-compliance. At the hearing, if the Board finds that there is no valid reason for the continuing non-compliance, the Board shall determine the estimated costs of correcting it. The Board shall then require the Owner to remedy or remove the non-complying Improvement within a period of not more than forty-five (45) days from the date of the Board's determination. If the Owner does not comply with the Board's ruling within such forty-five (45) day timeframe, or within any extension of such period as the Board, in its discretion, may grant, the Board may either remove the non-complying Improvement or remedy the non-compliance. The costs of such action shall be levied against the Owner as a Reimbursement Assessment. Such costs include but are not limited to: (a) reconstruction or repair to the Unit and its related costs; (b) reconstruction or repair to the Common Areas or Exclusive Use Common Areas and its related costs; (c) attorneys' fees; and (d) court costs.

5.9 Estoppel Certificate

Within thirty (30) days after written demand is delivered to the Association by any Owner, and upon payment to the Association of a reasonable fee (as fixed from time to time by the Board), the Board shall cause to be recorded an estoppel certificate, certifying (with respect to any Unit of said Owner) that as of the date thereof, either: (a) all Improvements made and other work completed by said Owner comply with this Declaration, or (b) such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements or work and set forth with particularity the basis of such non-compliance. Any purchaser from the Owner, or from anyone deriving any interest in a Unit through him or her, shall be entitled to rely on said certificate with respect to the matters therein set forth, such matters being conclusive as between the Association and all Owners and such persons deriving any interest through them.

5.10 Liability

Neither the Board nor any member thereof shall be liable to the Association or to any Owner for any damage, loss, or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings, and specifications, whether or not defective; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; or (c) the execution and filing of an estoppel certificate pursuant to Section 5.9, whether or not the facts therein are correct; provided, however, that the Board, or any member thereof, has acted in good faith on the basis of such information as may be possessed by him or her.

5.11 Compliance with Governmental Requirements

In addition to obtaining approval from the Board, an Owner shall obtain any necessary building permits and satisfy all governmental requirements for the proposed Alteration.

ARTICLE 6 ASSESSMENTS

6.1 Purpose of Assessments

The assessments collected by the Association shall be held by the Association in trust for the benefit of, and on behalf of, each Owner, and shall be used solely to operate and maintain the Project as provided in this Declaration.

6.2 Regular Assessments

(a) **Pro Forma Operating Budget.** Not less than thirty (30) days nor more than ninety (90) days before the end of the fiscal year, the Association shall distribute the pro forma operating budget with the Annual Budget Report, as described in Section 11.1 of the Bylaws.

(b) **Regular Assessments.** Not less than thirty (30) days nor more than ninety (90) days before the end of the fiscal year, the Board shall establish the Regular Assessments for the coming fiscal year when it approves the pro forma operating budget for that fiscal year, as described in Section 11.1 of the Bylaws. If the Board fails to fix the amount of the Regular Assessment for the coming fiscal year, the amount of the Regular Assessment established for the preceding fiscal year shall continue until a new Regular Assessment amount is fixed.

(c) **Limitations on Regular Assessments.** The Board may not establish a Regular Assessment for any fiscal year which is increased by more than twenty percent (20%) of the Regular Assessment for the prior fiscal year without the approval by secret ballot, as described in the Bylaws, of a majority of the votes cast during an election where a quorum has been established. For purposes of this Section, a "quorum" means more than fifty percent (50%) of the Members. These limitations do not apply to increases in Regular Assessments that address any one of the following emergency situations:

- (1) Complying with the requirements of a court order;
- (2) Repairing or maintaining the Project, or any part of it for which the Association is responsible where an immediate threat to personal safety on the Project is discovered; or
- (3) Repairs to or maintenance of the Project that could not have been reasonably foreseen in preparing the pro forma operating budget, provided that prior to the imposition of the assessment, the Board shall have made and distributed to the Owners written findings as to the necessity of such repairs or maintenance and the reason that they could not have been reasonably foreseen.

6.3 Accounting Treatment of Reserves

Unless the Association or its assessment income shall be exempt from federal or state income taxes, to the extent possible, all reserves shall be accounted for and handled as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in such other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board as will prevent such funds from being taxed as income of the Association.

6.4 Limitations on Use of Reserves

The signatures of at least two (2) Board members shall be required for the withdrawal of funds designated as reserve funds. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement or maintenance of major components for which the reserve fund was established, or litigation relating thereto. Notwithstanding this limitation, the Board (a) may authorize the temporary transfer of money from the reserve account to the Association's operating account to meet short term cash flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons why the transfer is needed, and describing when and how the money will be repaid to the reserve account, (b) shall cause the transferred funds to be restored to the reserve account within one (1) year of the date of the initial transfer; however, the Board may, upon making a documented finding that a delay of restoration of the funds to the reserve account would be in the best interests of the Project, delay the restoration until such time as it reasonably determines to be necessary, and (c) shall exercise prudent fiscal management in maintaining the integrity of the reserve account and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the three (3) year period described in (b) above. Any such Special Assessments shall not be subject to the limitations specified in Section 6.5 (Special Assessments). If the Board uses reserve funds or temporarily transfers money from the reserve account to pay for litigation, the Association shall notify the Owners of that decision and the availability of an accounting on those expenses in the next available mailing pursuant to California Corporations Code Section 5016. The Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by the Owners at the Association's office.

6.5 Special Assessments

(a) Determination of Amount

If at any time the Board determines that the estimated total amount of funds necessary to defray the Common Expenses of the Association for a given fiscal year is or will become inadequate to meet expenses for any reason, including, but not limited to, unanticipated delinquencies, costs of construction, costs to purchase Units following damage or destruction, or unexpected repairs or replacements of major components of which the Association is responsible, the Board shall determine the approximate amount necessary to defray such expenses, and if the amount is approved by a majority vote of the Board, then that amount shall become the amount of the Special Assessment to be levied against Owners. The Association may, in the discretion of the Board, levy the assessment immediately against each Unit or pro rate such Special Assessment over the remaining months of the fiscal year and/or beyond the fiscal year. Unless exempt from federal or state income taxation, all proceeds from any Special Assessment shall be segregated and deposited into a separate bank account and shall be used solely for the purpose(s) for which the Special Assessment was levied, or the proceeds shall be otherwise handled and used in a manner authorized by law or regulations of the Internal Revenue Service or the California Franchise Tax Board in order to avoid, if possible, the taxation of the proceeds as income of the Association.

(b) Limitations on Special Assessments

Except in the case of an emergency situation, as defined by California Civil Code Section 5610, the Board may not levy a Special Assessment that would be in an amount in excess of five percent (5%) of the budgeted gross expense of the Association for the fiscal year without the approval by secret ballot, as described in the Bylaws, of a majority of the votes cast during an election where a quorum has been established. For purposes of this Section, a "quorum" means more than fifty percent (50%) of the Members. These limitations do not apply to Special Assessments in excess of five percent (5%) of the budgeted gross expenses of the

Association for that fiscal year where the Special Assessment is levied for the purpose of addressing any one of the emergency situations described in Section 6.2(c).

6.6 Marina-Related Assessments

The Association shall levy Marina-Related Assessments to pay for repairs, maintenance, and/or replacement of any of the Marina Improvements including all docks, slips, gates, ramps and any Improvements associated with the Marina. While all other assessments except for Reimbursement Assessments or monetary penalties are allocated among all Owners, the Marina-Related Assessments are allocated only among the lessees who have private exclusive use of an individual Marina slip and adjacent dock. With regard to any added slips/docks, the Owner that has gained the right to have a private slip/dock at the Marina shall bear the entire expense of original construction of the slip/dock, after which time the responsibility for maintenance, repair and replacement (if damaged by an event not within the control of the Owner) shall shift to the Association. Marina-Related Assessments are subject to the same limitations as Special Assessments as described Section 6.5(b) above.

6.7 Allocation of Regular Assessments and Special Assessments

(a) Regular Assessments and Special Assessments shall be assessed on a prorated basis, based upon the number of square feet of each Unit, as set forth in Exhibit A hereto.

(b) Marina-Related Assessments are imposed equally only on the Owners who have private exclusive use of a private dock and slip in the Marina. With regard to any added slips/docks, the Owner who builds the private slip/dock at the Marina [County and ARC approval are both require] shall bear the entire expense of original construction of the slip/dock, after which time the responsibility for maintenance, repair and replacement (if damaged by an event not within the control of the Owner) shall shift to the Association.

6.8 Reimbursement Assessments

The Association shall have the power to levy a Reimbursement Assessment against an Owner to reimburse the Association for expenditures made by the Association (a) to repair damage caused by an Owner or Invitee; (b) to enforce the Owner's obligations and responsibilities under the Governing Documents; or (c) to reimburse the Association for financial losses caused by an Owner's errors or omissions or violation of the Governing Documents or Association Rules. A Reimbursement Assessment shall be due and payable to the Association when levied and may be enforced by lien and/or nonjudicial foreclosure.

6.9 Installment Payments of Assessments

Regular Assessments and Marina-Related Assessments shall be payable in equal monthly installments. All Special Assessments, unless a single payment or other basis for payment is elected by the Board, shall be adjusted according to the number of months remaining in the fiscal year and shall be payable in equal monthly installments.

6.10 Non-Waiver of Assessments; No Offsets

No Owner may waive or otherwise escape personal liability for the payment of all assessments levied against that Owner's Unit by non-use or abandonment of that Owner's Unit. No offset against any assessment shall be permitted for any reason, including any claim made by an Owner that the Association is not properly discharging its duties and obligations.

6.11 Assessment Due Date

The first day of each month shall be the due date for all monthly installments of Regular Assessments and Special Assessments. If, in the sole discretion of the Board, a Special Assessment is levied in a single payment and not pro-rated over the remaining months of the fiscal year and/or beyond the fiscal year, said Special Assessment shall be due and payable to the Association when levied upon the Owner. Reimbursement Assessments shall be due and payable to the Association when levied upon an Owner.

6.12 Delinquent Assessments; Late Fees and Interest

All payments not received within fifteen (15) calendar days of the due date shall be deemed delinquent. There shall accrue with each delinquent assessment, or installment thereof, a late charge equal to the maximum amount permitted under California Civil Code Section 5605 (or under any successor provision of California law which limits the amounts of such late charge). The Association may recover its reasonable costs incurred in collecting delinquent assessments or installments including attorneys' fees, from the delinquent Owner. Interest on all assessments or installments owing by an Owner, including reasonable costs of collection and late charges, shall accrue at an annual percentage rate of twelve percent (12%), commencing thirty (30) days after the assessment or installment becomes due, or at such lower rate as may be specified from time to time by the Board or such higher rate as may be allowed by law and specified from time to time by the Board. Any payments toward a delinquent assessment or installment shall first be applied to the assessment or installments amounts owed, and only after the assessment or installments owed are paid in full shall such payments be applied to the fees and costs of collection, attorney fees, late charges or interest. When an Owner makes a payment, the Owner may request a receipt and the Association shall provide it. The receipt shall indicate the date of payment and the person who received it. The Association shall provide a mailing address for overnight payment of assessments or installments.

ARTICLE 7 ENFORCEMENT OF ASSESSMENTS; LIENS AND FORECLOSURE

7.1 Right to Enforce

The right to collect and enforce assessments is vested in the Association, which shall have the authority to delegate the exercise of such right to an agent, including any management company, or representative thereof. The Association or its authorized agent or representative acting on behalf of the Association can enforce the obligation of the Owners to pay assessments provided for in this Declaration by commencement and maintenance of a suit at law or equity or the Association may impose a lien pursuant to Section 7.6 (Creation of Lien) and pursue its lien foreclosure and enforcement rights under Section 7.8 (Enforcement of Lien and Foreclosure). A suit to recover a money judgment for unpaid assessments together with all Additional Charges shall be maintainable without foreclosing or waiving the Association's lien rights. The Association shall have the right to attach, to seek appointment of a receiver, or to pursue any other remedy permitted by law in connection with any action to collect a delinquent assessment or to foreclose its lien.

When an Owner who is leasing his or her Unit fails to pay any Regular Assessment or other assessment or charge pursuant to this Declaration for a period of more than thirty (30) days after it is due and payable, then the delinquent Owner hereby consents to the assignment of any rent received from the tenant or lessee during the period of delinquency, and, upon request by the Board, tenant or lessee shall pay to the Association all such rent until all unpaid amounts owned by the Owner to the Association have been paid in full. All such payment made by tenant or lessee shall reduce, by the same amount, tenant's or lessee's obligation to make monthly rental payments to lessor. This Section shall not be construed to release the Owner from any obligation, including the obligation for assessments, for which he or she would

otherwise be responsible. The Association may enforce this assignment of rents provision by following the procedure set forth in California Civil Code Section 2938 or superseding statute.

7.2 Notice to Delinquent Owner

At least thirty (30) days before recording a lien against the Unit of an Owner pursuant to Section 7.6(a)(Recording of Notice of Delinquent Assessment), the Association shall notify the record Owner in writing by certified mail of the following:

(a) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount; a statement that the Owner has the right to inspect the Association records pursuant to California Corporations Code Section 8333, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed:

"IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION";

(b) An itemized statement of the charges owed by the Owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorneys' fees, late charges, and interest, if any;

(c) A statement that the Owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment(s) was paid on time to the Association; and

(d) The right to request a meeting with the Board to discuss a payment plan for the amount owing by the Owner.

7.3 Owner Disputes Delinquency

An Owner may dispute the amount owing as shown in the Association notice described in Section 7.2 (Notice to Delinquent Owner), above, by submitting to the Board a written explanation of the reasons for his or her disagreement within fifteen (15) calendar days of the postmark of the notice sent by the Board ("**Owner Explanation**"). On receipt of the Owner Explanation, the Association shall inform the Owner that the Owner may resolve the dispute through informal dispute resolution, as described in Section 7.4 (Informal Dispute Resolution as applied to Assessment Dispute), alternative dispute resolution ("**ADR**") as set forth in California Civil Code Sections 5925 *et seq.*, by civil action, or by any other procedures to resolve the dispute that may then be available through the Association.

7.4 Informal Dispute Resolution as applied to Assessment Dispute

The Board shall respond in writing to the Owner within fifteen (15) days of the date of the postmark of the Owner Explanation, if the Owner Explanation is mailed within fifteen (15) days of the date of the postmark of the Association notice. An Owner may also submit a written request to meet with the Board to discuss a payment plan for the amount owing as shown in the Association notice. The Association shall provide the Owner the standards for payment plans, if any exist. The Board shall meet with the requesting Owner in executive session within forty five (45) days of the postmark of the Owner Explanation, if the Owner Explanation is mailed within fifteen (15) days of the date of the postmark of the Association notice, unless there is no regularly scheduled Board meeting within that period, in which case the Board may designate a committee of one (1) or more members of the Board to meet with the Owner.

7.5 Alternative Dispute Resolution as applied to Assessment Dispute

An Owner may request and shall be awarded through ADR reasonable interest to be paid by the Association on the total amount paid by the Owner under protest if the arbitrator/mediator determines that the assessment levied by the Association was not correctly levied.

7.6 Creation of Lien

If there is a delinquency in the payment of any assessment or installment thereof applicable to a Unit, as determined in accordance with Section 6.10 (Assessment Due Date), above, or in the payment of any other amount with respect to which a lien is authorized to be imposed by the Association pursuant to this Declaration or by law, the Association shall have a lien against the Unit in the amount of the delinquent payments plus all Additional Charges.

(a) Recordation of Notice of Delinquent Assessment

The lien shall be effective upon the recordation of a "Notice of Delinquent Assessment" in the office of the County Recorder, pursuant to California Civil Code Section 5660. The notice shall state: (i) the amount of the assessment and other sums owing, (ii) a legal description of the Owner's Unit, (iii) the name of the Owner as reflected in the recorded deed to the Unit, and (iv) the name and address of the trustee authorized by the Association to enforce the lien by sale as provided in Section 7.8 (Enforcement of Lien and Foreclosure). The notice shall be signed by the President of the Association, or by a person authorized by resolution of the Board, and mailed in the manner set forth in California Civil Code Section 2924b to all record Owners of the Unit no later than ten (10) calendar days after recordation. The notice shall not be recorded unless and until the Association has complied with the provisions of Section 7.2 (Notice to Delinquent Owner) and Section 7.3 (Owner Disputes Delinquency), above.

(b) Duration of Lien

The lien shall continue until the Association records a further notice stating the satisfaction and release of the lien as provided in California Civil Code Section 5685, or until foreclosure as provided hereinafter. Within twenty one (21) days of the payment of the sums specified in the notice of delinquent assessment, the Association shall record a "Lien Release" or "Notice of Rescission" in the office of the County Recorder and shall provide the Owner with a copy of the release or notice, showing that the lien has been satisfied.

(c) Priority of Lien

A lien created pursuant to this Section 7.6 (Creation of Lien) shall be prior to all other liens recorded subsequent to the recordation of the notice of delinquent assessment, except for Mortgages to which such lien is expressly made subordinate under this Declaration or by separate written instrument of subordination executed by the Association.

(d) Limited Assignment of Lien Rights

The Association may not voluntarily assign or pledge the Association's right to collect payments or assessments, or to enforce or foreclose a lien to a third party, except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law, when acting within the scope of that charter or license, as security for a loan obtained by the Association; however, this provision shall not restrict the right or ability of the Association to assign any unpaid obligations of a former Owner to a third party for purposes of collection.

(e) Erroneous Recordation of Lien

If it is determined that a lien previously recorded against a Unit was recorded in error, the party who recorded the lien shall, within twenty one (21) calendar days of knowledge of the error, record in the office of the County Recorder a "Lien Release" or "Notice of Rescission" and provide the Owner of the Unit against which the lien was recorded with a declaration that the lien recording was in error and a copy of the lien release or notice of rescission.

7.7 Failure to Comply with Procedures

If the Association fails to comply with the procedures set forth in this Article 7, the Association must, prior to recording a lien, recommence the required procedures and is solely responsible for any costs associated with the recommencement.

7.8 Enforcement of Lien and Foreclosure

Thirty (30) days following the recordation of a "Notice of Delinquent Assessment" as described in Section 7.6(a)(Recordation of Notice of Delinquent Assessment), the lien may be enforced in one of the following ways:

(a) If the delinquency exceeds One Thousand Eight Hundred Dollars (\$1,800.00) or is more than twelve (12) months overdue, the lien may be enforced in any manner permitted by law, including sale of the Unit by the court upon judicial foreclosure, sale of the Unit by the trustee designated in the notice of delinquent assessment, or sale of the Unit by the trustee substituted pursuant to California Civil Code Section 2934a.

(b) If the delinquency is less than One Thousand Eight Hundred Dollars (\$1,800.00) or is less than twelve (12) months overdue, the Association may not use judicial or nonjudicial foreclosure to enforce the lien. The Association must use the enforcement mechanisms set forth in Section 7.4 (Informal Dispute Resolution as applied to Assessment Dispute) and Section 7.5 (Alternative Dispute Resolution as applied to Assessment Dispute) or a court action.

7.9 Waiver of Homestead Protections

Each Owner, to the extent permitted by law, waives the protections of any declared homestead or homestead exemption under the laws of California as applied to any action to enforce the assessments levied by the Association.

ARTICLE 8 DISPUTE RESOLUTION AND ENFORCEMENT

8.1 Enforcement of Governing Documents

The Association and/or any Owner shall have the power to enforce the provisions of the Governing Documents in any manner provided by law or in equity and in any manner provided in this Declaration. In addition to all dispute resolution mechanisms provided in Sections 8.2 (Informal Dispute Resolution: Notice and Hearing) and 8.3 (Formal Dispute Resolution), the Association may also suspend an Owner's rights to use the Common Facilities, levy a Reimbursement Assessment or levy a fine against the Owner. However, the Association has no power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of that Owner's Unit, including access thereto, due to the Owner's failure to comply with the provisions of the Governing Documents unless the loss or forfeiture is the result of an order of a court or an order pursuant to a final and binding arbitration decision.

8.2 Informal Dispute Resolution: Notice and Hearing

(a) **Generally.** Informal dispute resolution shall initially be attempted as a means of resolving any dispute between the Association and a Member, unless the seriousness of the alleged violation, in the sole discretion of the Board, demands that formal dispute resolution be used. Informal dispute resolution means: (i) the Board shall provide the Owner with notice of the alleged violation(s) of any one of the Governing Documents and (ii) the Board shall provide the Owner with the opportunity for a hearing before the Board.

(b) **Procedure.** The Board shall notify the Owner in writing, by either personal delivery or first-class mail, at least fifteen (15) days prior to the hearing. The notice shall contain, at a minimum, the date, time, and place of the hearing, the nature of the alleged violation(s), and a statement that the Owner has a right to attend the hearing. If requested by the Owner, the Board shall meet in executive session and the Owner shall have the right to address the Board during its executive session rather than during its open session. If the Board imposes discipline on an Owner, the Board shall give written notice to the Owner of the disciplinary action, by either personal delivery or first-class mail, within fifteen (15) days following the hearing. A disciplinary action shall not be effective against an Owner unless the Board fulfills the requirements of this Section 8.2.

(c) **Sanctions.** After the hearing, the Board may impose one or more of the following sanctions: (i) levy a Reimbursement Assessment; (ii) enter upon a Residence to make necessary repairs or to perform maintenance which is the responsibility of the Owner of such Residence; (iii) record a notice of noncompliance encumbering the Unit of the violator; (iv) suspend or condition the right of said Member and/or Member's tenant to use any Common Facilities; and/or (v) impose a fine. Any suspension of a Member's right to use any Common Facilities 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 after the same becomes delinquent), such suspension may be imposed for so long as the violation continues.

8.3 Formal Dispute Resolution

(a) **Alternative Dispute Resolution: Mediation or Arbitration.** If informal dispute resolution fails to resolve the dispute between the Association and an Owner, or if the Board has determined that the nature of the alleged Owner violation necessitates formal dispute resolution without the initial use of informal dispute resolution, the Board shall attempt to resolve the dispute through mediation, non-binding arbitration, or binding arbitration (collectively, "**Alternative Dispute Resolution**" or "**ADR**") in accordance with California Civil Code Section 5925 *et seq.* Arbitration shall be conducted in accordance with the procedures adopted by the Judicial Arbitration and Mediation Service ("**JAMS**") and shall use only one (1) neutral arbitrator.

(b) Legal Action

(1) Generally

The Association may commence a civil legal action against an Owner subject to the requirements of California Civil Code Section 5925 *et seq.*

(2) For Delinquent Assessments

The Association may commence a civil legal action against any Owner personally obligated to pay a delinquent assessment, including all Additional Charges. The Association may, but is not obligated, to engage in informal dispute resolution, as described in Section 8.2 (Informal Dispute Resolution: Notice and Hearing), or ADR, as described in Section

8.3(a)(Alternative Dispute Resolution: Mediation or Arbitration) before commencing a civil legal action for delinquent assessments.

ARTICLE 9 INSURANCE; DAMAGE AND DESTRUCTION; CONDEMNATION

9.1 Best Efforts to Obtain and Maintain Insurance Policies

The Board shall make every reasonable effort to obtain and maintain the following types of insurance policies as provided in this Article 9. If the Board is unable to purchase a policy or if the Board believes that the cost of the policy is unreasonable, the Board shall call a special membership meeting to determine what action to take. The Board shall comply with any resolution concerning insurance coverage adopted at such a meeting. If the failure to obtain or maintain the following types of insurance policies is due to the unavailability of such insurance from reputable insurance companies, or if such policies, in the sole judgment of the Board, are available at commercially unreasonable rates, neither the Board, the Association, nor the management company shall be liable for such failure.

9.2 Named Insured

The named insured on all insurance policies shall be the Association or its authorized representative, as a trustee for the Owners; however, all such policies are for the benefit of all Owners and their Mortgagees, as their interests may appear.

9.3 Underwriter

All insurance policies shall be underwritten by a reputable insurance company legally qualified to do business in the state of California and (a) holding a rating of "A XII" or better general policyholder's rating or financial performance index rating, as established by Best's Insurance Reports, or (b) reinsured by a company with such a rating as described in (a), above, or (c) if no such company is available, holding the best rating possible or its equivalent.

9.4 Authority to Negotiate and Adjustment of Losses

Each Owner, by accepting a deed to a Unit, shall be deemed to appoint the Association as such Owner's attorney-in-fact to negotiate and agree on the value and extent of any loss under any insurance policy. The Association is granted full authority to negotiate and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

9.5 Contribution

In no event shall the insurance coverage obtained and maintained by the Association be brought into contribution with insurance purchased by Owners or their Mortgagees.

9.6 Term

The period of each insurance policy shall not exceed three (3) years, provided that the policy permits short rate cancellation by the insured.

9.7 General Provisions

To the greatest extent possible, the Board shall insure that each insurance policy provides for the following:

- (a) A waiver of subrogation by the insurer as to any claims against the Board, Association management company (if one), the Owners and the Owners' Invitees;
- (b) A waiver by the insurer of its right to repair and reconstruct instead of paying cash;
- (c) That no policy may be cancelled, invalidated, or suspended on account of any Owner's act or omission;
- (d) That no policy may be cancelled, invalidated, or suspended on account of any act or omission by the Association or any of its employees or contractors, by any Board member, or by the Association management company (if one) without the prior written notice of the insurer (i) identifying the default and (ii) permitting a reasonable amount of time to cure by the Association;
- (e) That the policy will be primary and shall not require contribution by any individual insurance policy held by an Owner even where such individual insurance covers the same loss;
- (f) That no policy may be cancelled or substantially modified without at least ten (10) days' prior written notice to the Association;
- (g) An agreed amount of endorsement, if the policy contains a co-insurance clause;
- (h) A guaranteed replacement cost or replacement cost endorsement; and
- (i) An inflation guard endorsement.

9.8 Types of Insurance Policies

Unless the Association determines otherwise, the Board shall obtain at least the following insurance policies in the amounts specified below:

(a) Hazard and Property Insurance

A master special forms policy insuring all Improvements, equipment and fixtures in the Project in the amount designated by the Board as the reasonable replacement cost thereof with policy limits of no less than 100% of the insurable value (including a deductible determined prudent by the Board). Such policy shall insure the Units as they were originally built, excluding any remodeling, upgrades or improvements made to the Units and the Owners' personal property.

(b) Liability Insurance

The Association shall maintain a combined single limit policy of liability insurance for no less than Two Million Dollars (\$2,000,000.00) covering the Association, the Board and all Owners against any liability to the public or to any Owner incident to the use of or resulting from any accident or intentional or unintentional act of an Owner or a third party occurring in or about any Common Area. If any claim or damage is covered by liability insurance that is maintained by the Association and such damage is the result of the negligence of an Owner or an Owner's Invitee, such Owner shall be solely responsible for payment of the Association deductible.

(c) Directors and Officers Errors and Omissions Insurance

To the extent insurance is available, the Association shall purchase and maintain a minimum insurance amount of One Million Dollars (\$1,000,000.00) on behalf of any director,

officer, or member of a committee of the Association (collectively, “agent”) against any liability asserted against or incurred by the agent in such capacity or arising out of the agent’s status as such, regardless of whether the Association would have the power to indemnify the agent against such liability under applicable law.

(d) **Worker’s Compensation Insurance**

Worker’s compensation insurance to the extent necessary to comply with all applicable laws of the State of California or the regulations of any governmental body or authority having jurisdiction over the Project.

(e) **Fidelity Bond**

The Association shall maintain a fidelity bond in an amount that is equal or more than the reserves of the Association plus three (3) months of Regular Assessments. The bond shall name the Association as obligee and shall insure against loss by reason of the acts of the Board, officers and employees of the Association, and any managing agent and its employees, whether or not such persons are compensated for their services.

(f) **Directors and Officers**

Errors and omissions insurance covering individual liability of Directors and officers for their negligent acts or omissions while acting in their capacities as Directors and officers. The amount of the policy shall be the same amount as the liability insurance policy carried pursuant to Section 9.9(b) above.

(g) **Other Insurance**

The Board shall purchase such other insurance, as necessary, to cover such other risks as shall customarily be covered with respect to condominium project similar in construction, location and use.

9.9 Owner’s Insurance Policies

The Association’s insurance policies described in Section 9.9 (Types of Insurance Policies) are not intended to cover, and do not cover any Improvement, fixtures, appliances or any personal property situated within an Owner’s Unit. Each Owner shall maintain an HO6 policy with a minimum limit of Five Hundred Thousand Dollars (\$500,000) covering any damage or injury occurring within that Owner’s Unit, the full replacement value for Improvements and betterments added to his or her Unit, loss assessment, loss of use, and loss of rental income. Owner shall require their renters to carry an HO-4 policy, which protects their personal property against loss and limits exposure to personal liability claims.

9.10 Damage and Destruction

(a) If any Unit or any portion thereof is damaged or destroyed by fire or other casualty, in whole or in part, such Unit shall be repaired or reconstructed substantially in accordance with the original as-built plans and specifications, modified as may be required by, and in accordance with, all applicable building codes and regulations in force at the time of such repair or reconstruction and subject to such alterations or upgrades as may be approved by the Owners, and all in the manner described in this Article 10. Notwithstanding any provision of this Declaration to the contrary, if in connection with the repair or reconstruction of an Owner’s Unit, he or she elects to upgrade the interior or exterior of his or her Unit, which shall be done only in accordance with the Declaration, then such Owner shall be solely responsible for all costs and expenses arising from such upgrades.

(b) For each Unit to be repaired or reconstructed, as provided in this Declaration, for which the cost for repair or reconstruction exceeds twenty-five percent (25%) of the current replacement cost of all such Unit, the Owner of such Unit, or the Association, as the case may be, shall designate a general contractor and an architect for the repair or reconstruction; provided, however, that in all events, if two or more Units are damaged or destroyed, then, in lieu of the individual Owners, appointing a contractor and architect, the Association shall, with the Owner's consent, appoint a construction consultant, contractor, and architect for the repair or reconstruction of all such Units. Additionally, in the case where an Owner shall be responsible for such repair or reconstruction, to aid the Owner in restoring the Unit to its original appearance, the Association shall provide the Owner with a complete set of construction elevation drawings but not interior floor plans or schematics for the Unit. In any event, the Association shall hire an architect, at the Owner's cost, to confirm exterior architectural conformance. Should the Association's architect report non-conformance of exterior, the Board shall have the power to stop construction.

(c) If the cost of repair or reconstruction is less than twenty-five percent (25%) of the current replacement cost of the Unit, the Owner, or the Association, as the case may be, shall disburse the available funds for the repair and reconstruction under such procedures as the Owner, or the Association, as the case may be, deems appropriate under the circumstances, except that in no event shall the Association, if that be the case, distribute or apply any portion of such proceeds to defray the cost or expense arising from any upgrades to the interior or exterior of an Owner's Unit.

(d) The repair or reconstruction shall commence no later than ninety (90) days after the date of such damage or destruction and shall be completed no later than one year after the commencement of reconstruction, subject to delays that are beyond the control of the party responsible for making the repairs. The Owner of any damaged or destroyed Unit immediately shall take such steps as may be reasonably necessary to secure any hazardous condition and to screen any unsightly views resulting from the damage or destruction.

(e) Notwithstanding any provision of this Declaration to the contrary, in the event where coverage is provided under the Owner's insurance policy, all repairs and/or reconstruction of an Owner's Unit shall be done in accordance with the terms of this Declaration, including, without limitation, the provisions of Article 5 (Architectural Control). Notwithstanding the terms of Article 5, the Association may retain the services of architects, engineers, or such other consultants as the Association shall reasonably deem necessary to review all plans, specifications and drawings submitted by the Owner in connection with such repairs or reconstruction, and the cost thereof shall be borne exclusively by the Owner or be deducted from the proceeds under the Owner's insurance policy up to an amount that shall not exceed five percent (5%) of the proceeds from the Owner's insurance policy.

(f) Notwithstanding any provision of this Declaration to the contrary, in the event of damage or destruction of an Owner's Unit, each Owner shall have the exclusive discretion to determine the design, configuration, and improvement of only the interior elements of his or her Unit without the prior consent of the Association.

(g) Each Owner acknowledges and agrees that in all events he or she shall be solely responsible for any shortfall of proceeds from any policy or policies of insurance, regardless whether the Association or the Owner shall maintain such policy, and that the Association may supplement such insurance proceeds by means of a (A) Special Assessment if either the Association Policy provides coverage or an Owner defaults on any Reimbursement Assessment, or (B) Reimbursement Assessment levied against the Owner or Owners, as the case may be, and their Condominiums in accordance with this Declaration.

9.11 Sale of Units and Project

(a) If an Owner elects within forty-five (45) days after the date that damage or destruction of his or her Unit occurs to transfer or assign title to his or her Condominium, which transfer or assignment shall be effected in accordance with the terms of this Declaration, and shall include the express assumption by such transferee or assignee of all of the terms and conditions described in this Declaration, including, without limitation, the obligation to rebuild his or her Unit in the manner described above, then after first mitigating all hazardous conditions on the Property caused by the damage to or destruction of such Unit, and making provision for the continuance of public liability insurance to protect the interests of the Owner and the Association until the Unit can be sold, and complying with all applicable statutes, ordinances and governmental regulations, then the Owner may effect such transfer or assignment. If an Owner fails to promptly comply with the terms of this provision regarding the preservation of the Property following damage to or destruction of the Owner's Unit, it shall be the obligation of the Association to take all steps necessary to assure the commencement and completion of rebuilding or to take any action to gain the compliance of the Owner.

(b) Solely for purposes of this Article 10, no Owner shall transfer or agree to transfer his or her Condominium without first offering the Condominium to the Association. The word "transfer" shall include any transfer, conveyance, assignment, lease, hypothecation, or pledge of all or any portion of the Condominium or the Owner's interest in the Condominium, except for a conveyance or transfer by gift, bequest, or inheritance. After a conveyance or transfer by gift, bequest, or inheritance, the right of first refusal granted in this Agreement shall remain in effect against the person holding title or any other interest in the Condominium.

(c) Before an Owner sells or agrees to sell his or her Condominium, he or she shall offer ("**First Offer**") to sell the Condominium to Association, in writing and on terms and conditions substantially identical to those proposed for the sale of the Condominium to a third party. The First Offer shall, at a minimum, include the following information: (A) the purchase price proposed for the sale to the third party; (B) the method of purchase price payment; (C) the amount and terms of any proposed Owner financing in connection with the proposed purchase; (D) the amount of any earnest money deposit; (v) the time and location for the close of escrow; (E) the name of the proposed purchaser; and (vii) the other material terms and conditions of the proposed sale of the Condominium.

(d) The Association shall have thirty (30) days from the date of the First Offer to accept the First Offer ("**Acceptance Period**") by delivering to the selling Owner the acceptance on or before 5:00 p.m. on the last day of the Acceptance Period. If the Association fails to accept the First Offer on or before the last day of the Acceptance Period, then the First Offer shall be deemed to have been rejected.

(e) If the Association responds to the First Offer with anything other than an unequivocal, unconditional acceptance or rejection, the right of first refusal shall terminate and the response shall be deemed an offer to purchase the Condominium on the terms and conditions in the response ("**Counter Offer**"). The Owner shall be entitled to accept or reject the Counter Offer at the Owner's sole discretion. If the Association shall reject the First Offer, the Owner shall have no further obligations under this provision.

(f) If the Association accepts the First Offer, the Association shall have forty-five (45) days following acceptance of the First Offer ("**Closing Period**") to consummate the purchase of the Condominium pursuant to the terms and conditions of the First Offer. If the Association fails to consummate the purchase of the Condominium within the Closing Period, any earnest money paid by the Association pursuant to the acceptance shall be paid to the Owner as the Owner's liquidated damages, and the agreement to purchase the Condominium together with this Agreement shall be terminated. After that termination, the Owner shall be free

to enter into an agreement concerning the sale of the Condominium with any third party on whatever terms the Owner may choose without further obligation under this Agreement. Each Owner, by accepting a deed to a Condominium, expressly appoints the Association, as attorney-in-fact of such Owner, to execute all instruments required for the Association to acquire title to any Condominium.

(g) If within sixty (60) days after the Association rejects the First Offer the Owner enters into negotiations with a third party and is otherwise willing to enter into an agreement with that party on terms substantially less favorable to the Owner than those contained in the First Offer, then the Owner shall offer to sell the Condominium to the Association on those new terms by giving the Association written notice ("**Third Offer**"). The Association shall have thirty (30) days from receipt of the Third Offer to unequivocally accept the new terms. If the Association fails to accept the new terms or rejects the new terms in writing, the Owner shall be free to consummate the transaction with the third party without any liability to the Association. If the Association accepts the new terms, then the Association shall immediately consummate the transaction with the Owner on the terms and conditions specified in the Third Offer. The consummation shall be the later time specified for consummation in the Third Offer or sixty (60) days following the date of the Third Offer.

(h) If a Unit is sold, the sales proceeds shall be distributed to the Owner thereof and his or her Mortgagees, after first applying the proceeds to defray all costs and expenses associated with the cost of mitigating hazardous conditions on the Project the continuance of public liability insurance to protect the interests of all the Owner until the Unit was sold, and compliance with all other applicable requirements of governmental agencies. For the purpose of effecting a sale under this Section 9.11 in the event that not less than a majority of the Units are to be sold, each Owner grants to the Association an irrevocable power of attorney to sell the entire Project for the benefit of the Owners and to terminate the Declaration. In the event the Association fails to take the necessary steps to sell the entire Project as required hereunder within sixty (60) days following the determination by the Association of a material alteration, or if within one hundred twenty (120) days following the date of damage or destruction the Association has failed to make a determination as to a material alteration, any Owner may file a partition action as to the entire Project and the court shall order partition by sale of the entire Project and distribution of the sale proceeds as provided herein.

(i) Notwithstanding anything herein to the contrary, each Owner, individually and/or with any other Owner(s) shall have a right of first refusal to match the terms and conditions of any offer made to the Association in the event of a sale of the Project under this Section 9.11, provided this right is exercised within ten (10) days of receipt of notice by such Owner(s) of the terms and conditions of any offer to the Association. If such Owner(s) subsequently defaults on her/his, her or their offer to purchase, then he, she or they shall be liable to the other Owner(s) and her/his or their Mortgagees for any damages resulting from the default.

9.12 Condemnation

If at any time all or any portion of the Common Area, or any interest therein, be taken for any public or quasi-public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the entire award in condemnation shall be paid to the holder or holders of fee title to such area as their interests may appear. Any such award to the Association shall be deposited into the operating fund of the Association. No Owner shall be entitled to any portion of such award, and no Owner shall be entitled to participate as a party, or otherwise, in any proceedings relating to such condemnation, such right of participation being herein reverted exclusively to the Association, or other holder of the fee title which shall, in its name alone, represent the interests of all Unit Owners to the extent such Unit Owners have any interest in the Common Area.

ARTICLE 10 AMENDMENT OR REVOCATION

10.1 Majority Approval Required for any Action

Any amendment to any provision of this Declaration shall require an affirmative vote by fifty-one percent (51%) of the total voting power of the Association accordance with the secret ballot procedures set forth in the Bylaws. Notwithstanding the foregoing provisions, the percentage of voting interest necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

10.2 Effective Date of Amendment

Any amendment of this Declaration shall be effective only after: (a) the affirmative vote of fifty-one percent (51%) of the Members has been obtained, as set forth in the Bylaws; (b) that fact has been certified in a writing executed and acknowledged by the President, Secretary or other duly authorized officer of the Association; and (c) that certified writing has been recorded in the Official Records of the County of Lake.

ARTICLE 11 GENERAL PROVISIONS

11.1 Term of Declaration

This Declaration will continue for a term of fifty (50) years from its date of recordation. Thereafter, this Declaration will be automatically extended for successive periods of ten (10) years until or unless two-thirds (2/3) of the Owners approve a termination of this Declaration.

11.2 Binding Effect

This Declaration shall inure to the benefit of and be binding on the heirs, personal representatives, grantees, tenants, successors and assigns of the Owners.

11.3 Conflict

To the extent there are conflicts or inconsistencies between this Declaration and current law, current law shall prevail. To the extent there are conflicts or inconsistencies between this Declaration and the Bylaws or the Association Rules, this Declaration shall prevail.

11.4 Gender and Number

As used herein, the singular includes the plural and masculine pronouns include feminine pronouns, where appropriate. The title and captions of each paragraph hereof are not a part thereof and shall not affect the construction or interpretation of any part hereof.

11.5 Severability

The provisions of this Declaration shall be deemed independent and severable and the invalidity or partial invalidity or unenforceability of any provision or provisions shall not invalidate any other provisions.

11.6 No Discrimination

No Owner shall execute or cause to be recorded any instrument which imposes a restriction upon the sale, leasing or occupancy of the Owner's Unit on the basis of race, color,

religion, gender, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, or disability.

11.7 Construction of Provisions

The provisions of this Declaration shall be liberally construed to effectuate its purpose. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision thereafter.

11.8 Successor Statutes

Any reference in any one of the Governing Documents to a statute will be deemed a reference to any amended or successor statute.

11.9 Notification of Sale and Documents to be given to Transferee

As soon as practical before transferring title to the Unit, the Owner shall give to the transferee copies of all documents and statements required by California Civil Code Section 4525. The transferee shall, within five (5) calendar days of the close of escrow, notify the Association in writing of: (a) the name of the transferee, (b) the transferee's Mortgagee and Mortgagee's mailing address, (c) the name of the transferor, (d) the address of the Unit purchased by the transferee, and (e) the date of sale. Prior to the receipt of such notification, any and all communications required to be given by the Association, the Board or the management company shall be deemed to be duly made and given to the transferee if duly and timely made and given to said transferee's transferor.

EXHIBIT A

ROYALE SHORES CONDOMINIUMS HOMEOWNERS ASSOCIATION SQUARE FOOTAGE OF UNITS			
Unit No.	Unit Type	Sq. Ftg.	Percent of Total Sq. Ftg.
1	D	1672	2.9902%
2	A	1220	2.1818%
3	A	1220	2.1818%
4	A	1220	2.1818%
5	A	1220	2.1818%
6	B	1729	3.0921%
7	E	855	1.5291%
8	E	855	1.5291%
9	B	1729	3.0921%
10	A	1220	2.1818%
11	A	1220	2.1818%
12	A	1220	2.1818%
13	A	1220	2.1818%
14	D	1672	2.9902%
15	D	1672	2.9902%
16	A	1220	2.1818%
17	A	1220	2.1818%
18	A	1220	2.1818%
19	A	1220	2.1818%
20	B	1729	3.0921%
21	C	1130	2.0209%
22	C	1130	2.0209%
23	B	1729	3.0921%
24	A	1220	2.1818%

**ROYALE SHORES CONDOMINIUMS HOMEOWNERS ASSOCIATION
 SQUARE FOOTAGE OF UNITS**

Unit No.	Unit Type	Sq. Ftg.	Percent of Total Sq. Ftg.
25	A	1220	2.1818%
26	A	1220	2.1818%
27	A	1220	2.1818%
28	D	1672	2.9902%
29	D	1672	2.9902%
30	A	1220	2.1818%
31	A	1220	2.1818%
32	A	1220	2.1818%
33	A	1220	2.1818%
34	B	1729	3.0921%
35	C	1130	2.0209%
36	C	1130	2.0209%
37	B	1729	3.0921%
38	A	1220	2.1818%
39	A	1220	2.1818%
40	A	1220	2.1818%
41	A	1220	2.1818%
42	D	1672	2.9902%
TOTALS		55916	100.00%

EXHIBIT B - MAINTENANCE MATRIX

In the event of any conflict between this Exhibit B and Article 4 of the Declaration, Article 4 controls.

ITEM, COMPONENT, SITUATION (Unless otherwise specified herein, the responsibility includes maintenance, repair and replacement)	PARTY RESPONSIBLE
COMMON AREA	
All Association buildings (recreational facilities as well as residential buildings) including balconies, except for Units and Owner obligations as specified	Association
All interior hallways, stairways and entry/exit doors to buildings	Association
Subfloors, dry wall, and ceilings (not including flooring, paint, or any other coverings)	Association
All Common Area grounds maintenance and landscaping, trees, bushes, plants, and irrigation	Association
Roofs, including all roofing and framing, gutters and downspouts	Association
Maintenance, repair and replacement and painting, caulking and trim of exteriors of buildings	Association
Termite/dry rot repairs to the exteriors of the buildings, reasonable preventive measures and fumigation of buildings, if determined necessary by the Board, reasonable measures for eradication of wasps, rats, yellow jackets and similar harmful pests outside the buildings	Association
Garages (with concrete floors), asphalt driveways and parking spaces all exterior walkways and paths	Association
Parking Space damage caused by vehicle, including cost of repair if concrete or asphalt are damaged by vehicle spills, cleanup of debris or fluid spills	Owner
Swimming pool, apron and all components, pool house and clubhouse	Association
Marina includes locking gate, ramp to boat slips, boat slip docks and support pilings	Boat Slip Lessees
Electric Vehicle Charging Stations, if any, facilities including insurance and electricity, unless installed by Association	Owner
Fencing	Association
Trash and recycle enclosures and dumpsters	Association
Water damage to Common Area, including mold remediation	Association
Mailboxes	Association
All exterior lighting in the Common Area	Association
All utilities including sewer, water, gas, and plumbing pipes and facilities within the Common Area and shared by more than one Owner, including pipes between the perimeter walls of Units	Association
All electrical lines, conduit and facilities providing electrical service to the Association that are lines shared by more than one Unit	Association
Units	
Painting, flooring and wall and window coverings, all furniture and furnishings, Unit modifications; built-ins, betterments, upgrades, fixtures (plumbing and lighting and all others), appliances, cupboards, and all sinks, tubs, showers and commodes	Owner
Fireplace chimneys (metal), flues, fireboxes and all interior parts (not all Units have fireplaces)	Owner
Fireplace chimney cleaning (periodically)	Association
Decks, cleaning and light maintenance, damage to flooring or drains caused by residents and exterior lighting fixtures on Decks	Owner

Decks, structural repairs including caps, railings and flooring including weatherproofing and protective coating measures	Association
Front entrance doors including painting per painting schedule, storage closets and doors	Association
Door hardware and locks for all doors	Owner
Sliding glass doors and frames, locks and hardware, screens and rollers	Owner
Windows and frames, maintenance, replacement, repair; cleaning and replacement of glass in all windows and all hardware, locks and screens, all of which are subject to architectural approval when replaced	Owner
Pest control/eradication within any Unit (including bed bugs, cockroaches, fleas, etc.) and relocation costs during fumigation or repairs arranged by Association	Owner
Satellite dishes and/ or antennas (prior notice of installation shall be given to Association)	Owner
Utilities, Electric, Cable, Internet, Plumbing	
HVAC heating and cooling systems wherever parts are located (within Unit or outside of Unit) and water heaters and facilities	Owner
Common Area and shared utilities, pipes, conduits, electric, water and sewer, and plumbing facilities and fixtures outside of the Unit boundaries	Association
Utilities, pipes, conduits, electric, water and sewer, and plumbing facilities and fixtures within the Unit boundaries	Owner
Damage to common systems utility lines, plumbing lines or systems by residents or occupants of a Unit	Owner
Hose bibs, water valves at points of single water, appliance tubing, toilet flanges, tub and shower caulking	Owner
Telephone, cable and Internet facilities and necessary wiring - individual Unit	Owner
Electrical outlets and electric box or boxes inside a Unit	Owner
Water damage to Unit interior and damage to any furniture, furnishings, wall, ceiling and floor covering, all personal property, and all mold remediation in Unit and for belongings, if and as needed	Owner
Sewer backup in Common Area not caused by resident/occupant	Association
Sewer backup in Unit caused by a resident	Owner

Additional Notes: The foregoing Maintenance Matrix establishes the threshold for responsibility. However, this does not preclude recovery by any party from another if negligence can be established. To the extent the Association's master insurance policy covers damage to any item above, the proceeds available to the Association shall be used for such repairs. Owners shall carry an HO-6 policy to provide protection within the Units for liability, upgrades and betterments, loss assessment and other costs not covered by the Association's master policy. Renters shall carry renter's insurance for personal property, as described in Section 9.10 of the Declaration.

EXHIBIT C

COVERED PARKING ASSIGNMENT

<u>Letter</u>	<u>Unit #</u>
A	35
B	34
C	33
D	32
E	31
F	30
G	29
H	21
I	20
J	19
K	18
L	17
M	16
N	15
O	28
P	27
Q	26
R	25
S	24
T	23
U	22
V	42
W	41
X	40
Y	39
Z	38
AA	37
BB	36
CC	7
DD	6
EE	5
FF	4
GG	3
HH	2
II	1
JJ	14
KK	13
LL	12
MM	11
NN	10
OO	9
PP	8