

**FIRST RESTATED DECLARATION
OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
OF
YOSEMITE VISTA ESTATES**

The Declaration of Covenants, Conditions and Restrictions for Yosemite Vista Estates, executed by Karl Heinz Catherin and Helga Cathrein, Trustees under the Catherin Revocable Trust dated May 12, 1977 (collectively, the “Declarant”), and Recorded on June 21, 1993, in Book 1203, Page 710, of the Official Records of Tuolumne County, California (the “Original Declaration”), which affects all of the Property described and commonly known as Yosemite Vista Estates is hereby amended and restated in its entirety to read as follows:

RECITALS

A The Declarant was the original owner of that certain real property (“Property”) located in the County of Tuolumne, State of California, that is more particularly described in Exhibit “A” attached hereto and incorporated herein by reference. Originally the Property was called “Tuolumne County Yosemite Vista Estates” however currently the common name for the development is simply “Yosemite Vista Estates.”

B The Declarant conveyed the Property, subject to certain easements, protective covenants, conditions, restrictions, reservations, liens and charges as set forth in the Original Declaration referred to above, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of Property and all of which shall run with the Property and be binding on all parties having or acquiring any right, title or interest in the Property, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

C It was the further intention of the Declarant to sell and convey residential Lots to the Owners, subject to the protective covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarant and such Owners which are set forth in this Declaration and which are intended to be in furtherance of a general plan for the subdivision, development, sale and use of the Property as a “planned development” as that term is defined in section 1351(k) of the California Civil Code. Finally, it was the intention of Declarant that the “Common Areas” and “Common Facilities” be owned and maintained by the Association, but reserved exclusively for the use and enjoyment of the Members, their tenants, lessees, guests and invitees, all subject to the terms and conditions of the Governing Documents.

D On October 17, 2011, Members representing a majority of the Voting Power of the Association voted by written ballot in accordance with Section 15.02 of the Original Bylaws and Civil Code section 1363.03 to amend and restate the Original Declaration, all in accordance with the procedures for amendment set forth in the Original Declaration. It was the intention of the Owners to replace the Original Declaration, in its entirety, with the Recordation of this Declaration, without, however, affecting or changing the priority of the Declaration in the chain

of title to Lots within the Development. The Owners' action to amend and restate the Original Declaration as set forth herein and the fact that the requisite percentage of affirmative votes required in the Original Declaration was achieved, is attested by the execution of this Declaration by duly authorized officers of the Association, as required by section 1355(a) of the California Civil Code.

NOW, THEREFORE, it is hereby declared that the real property described ion Exhibit "A" shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold and improved, subject to the following declarations limitations, covenants, conditions, restrictions and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Development, in accordance with the plan for improvement of the Property and the division the Property into Lots and Common Areas. Pursuant to California Civil Code Sections 1354 and 1468, all of the limitations, covenants, conditions, restrictions and easements shall constitute covenants which shall run with the land, be enforceable as equitable servitudes, and shall be binding upon the Association, the current Owners of Lots, their respective successors and assigns, and all parties having or acquiring any right, title or interest in or to any part of the real property comprising Yosemite Vista Estates.

ARTICLE I DEFINITIONS

In addition to other definitions provided for herein, the following terms shall have the following meanings:

Section 1.01. "Articles" shall mean the Articles of Incorporation of the Association and any amendments thereto.

Section 1.02. "Assessment" means any Regular, Special, Special Individual and Emergency Assessment made or assessed by the Association against an Owner and his or her Lot in accordance with the provisions of Article IV, below

Section 1.03. "Association" shall mean the Yosemite Vista Estates Homeowners Association, a California nonprofit mutual benefit corporation, the members of which shall be the Owners of Lots in the Development, their successors and assigns.

Section 1.04. "Association Rules" means and refers to the rules and regulations regulating the use and enjoyment of the Common Area which may be adopted by the Association from time to time in accordance with Section 3.08, below.

Section 1.05. "Board" or "Board of Directors" shall mean the governing body of the Association.

Section 1.06. "Bylaws" shall mean the Bylaws of the Association, as amended from time to time.

Section 1.07. "Common Area" means all real property owned by the Association for the common use and enjoyment of the Owners and includes Lots 1, 12, 13, 33A, 33B, 44, 65, 71, as shown on the subdivision Map. The Common Area includes any Exclusive Use Common Areas as hereinafter defined provided the rights of Members to use any such Common Area or Exclusive Use Common Areas may be limited by this Declaration. The Common Area does not include the residential Lots.

Section 1.08. "Common Expenses" means any use of Association funds authorized by Article IV, below, and Article IX of the Bylaws and includes, without limitation: (a) All expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Area, Common Facilities and any portions of the Lots that the Association is obligated to maintain or repair; (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors to the extent required by Article IX, below; (c) any amounts reasonably necessary for reserves for maintenance, repair and replacement of the Common Areas and Common Facilities, and for nonpayment of any Assessments; and (d) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents.

Section 1.09. "County" shall mean the County of Tuolumne, California, the County in which the Development is located.

Section 1.10. "Declarant" shall mean and refer to the original subdividers of Yosemite Vista Estates, namely: Karl Heinz Cathrein and Helga Cathrein, trustees under the Cathrein Revocable Trust, Dated May 12, 1977.

Section 1.11. "Declaration" shall mean this Declaration, and any amendments, modifications or supplements thereto. The "Original Declaration" means and refers to the document that is referenced by that name in the Preamble to this Declaration.

Section 1.12. "Development" means and refers to the entire real property described in Exhibit "A" attached hereto, including all structures and improvements erected or to be erected thereon or on such additional properties which may be brought within the jurisdiction of the Association and subjected to this Declaration. At times herein the Development is referred to by its common name which is Yosemite Vista Estates.

Section 1.13. "Eligible First Mortgagee" shall mean a First Mortgagee who has requested notice by sending a written request to the Association, stating both its name and address and the lot number or address of the lot it has the mortgage on.

Section 1.14. "Exclusive Use Common Area" shall mean that portion of the Common Area designated for, the exclusive use of one or more, but fewer than all, of the owners of the separate interests.

Section 1.15. "Governing Documents" is a collective term that means and refers to this Declaration, as amended from time to time, the exhibits, if any, attached hereto, together with the

other basic documents used to create and govern the Development and the Association, including the Map, Articles and Bylaws of the Association and the Association Rules.

Section 1.16. "Improvements" is a term that is used to define the types of construction or improvement projects on Lots that can only proceed with the prior approval of the Board of Directors pursuant to Article V, below. Improvement projects, as so defined, include any proposal to construct a building, fence, wall, obstruction, screen, awning, or structure of any kind, as well as any alterations, reconstruction, or modification of existing Improvements. Of particular significance are proposed improvement projects of any kind that will be visible from an adjacent neighbor's property, such as decks or fences..

Section 1.17. "Lot" shall mean any parcel of land shown on the Map, and any other parcel of land designated as a "Lot" in any recorded supplement to the Decimation, with the exception of the Common Areas of the Development.

Section 1.18. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of ballots cast by written ballot within the time prescribed for the return of ballots equals or exceeds the quorum requirement specified for valid Member action in either this Declaration or the Association's Bylaws.

Section 1.19. "Map" shall mean that subdivision map entitled "Yosemite Vista Estates", which map recorded on June 11, 1993, in Book 12 of Subdivisions, Pages 97-102, in the Official Records of Tuolumne County. Said Map is also described in Exhibit "A."

Section 1.20. "Member" shall mean a person or entity holding a membership in the Association as provided herein. Each owner or Co-Owner of a Lot shall be a member.

Section 1.21. "Mortgage" shall mean a mortgage or deed of trust encumbering a Lot or other portion of the Development. A "Mortgagee" shall include the beneficiary under a deed of trust and any guarantor or insurer of a Mortgage. "First Mortgage" or "First Mortgagee" is one having priority over all other Mortgages or holders of Mortgages encumbering the same lot or other portion of the Development. A "First Mortgagee" shall include any holder (including FHLMC and FNMA), insurer (including FHA), or Guarantor (including VA) of a First Mortgage on a lot or other portion of the Development. "FHA" shall mean the United States Department of Housing and Urban Development, Federal Housing Administration. "VA" shall mean the United States Department of Veterans Affairs. "FHLMC" shall mean the Federal Home Loan Mortgage Corporation. "FNMA" shall mean the Federal National Mortgage Association. Where any provision of the Governing Documents requires the approval of a First Mortgagee, the approval of the holder, insurer or guarantor of that First Mortgage shall be deemed to be the required approval.

Section 1.22. "Owner" or "Owners" shall mean the record holder or holders of title, if more than one, to any Lot in the Development. This shall not include contract sellers or persons or entities having any interest merely as security for the performance of an obligation. If a Lot is sold under a recorded contract of sale (or a recorded memorandum of such contract) then such purchaser, rather than the fee Owner, shall be considered the "Owner."

Section 1.23. “Permitted Health Care Resident” means a person hired to provide live-in, long-term, or terminal health care to a Qualifying Resident or a family member, of the Qualifying Resident providing that care. The care provided to a Qualifying Resident by a Permitted Health Care Resident must be substantial in nature and must provide either assistance with necessary daily activities or medical treatment, or both. A Permitted Health Care Resident shall be entitled to reside in a Residence during any period that the person is providing live-in long term or hospice health care to a Qualifying Resident for compensation. The term “for compensation” includes the provision of food and lodging to the Permitted Health Care Resident in exchange for care.

Section 1.24. "Property" means and refers to the real property described in Exhibit "A" attached hereto, on which the Development is located.

Section 1.25. “Qualified Permanent Resident” means a person described in any of the following subparagraphs (a), (b) or (c):

(a) The person was residing with the Qualifying Resident prior to the death, hospitalization, or other prolonged absence of, the Qualifying Resident and the person was forty-five (45) years of age or older;

(b) The person was residing with the Qualifying Resident prior to the death, hospitalization, or other prolonged absence of, or the dissolution of marriage with, the Qualifying Resident and the person was a spouse or a co-habitant (co-habitants being defined as two persons who live together as husband and wife, or persons who are domestic partners within the meaning of Section 297 of the California Family Code) of the Qualifying Resident;

(c) The person was residing with the Qualifying Resident prior to the death, hospitalization, or other prolonged absence of, the Qualifying Resident and was the person providing primary physical or economic support to the Qualifying Resident; or

(d) The person is a permanently mentally disabled person or person with a disabling illness or injury who is a child or grandchild of the Qualifying Resident, or Qualified Permanent Resident (as defined in subsection (a), above), who needs to live with the Qualifying Resident or Qualified Permanent Resident because of the disabling condition, illness or injury. A “disabling injury or illness” means a physical or mental impairment that substantially limits one or more of the major life activities of the individual. For any person who would otherwise qualify as a Qualified Permanent Resident under this subparagraph (d), the Board of Directors may take action to prohibit or terminate that person's occupancy of a Residence within the Development in accordance with the procedures set forth in Section 7.021(b), below.

Section 1.26. “Qualifying Resident” means a person fifty-five (55) years of age or older who intends to reside in his or her Residence as a primary residence on a permanent basis.

Section 1.27. “Residence” means a dwelling unit or home constructed or installed on any Lot in the Development.

ARTICLE II PROPERTY RIGHTS

Section 2.01. Declaration Regarding the Property Comprising the Development.

(a) Property Subject to Declaration. In subjecting the real property comprising the Development to the Original Declaration, as amended and restated herein, it was the intent of the Declarant, as interpreted and modified by action of the Association and its Members, that such property should and will be held, conveyed, divided, encumbered, hypothecated, leased, rented, used, occupied and improved only upon compliance with and subject to the provisions of this Declaration, which is hereby declared to: (i) be in furtherance of a plan for the subdivision of the Development and the sale of residential Lots within the Development; (ii) be for the benefit and protection of the Development and to enhance the desirability, value and attractiveness of the property and improvements comprising the Development; (iii) be for the benefit of the Owners; (iv) run with the land and be binding upon all parties having or acquiring any right, title or interest in the Development or any portion thereof; (v) inure to the benefit of every portion of the Development and any interest therein; and (vi) inure to the benefit of and be binding upon each Owner, or any successor in interest to an Owner who should subsequently obtain or hold an interest in any portion of the real property comprising the Development.

(b) Binding Effect on Successors In Interest. Each conveyance, transfer, sale, assignment, lease or sublease made by any Owner of a Lot in the Development shall be deemed to incorporate by reference all of the provisions of this Declaration. All present and future Owners, tenants and occupants within the Development shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same shall be amended from time to time unless a particular provision of the Governing Documents is specifically restricted to one or more classes of persons (i.e., Owners, tenants, invitees, etc.). The acceptance of a deed to any Lot, the execution of a lease, sublease or contract of sale with respect to any Lot, or the entering into occupancy of any Residence shall make the provisions of this Declaration binding upon said persons and they shall thereafter be obligated to observe and comply with all Governing Documents.

Section 2.02. Property Rights in Common Area.

(a) Fee Title in Association. Prior to the approval of this Declaration, the Declarant conveyed fee simple title to the Common Area located in the Development to the Association. Common Area Lot 71 is for guest parking on a first come/first served basis and for the parking of Recreational Vehicles on an assigned basis.

(b) Rights of Owners in Common Areas. The interest of each Lot Owner in and to the use and enjoyment of the Common Area and the Common Facilities shall be appurtenant to the Lot owned by the Owner and shall not be sold, conveyed or otherwise transferred by the Owner separately from the ownership interest in the Lot. Any sale, transfer or conveyance of such Lot shall transfer the appurtenant right to use and enjoy the Common Area and Common Facilities. There shall be no judicial partition of the Common Area or any part thereof, and each Owner, whether by deed, gift, devise, or operation of law for his or her own benefit and for the benefit of all other Owners specifically waives and abandons all rights, interest and causes of

action for a judicial partition of any ownership interest in the Common Area and does further covenant that no action for judicial partition shall be instituted, prosecuted or reduced to judgment. The rights of all Owners in the Common Area shall be further subject to the requirements and restrictions set forth in Section 2.03, below.

Section 2.03. Owners' Nonexclusive Easements of Enjoyment to the Common Areas. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Area, including ingress and egress to and from his or her Lot, which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) Article XII of this Declaration authorizes the Board to impose monetary penalties, temporary suspensions of an Owner's rights as a member of the Association or other appropriate discipline for failure to comply with the governing instruments provided that the established procedures are followed for notice and hearing which satisfy the minimum requirements of Corporations Code Section 7341 and Civil Code sections 1363.810 et seq. with respect to the accused Member before a decision to impose discipline is reached. These procedures are set out in Article XI, below, and Association Rules relating to Member discipline.

(b) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument signed by two-thirds of the members agreeing to such dedication or transfer has been recorded, provided, however, that no such dedication shall impair the ingress and egress to any individual Lot.

(c) The right of the Association to grant an Owner an easement on the Common Area appurtenant to the Owner's Lot for the purpose of maintaining a parking area or structure, fenced patio area, air conditioning and heating units, a fireplace structure and/or any other amenity or utility for the use of the Lot.

Section 2.04. Provisions Restricting Delegation of Use. Any Owner may delegate his or her rights of use and enjoyment of the Owner's Lot and Residence and the Common Areas of the Yosemite Vista Estates development, including any recreational facilities, to the members of the Owner's family, guests, tenants, employees, and invitees, and to such other persons as may be permitted by the Bylaws and the Association Rules, subject however, to adherence by those delegates to the restrictions imposed by this Declaration. However, if an Owner has sold his or her Lot to a contract purchaser or has leased or rented his or her Lot and residence, the Owner-lessee, members of the Owner's family, guests, tenants, employees, and invitees shall not be entitled to use and enjoy any of such rights in the Development, including the recreational facilities, while the Owner's Lot is in the process of being sold to the contract purchaser or when the Lot is being rented to tenants. Instead, the contract purchaser, or tenants, while occupying such Lot, shall be entitled to use and enjoy such rights, including the recreational facilities, and can delegate the rights of use and enjoyment in the same manner as if such contract purchaser or tenants were an Owner during the period of their occupancy. Each Owner shall notify the property manager of any contract purchasers of such Owner's Lot or tenants of such Owner's Lot.

Each Owner, contract purchaser, or tenant also shall notify the property manager of the names of all persons to whom such Owner, contract purchaser, or tenant has delegated any rights of use and enjoyment and the relationship that each such persons bears to the Owner, contract purchaser, or tenant. Any delegated rights of use and enjoyment are subject to suspension to the same extent as are the rights of Owners. No such delegation shall relieve an Owner from liability to the Association or to other Owners for payment of Assessments or performance of the covenants, conditions and restrictions contained in this Declaration. Any lease, rental agreement or contract of sale entered into between an Owner and a tenant or contract purchaser of a Lot shall require compliance by the tenant or contract purchaser with all of the covenants, conditions and restrictions contained in this Declaration, which provision shall be for the express benefit of the Association and each Owner. Furthermore, the Owner-lessor shall provide the lessee or house sitter(s) with a copy of the Governing Documents and any Rules and Regulations of the Association.

The Association and each Owner shall have a right to action directly against any, lessee, tenant or contract purchaser of an Owner, as well as against the Owner, for nonperformance of any of the provisions of this Declaration to the same extent that such right of action exists against such owner.

In no event shall an Owner lease or rent his or her Lot for transient or hotel purposes, which shall include, but not be limited to rental of a home for any period less than six (6) months, unless the short-term tenant is residing in the Residence for the purpose of "house sitting" while the Owner(s) are on an extended vacation. Subject to the foregoing restrictions, the Owners of Lots shall have the right to lease their home, provided that the Board is notified of the name of the tenant or house sitter(s) and the duration of the lease.

Section 2.05. Guests of an Owner. Guests of an Owner or an Owner's tenant much comply with all Association Rules.

(a) Guests remaining longer than twenty (20) consecutive days, or a total of thirty (30) days in a calendar year, are required to register at the Association office.

(b) Guests, when accompanied by an Owner or an Owner's tenant, are permitted to share all recreational and entertainment facilities of the Association. Children under 18 years of age must be supervised by an Owner or an Owner's tenant at all times while in the Development. If an Owner or an Owner's tenant is not present, no guests may occupy, or otherwise use a Residence without the Association's consent.

(c) Compliance with the posted rules regarding use of the pool, recreation facilities and maintenance areas, will be required of each Owner, their guests or tenants.

Section 2.06. Obligations of Owners. Owners of Lots in the Development shall be subject to the following obligations:

(a) Owner's Duty to Notify Association of Tenants and Contract Purchasers. Each Owner shall notify the secretary of the Association or the Association's property manager, if any, of the names of any contract purchaser or lessee residing in the Owner's Lot. Each Owner, contract purchaser or lessee shall also notify the secretary of the Association of the names of all

persons to whom such Owner, contract purchaser or lessee has delegated any rights to use and enjoy the Property and the relationship that each such person bears to the Owner, contract purchaser or lessee.

(b) Contract Purchasers. A contract seller of a Lot must delegate his or her voting rights as a Member of the Association and his or her right to use or enjoy the Common Area and Common Facilities to any contract purchaser in possession of the Property. Notwithstanding the foregoing, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the Lot which is the subject of the contract has been transferred to the purchaser.

(c) Notification to Prospective Purchasers Regarding Governing Documents.

(i) As more particularly provided in California Civil Code section 1368, as soon as practicable before transfer of title or the execution of a real property sales contract with respect to any Lot, the Owner thereof must give the prospective purchaser:

(A) a copy of the Governing Documents;

(B) a copy of the most recent documents distributed by the Association pursuant to California Civil Code section 1365 (see Article XII of the Bylaws);

(C) a true statement (“delinquency statement”) in writing from an authorized representative of the Association as to: (1) the amount of the Association’s current regular and special assessments and fees; (2) the amount of any assessments levied upon the Owner’s Lot that remain unpaid as of the date of the delinquency statement and any monetary fines or penalties levied upon the Owner’s Lot an unpaid as of the date of the delinquency statement. The delinquency statement shall also include true information on late charges, interest, and costs of collection that, as of the date of the delinquency statement, are or may become a lien against the Owner’s Lot pursuant to Civil Code sections 1367 and 1367.1;

(D) a copy or a summary of any notice previously sent to the Owner pursuant to Civil Code section 1363(h), that sets forth any alleged violations of the Governing Documents that remain unresolved at the time of the request; and

(E) a statement disclosing any change in the Association's current Regular and Special Assessments and fees which have been approved by the Board but have not become due and payable as of the date the information is provided.

(ii) Within ten (10) days of the mailing or delivery of a request for the information described in subparagraph (c)(i), above, the Association shall provide the Owner with copies of the requested items. The items required to be made available pursuant to this subparagraph (c) may be maintained in electronic form and the requesting parties shall have the option of receiving them by electronic transmission or in machine readable storage media if the Association maintains the requested items in electronic form. The Association may charge a reasonable fee for this service based upon the Association’s actual cost to procure, prepare, and reproduce the requested items.

(d) Payment of Assessments and Compliance with Restrictions and Rules. Each Owner shall pay, when due, each Regular, Special, Emergency, and Special Individual Assessments levied against the Owner and his or her Lot and shall observe, comply with and abide by any and all rules, regulations and restrictions set forth in, or promulgated pursuant to, any Governing Document for the purpose of protecting the interests of all Owners or protecting the Common Area and Common Facilities of the Development.

(e) Discharge of Assessment Liens. Each Owner shall promptly discharge any Assessment lien that may hereafter become a charge against his or her Lot.

(f) Joint Ownership of Lots. In the event of joint ownership of any Lot, the obligations and liabilities of the multiple Owners shall be joint and several. Without limiting the foregoing, this subparagraph (f) shall apply to all obligations, duties and responsibilities of Owners as set forth in this Declaration, including, without limitation, the payment of all Assessments.

(g) Prohibition on Avoidance of Obligations. No Owner, by non-use of the Common Area or Common Facilities, abandonment of the Owner's Lot or otherwise, may avoid the burdens and obligations imposed on such Owner by the Governing Documents, including, without limitation, the payment of all Assessments duly levied against the Owner and his or her Lot Unit pursuant to Article IV, below.

(h) Termination of Obligations. Upon the conveyance, sale, assignment or other transfer of a Lot to a new Owner, the transferor-Owner shall not be liable for any Assessments levied with respect to such Lot after the date of recording of the deed evidencing said transfer, and upon such recording all Association membership rights possessed by the transferor by virtue of the ownership of said Lot shall automatically cease.

ARTICLE III THE YOSEMITE VISTA ESTATES HOMEOWNERS ASSOCIATION

Section 3.01. Requirement of Membership in the Association. The Yosemite Vista Estates Homeowners' Association is a California nonprofit mutual benefit corporation who Members are comprised of the Owners of Lots within the Yosemite Vista Estates common interest development. Ownership of a Lot in the Development shall be the sole qualification for membership in the Association. Each Owner shall remain a Member of the Association until his or her ownership in all Lots in the Development ceases, at which time his or her membership in the Association shall automatically cease. Persons or entities who hold an interest in a Lot merely as security for performance of an obligation are not Members until such time as the security holder comes into title to the Lot through foreclosure or acceptance of a deed in lieu thereof.

Section 3.02. Association Action; Board of Directors and Officers. With the exception of those matters requiring approval of Members under the Governing Documents or California law, the affairs of the Association shall be conducted and all corporate powers shall be exercised by the Board of Directors and such officers as the Board may elect or appoint. Unless otherwise

provided by law, an act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board. Each director present and voting at a meeting shall have one vote on each matter presented to the Board of Directors for action. No director may vote at any meeting by proxy.

Section 3.03. Membership. The Association shall have one class of membership and the rights, duties, obligations and privileges of the Members shall be as set forth in the Governing Documents.

Section 3.04. Voting Rights of Members. Each Member of the Association shall be entitled to one vote for each Lot that the Member owns. When more than one person holds an interest in any Lot, all such persons shall be Members, although in no event shall more than one vote be cast with respect to any Lot. A Member's voting rights may be temporarily suspended under those circumstances described in Section 13.06, below.

Section 3.05. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Lots within the Development and to enforce payment of such Assessments in accordance with Article IV, below. Any Assessments levied by the Association on its Members shall be levied in accordance with and pursuant to the provisions of this Declaration.

Section 3.06. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale or encumbrance of the Lot to which it is appurtenant, and then only to the purchaser. In the case of a sale, the membership appurtenant to the transferred Lot shall pass automatically to the purchaser upon recording of a deed evidencing transfer of title to the Lot or Unit. In the case of an encumbrance of a Lot, a Mortgagee does not have membership rights until he or she becomes an Owner by foreclosure or deed in lieu thereof. Tenants who are delegated rights of use pursuant to Section 2.04, above, do not thereby become Members, although the tenant and Members of the tenant's family shall, at all times, be subject to the provisions of all Governing Documents. Any attempt to make a prohibited transfer is void. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in the Owner's name to the purchaser of his or her Lot or Unit, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 3.07. Powers, Duties and Authority of the Association.

(a) Powers, Generally. The Association shall have the responsibility of owning, managing and maintaining the Common Areas and Common Facilities and discharging the other duties and responsibilities imposed on the Association by the Governing Documents. In the discharge of such responsibilities and duties, the Association shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in the ownership and management of its property and the discharge of its responsibilities hereunder for the benefit of its Members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents. The Association and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform

any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. The specific powers of the Association and the limitations thereon are more particularly described in Article IX of the Bylaws.

(b) The Association's Limited Right of Entry.

(i) Right of Entry, Generally. Without limiting the foregoing description of powers, but in addition thereto, the Association and/or its agents shall have the right, when necessary, to enter any Lot, including the right to enter to access landlocked Common Areas to perform the Association's obligations under this Declaration, including:

(A) obligations to enforce the minimum improvement standards and land use restrictions of Article VII, below;

(B) any obligations with respect to construction, maintenance and repair of adjacent Common Facilities; or

(C) to make necessary repairs that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, Association property or the Owners in common.

(ii) Limitations on Exercise of the Association's Right of Entry. The Association's right of entry pursuant to this subparagraph (b) shall be subject to the following:

(A) The Association's rights hereunder shall not include the right to enter any private Lot (except to access landlocked Common Areas) and, with the exception of actions taken in response to emergency situations, the Association shall have no right to initiate any corrective action or alter any improvement on the Owner's Lot without complying with the notice and due process requirements of Article XII, below.

(B) The Association shall have an immediate right of entry in the case of an emergency originating in or threatening the Lot where entry is required, or any adjoining Lots or Common Areas, and the Association's work may be performed under such circumstances whether or not the Owner or his or her lessee is present.

(C) On a regular basis it is necessary for the Board of Directors of the Association or the Board's designee, as well as fire personnel to access Lots within the Development to inspect ongoing construction projects or to inspect conditions and/or improvements which are or may become a fire hazard. Notice of such inspections may be given in the Association newsletter (in the case of regular, periodic inspections) or as part of the Association's construction approval process (in the case of Association's inspections of ongoing construction projects); and

(D) In all other non-emergency situations the Association, or its agents, shall furnish the Owner or his or her lessee with at least twenty-four (24) hours' prior written notice of its intent to enter the Lot, specifying the purpose and scheduled time of such entry. In the case of all entries other than entries required to respond to emergency situations, the

Association shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing on the Lot or within the Development.

Section 3.08. Association Rules.

(a) Rule Making Power. The Board of Directors may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners ("Association Rules"). The Association Rules may concern, but need not be limited to: (i) matters pertaining to the maintenance, repair, management and use of the Common Areas and Common Facilities of the Development by Owners, their tenants, guests and invitees; (ii) architectural control and the Architectural Rules adopted in accordance with Section 5.03, below; (iii) the conduct of disciplinary proceedings in accordance with Section 12.06, below; (iv) regulation of parking, pet ownership and other matters subject to regulation and restriction under Article VII, below; (v) collection and disposal of refuse; (vi) minimum standards for the maintenance of landscaping or other Improvements on any Lot; and (vii) any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

Notwithstanding the foregoing grant of authority, the Association Rules shall not be inconsistent with or materially alter any provision of the other Governing Documents or the rights, preferences and privileges of Members thereunder. In the event of any material conflict between any Association Rule and any provision of the other Governing Documents, the conflicting provisions contained in the other Governing Documents shall be deemed to prevail. All Association Rules shall be adopted, amended and repealed (as the case may be) in good faith and in substantial compliance with this Declaration and California Civil Code sections 1357.100 through 1357.150.

(b) Distribution of Rules. A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner: (i) within fifteen (15) days after a new Association Rule is adopted or an existing Association Rule is amended (in which case only the new Rule or amendment need be distributed); or (ii) within ten (10) days following receipt of a written request from an Owner for a copy of the Rules. The Association Rules may be maintained in electronic form and Owners who request a copy of the Rules pursuant to Civil Code section 1368 may receive the Rules in that format at their election. Distributions of Rule changes may also be made by inclusion in a periodical that is circulated primarily to Association Members or in a mailing of Association invoices or newsletters to the Members.

(c) Adoption and Amendment of Rules.

(i) Requirement of Prior Notice to the Members of Certain Operating Rules or Amendments Thereto. California Civil Code section 1357.100 defines an "Operating Rule" as an Association Rule or regulation that applies generally to the management and operation of the Development or to the conduct of the business and affairs of the Association. That Civil Code section further defines a "Rule Change" as any adoption, amendment, or repeal of an Operating Rule by the Board of Directors. Civil Code section 1357.120 identifies seven (7) types of Operating Rules (and Rule Changes involving such Operating Rules) that must first be provided

to the Members in writing at least thirty (30) days prior to the Board taking action to implement the Rule Change. The notice must include the text of the proposed Rule Change and a description of the purpose and effect of the proposed Rule Change. This requirement of prior notice to the Members applies only to Operating Rules that relate to one or more of the following subjects:

- (A) Use of the Common Areas of the Development;
- (B) Use of any Lot in the Development (including Design Review Guidelines that govern the improvement or alteration of Lots);
- (C) Member discipline, including any schedule of monetary penalties for violation of the Governing Documents and any procedure for the imposition of penalties;
- (D) Any general standards for delinquent Assessment payment plans (specific terms may vary from one situation to another);
- (E) Any procedures adopted by the Association for resolution of disputes;
- (F) Any procedures for reviewing and approving or disapproving a proposed physical change to an Owner's Lot; and
- (G) Any procedures for the conduct of elections.

Specifically excluded by Civil Code section 1357.120 from the requirement of prior notice to Members are the following actions of the Board, regardless of whether those actions may be construed as being Association Rules or "Operating Rules," as defined in the Civil Code: (i) decisions regarding maintenance of the Common Areas or Common Facilities; (ii) a decision on a specific matter that is not intended to apply to all Members, generally; (iii) establishing the amount of an Assessment; (iv) adoption of a Rule Change that is required by law (if the Board of Directors has no discretion regarding the substantive effect of the Rule Change); and (v) issuance of a document that merely repeats existing law or the Governing Documents.

With respect solely to Operating Rules and/or Rule Changes listed in subparagraphs (A) through (G), of subsection (c)(i) above, Civil Code section 1357.140 gives a group of Members representing five percent (5%) or more of the Lots in the Development the right to demand that a special meeting of the Members be called to reverse a proposed Rule Change, so long as the request for the special meeting is delivered to the Association not more than thirty (30) days after the Members are given notice of the Rule Change. If a proper and timely demand for a special meeting to vote to rescind an Operating Rule or Rule Change is tendered to the Association, the Board shall establish the date, time and location of the meeting and provide notice thereof to the Members in accordance with Corporations Code section 7511(c).

So long as a quorum of the Members is present at any such meeting, the Rule Change can be reversed on the affirmative vote of a Majority of a Quorum of the Members, with

each Member having one (1) vote on the matter for each Lot owned. If the Members vote to reverse an Operating rule or a Rule Change, the Board may not take action to readopt the Operating Rule or Rule Change for a period of one (1) year after the date of the special meeting where reversal of the Operating Rule or Rule Change was approved; provided, however, that this provision is not intended to preclude the Board from adopting a different Operating Rule or Rule Change on the same subject as the Rule Change that was successfully reversed. As soon as possible following the close of voting on any proposal to reverse an Operating Rule or Rule Change, but not more than fifteen (15) days after the close of voting, the Board shall provide notice to each Member of the results of the Member vote by any means permitted by Civil Code section 1350.7, which includes publication in a periodical that is circulated primarily to Members of the Association.

(ii) Minimum Content for Election Rules. Civil Code section 1363.03 requires associations to adopt rules regarding the conduct of elections that do all of the following:

(A) Ensure that any candidate or member advocating a point of view is provided access to Association media, newsletters, or Internet Web sites during a campaign so long as the access is reasonably related to that election, equal access shall be provided to all candidates and members advocating a point of view (whether or not endorsed by the Board). The Association may not edit any content from these campaign communications, but may include a statement specifying that the candidate or Member, and not the Association, is responsible for that content.

(B) Ensure access to the Common Areas meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all Members advocating a point of view (whether or not endorsed by the Board) so long as use of the space is for a purpose that is reasonably related to the election.

(C) Specify the qualifications for candidates for election to the Board of Directors and any other elected position, and procedures for the nomination of candidates. A nomination or election procedure shall not be deemed reasonable if it disallows any Member of the Association from nominating himself or herself for election to the Board.

(D) Specify the qualifications for voting, the Voting Power of each membership, the authenticity, validity, and effect of proxies, and the voting period for elections, including the times at which polls will open and close.

(E) Specify a method of selecting one (1) or three (3) inspectors of election by the Board of Directors.

(F) Allow the inspector, or inspectors, to appoint and oversee additional persons to verify signatures and to count and tabulate votes as the inspector or inspectors deem appropriate, provided that the persons are independent third parties (as defined in Section 7.05(f) of the Bylaws).

(iii) Adoption of Other Association Rules. Except as provided in subsection (c)(i), above, with respect to certain Operating Rules and Rule Changes that must first be

distributed to the Members, any other Association Rules may be adopted or amended from time to time by majority vote of the Board; provided, however, that no Association Rule or amendment thereto shall be adopted by the Board until at least thirty (30) days after the proposed rule or rule amendment has been distributed in writing to each Member, along with a description of the purpose and effect of the proposed Association Rule or amendment thereto. The notice describing the proposed rule or amendment shall also set forth the date, time and location of the Board meeting at which action on the proposal is scheduled to be taken. Any duly adopted rule or amendment to the Association Rules shall become effective immediately following the date of adoption thereof by the Board, or at such later date as the Board may deem appropriate. Any duly adopted rule or rule amendment shall be distributed to the Owners by mail or personal delivery, which includes Association news publications that are circulated primarily to the Association's membership.

(iv) Prohibition on Adoption of Certain Rules. In accordance with Civil Code section 1368.1, any rule or regulation of an association that arbitrarily or unreasonably restricts an Owner's ability to market his or her Lot is void. Without limiting the foregoing, in no event shall the Association be entitled to impose an Assessment or fee in connection with the marketing of an Owner's Lot in an amount that exceeds the Association's actual and direct costs (see also, Section 4.01(e), below).

Section 3.09. Breach of Rules or Restrictions. Any breach of the Association Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in Article XII, below.

Section 3.10. Limitation on Liability of the Association's Directors and Officers.

(a) Claims Regarding Breach of Duty. No director or officer of the Association, or any Member serving on a committee appointed by the Board, (collectively and individually referred to as the "Released Party") shall be personally liable to any of the Members or to any other person, for any error or omission in the discharge of his or her duties and responsibilities or for his or her failure to provide any service required under the Governing Documents; provided that such Released Party has, upon the basis of such information as he or she possessed, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Without limiting the generality of the foregoing, this standard of care and limitation of liability shall extend to such matters as the establishment of the Association's annual financial budget, the funding of Association capital replacement reserve accounts, repair and maintenance of Common Areas and Common Facilities, and enforcement of the Governing Documents.

(b) Other Claims Involving Tortious Acts and Property Damage. No person who suffers bodily injury (including, without limitation, emotional distress or wrongful death) as a result of the tortious act or omission of a volunteer member of the Board or volunteer officer of the Association shall recover damages from such Board member or officer if all of the following conditions are satisfied:

- (i) The Board member or officer owns no more than two (2) Lots;
- (ii) The act or omission was performed within the scope of the volunteer Board member's or officer's Association duties;
- (iii) The act or omission was performed in good faith;
- (iv) The act or omission was not willful, wanton, or grossly negligent;
- (v) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made general liability insurance with coverage of at least One Million Dollars (\$1,000,000).

The payment of actual expenses incurred by a Board member or officer in the execution of such person's Association duties shall not affect such person's status as a volunteer Board member or officer for the purposes of this Section. The provisions of this subparagraph (b) are intended to reflect the protections accorded to volunteer directors and officers of community associations pursuant to California Civil Code section 1365.7. In the event said Civil Code section is amended or superseded by another, similar provision of the California statutes, this subparagraph (b) shall be deemed amended, without the necessity of further Member approval, to correspond to the amended or successor Civil Code provision.

ARTICLE IV ASSESSMENTS

Section 4.01. Assessments Generally.

(a) Covenant to Pay Assessments. Each Owner of a Lot, by acceptance of a deed or other conveyance therefore (whether or not it shall be so expressed in such deed or conveyance), covenants and agrees to pay to the Association any (i) Regular Assessments, (ii) Special Assessments (iii) Emergency Assessments, and (iv) Special Individual Assessments duly levied by the Association in accordance with this Article IV.

(b) Extent of Owner's Personal Obligation for Assessments. All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a debt and a personal obligation of the person who is the Owner of the Lot at the time the Assessment is levied. Each Owner who acquires title to a Lot (whether at judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Lot which become due and payable after the date that the person acquires title. Accordingly, when a person acquires title to a Lot, the new Owner shall not be personally liable for delinquent Assessments of prior Owners of the same Lot unless the new Owner expressly assumes the personal liability of a prior Owner. However, if the acquired Lot is conveyed subject to a valid lien for delinquent Assessments and related costs of collection (i.e. the lien is not removed from record prior to close of escrow in the sale of the Lot), the Association may continue to exercise its foreclosure remedies against the Lot, regardless of the

change of ownership, and/or the Association may pursue its collection remedies against the prior Owner, individually.

(c) Creation of Assessment Lien. All Assessments, together with late charges, interest and reasonable costs (including reasonable attorney's fees) for the collection thereof, shall be a charge on the Lot of a delinquent Owner and may become a lien upon the Lot against which such Assessment is made when a notice of Assessment lien is Recorded in the chain of title to the delinquent Owner's Lot in accordance with Section 4.10(b), below. Any lien for unpaid Assessments created pursuant to the provisions of this Article may be subject to foreclosure to the extent and as provided in Section 4.10(b)(v), below.

(d) No Avoidance of Assessment Obligations. No Owner may exempt himself/herself from personal liability for Assessments duly levied by the Association, nor release the Owner's Lot from the liens and charges hereof by waiver of the use and enjoyment of the Common Areas or any facilities thereon or by abandonment or non-use of his/her Lot or any other portion of the Development.

(e) Improper Assessment. The Association shall not impose or collect an Assessment or fee which exceeds the amount necessary to defray the costs for which the Assessment or fee is levied.

Section 4.02. Regular Assessments.

(a) Preparation of Annual Budget; Establishment of Regular Assessments. Not less than thirty (30) nor more than ninety (90) days prior to the beginning of each calendar year, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Facilities) by preparing and distributing to all Members a budget satisfying the requirements of Section 12.05 of the Association's Bylaws. If the Board fails to distribute the budget for any fiscal year within the time period specified in the first sentence of this Section, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the approval of the Members in accordance with Section 4.08, below.

(b) Establishment of Regular Assessment by Board/Membership Approval Requirements. The total annual expenses estimated in the Association's budget (less projected income from sources other than Assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year; provided, however, that except as provided in Section 4.05, below (relating to Emergency Assessments), the Board of Directors may not impose a Regular Assessment that is more than twenty percent (20%) greater than the Regular Assessment for the Association's immediately preceding fiscal year without the Members' prior approval in accordance with Section 4.08, below.

(c) Allocation of Regular Assessments. The total amount of the budgeted Common Expenses of the Association shall be allocated among, assessed against and charged to each Owner according to the ratio of the number of Lots within the Development owned by the

assessed Owner to the total number of Lots that are subject to Assessment so that each Lot in the Development bears an equal share all Common Expenses of the Association.

(d) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member of the Association. The Assessment roll (which may be maintained in electronic form) shall show for each Lot that is subject to Assessment, the name and address of the Owner of Record, all Regular, Special and Special Individual Assessments levied against each Owner and his or her Lot, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by Section 2.06(c)(i)(C), above, shall be conclusive upon the Association and the Owner of such Lot as to the amount of such indebtedness appearing on the Association's Assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

(e) Mailing Notices of Assessments and Related Financial Disclosures. Not less than thirty (30) nor more than sixty (60) days prior to the beginning of the Association's fiscal year the Board of Directors shall provide notice by first-class mail to the Owners of Lots, at the street address of the Owner's Lot, or at such other address as the Owner may from time to time designate in writing to the Association, of the amount of the Regular Assessment for the next succeeding fiscal year. This notice is in addition to the following notices which must also be distributed to the Members: (i) the written notice required by Civil Code section 1365.1 which Members with general information regarding assessments, foreclosure rights, payment of assessments and payment plans; (ii) the form required by Civil Code section 1365.2.5 that provides summarized information regarding the amount of the current Annual Assessment, additional assessments that have already been scheduled to be imposed or charged, and the calculation of capital replacement reserve replacement needs and reserve account funding requirements; and (iii) the statement that is required by Civil Code section 1365(e) which describes the Association's policies and practices in enforcing lien rights or other legal remedies for the collection of delinquent assessment obligations. These budgets and disclosure documents shall be delivered to the Members by one of the methods authorized by Civil Code section 1350.7. Mailing Notice of Assessment.

(f) Failure to Make Estimate. If, for any reason, the Board of Directors fails to make an estimate of the Common Expenses for any fiscal year, then the Regular Assessment made for the preceding fiscal year, together with any Special Assessment made pursuant to Section 4.03(a)(i), below, for that year, shall be assessed against each Owner and his or her Lot on account of the then current fiscal year, and installment payments (as hereinafter provided) based upon such automatic Assessment shall be payable on the regular payment dates established by the Board.

(g) Payment of Regular Assessment. The Regular Assessment levied against each Owner and his or her Lot shall be due and payable in advance to the Association in either a lump sum, due January 1 of each year, or in installments made in accordance with the Association's published installment payment plan, as may be established from time to time by the Association's

Board of Directors. Installments of Regular Assessments shall be delinquent if not paid within thirty (30) days of the due date as established by the Board.

Section 4.03. Special Assessments.

(a) Purposes for Which Special Assessments May Be Levied. Subject to the membership approval requirements set forth in subparagraph (b) below, the Board of Directors shall have the authority to levy Special Assessments against the Owners and their Lots for the following purposes:

(i) Regular Assessment Insufficient in Amount. If, at any time, the Regular Assessment for any fiscal year is insufficient in amount due to extraordinary expenses not contemplated in the budget prepared for said fiscal year, then, except as prohibited by Section 4.02(a), above, the Board of Directors shall levy and collect a Special Assessment, applicable to the remainder of such year only, for the purpose of defraying, in whole or in part, any deficit which the Association may incur in the performance of its duties and the discharge of its obligations hereunder.

(ii) Additional Capital Improvements or Other Extraordinary Non-Recurring Expenditures. The Board may also levy Special Assessments for additional capital improvements within the Common Areas (i.e., improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities) or to defray the costs of any other extraordinary, non-recurring action or undertaking which the Board, in its discretion, determines to be to the advantage and in the best interests of the Members as a whole. The Special Assessment power conferred hereunder is not intended to diminish the Board's obligation to plan and budget for normal maintenance, replacement and repair of the Common Areas or the existing Common Facilities through Regular Assessments (including the funding of reasonable capital repair and replacement reserves) and to maintain adequate insurance on the Common Areas and its existing Common Facilities in accordance with Article IX, below.

(iii) Requirements for Special Assessments Levied to Fund Multi-Year Projects. Typically Special Assessments shall only be imposed to fund a specific capital improvement project during a particular fiscal year. However, if the Board determines that a Special Assessment should be levied to fund a portion of a capital project which will, or is likely to, entail work and/or funding in more than one fiscal year, this fact and a detailed disclosure of the intended scope and estimated costs of the project shall also be included in the Association's annual budget disclosures for the year in which the Special Assessment is imposed.

(iv) Major Capital Repair and Reconstruction Projects. As more particularly provided in Section 10.01(b)(iii), below, the Board shall be entitled to levy a Special Assessment to fund uninsured major repairs or reconstruction of Common Areas, subject to the membership approval requirements of said Section 10.01(b)(iii).

(b) Special Assessments Requiring Membership Approval. The following Special Assessments require prior membership approval in accordance with Section 4.08, below: (i) any Special Assessments which, in the aggregate, exceed five percent (5%) of the Association's

budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied; and (ii) any Special Assessments imposed pursuant to subparagraph (a)(i) of this Section when the Board has failed to distribute a budget to the Members within the time specified in Section 4.02(a), above. The foregoing Member approval requirements shall not apply, however, to any Special Assessment imposed to address any “emergency situation” as defined in Section 4.05, below.

(c) Allocation and Payment of Special Assessments.

(i) When levied by the Board or approved by the Members as provided above, Special Assessments shall be divided among, assessed against and charged to each Owner and his or her Lot in the same manner prescribed for the allocation of Regular Assessments pursuant to subparagraph 4.02(c), above. The Board of Directors of the Association shall provide notice by first-class mail to each Owner of the imposition of a Special Assessment not less than thirty (30) nor more than sixty (60) days prior to the Special Assessment becoming due.

(ii) Any Special Assessment duly levied hereunder shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner. Special Assessments for purposes described in subparagraph (a)(i) of this Section shall be due as a separate debt of the Owner and a lien against his or her Lot, and shall be payable to the Association in the same manner as the payment of Regular Assessments during the remainder of the then current fiscal year. Special Assessments for purposes described in subparagraph (a)(ii) shall be due as a separate debt of the Owner and a lien against his or her Lot, and shall be payable in full to the Association within thirty (30) days after the mailing of such notice or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment. Special Assessments levied pursuant to subparagraph (a)(iii), above, shall be payable in such reasonable installments as shall be established at the time the Special Assessment is levied. Special Assessments levied pursuant to subparagraph (a)(iv) and Section 10.01(b)(iii), below, shall be due as a separate debt of each Owner and a lien against the Owners' Lots at such time as required by the repair or reconstruction project, but in no event sooner than sixty (60) days following receipt of the Association's notice of levy of the Assessment.

Section 4.04. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments. In addition to the Special Assessments levied against all Owners in accordance with Section 4.03, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (iii) below; provided, however, that no Special Individual Assessments may be imposed against an Owner pursuant to this Section until the Owner has been afforded the rights to which the Owner is entitled pursuant to Section 11.06, below, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

(i) Damage to Common Areas or Common Facilities. In the event that any damage to, or destruction of, any portion of the Common Areas or the Common Facilities is

caused by the willful misconduct or negligent act or omission of any Owner, any member of his or her family, or any of the Owner's Permitted Users, the Board shall cause the same to be repaired or replaced, and all costs and expenses incurred by the Association in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses to: (A) accomplish the payment of delinquent Assessments; (B) perform any repair, maintenance or replacement to any portion of the Development that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion, or (C) to otherwise bring the Owner, his or her Permitted Users, and/or his or her Lot into compliance with any provision of the Governing Documents, the amount incurred by the Association (including title company fees, accounting fees, court costs and reasonable attorneys fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment. The Association's Special Individual Assessment authority hereunder shall extend to the collection of any reasonable fines or penalties imposed against an Owner pursuant to Article XII, below.

(iii) Required Maintenance of Lots. If any Lot is maintained so as to become a nuisance, structural, fire or safety hazard for any reason, including without limitation, the accumulation of trash, the Association shall have the right to enter said Lot, correct the condition and recover the cost of such action through the imposition of a Special Individual Assessment against the offending Owner. Any entry on to a Lot by the Association or its agents shall be undertaken in strict compliance with Section 3.07(b), above.

(b) Levy of Special Individual Assessment and Payment. Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed, in subparagraph (a) of this Section, such Special Individual Assessment shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to the affected Owner. The Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within thirty (30) days after the mailing of notice of the Assessment.

(c) Limitation on Right to Lien Lots For Special Individual Assessments. The right of the Association to collect delinquent Special Individual Assessments through the use of lien and foreclosure remedies is subject to the limitations set forth in Section 4.10(b)(ix), below. However Special Individual Assessments may be collected by the Association through the use of other legal processes, including, without limitation, an action in small claims court.

Section 4.05. Assessments to Address Emergency Situations.

(a) Authority of Board to Impose Emergency Assessments. The requirement of a membership vote to approve: (i) Regular Assessment increases in excess of twenty percent (20%) of the previous year's Regular Assessment; or (ii) Special Assessments which, in the aggregate, exceed five percent (5%) of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied, shall not apply to Assessments necessary

to address emergency situations (“Emergency Assessments”). For purposes of this Section, an emergency situation is any of the following:

- (i) An extraordinary expense required by an order of a court;
- (ii) An extraordinary expense necessary to repair or maintain the Common Areas or Common Facilities where a threat to personal safety is discovered; or
- (iii) An extraordinary expense necessary to repair or maintain the Common Areas or Common Facilities that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to Section 4.02(a), above; provided, however, that prior to the imposition or collection of an Assessment under this subparagraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of Assessment.

(b) Payment of Emergency Assessments. When levied by the Board the Emergency Assessment shall be divided among, assessed against and charged to each Owner and his or her Lot (including the Declarant as to any unsold or retained Lots) in the same manner prescribed for the allocation of Regular Assessments pursuant to Section 4.02(c), above. The Emergency Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner. An Emergency Assessment shall be due as a separate debt of the Owner and shall be payable in full to the Association within thirty (30) days after the mailing of the notice of the Emergency Assessment or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Emergency Assessment. If an Emergency Assessment is not paid on or before the due date, the Assessment may be enforced in the manner provided in Section 4.10, below.

Section 4.06. Purpose and Reasonableness of Assessments. Each Assessment made in accordance with the provisions of this Declaration is hereby declared and agreed to be for use exclusively: (a) to promote the recreation, health, safety and welfare of individuals residing within the Development; (b) to promote the enjoyment and use of the Development by the Owners and their Permitted Users; and (c) to provide for the repair, maintenance, replacement and protection of the Common Areas and Common Facilities. Each and every Assessment levied hereunder is further declared and agreed to be a reasonable Assessment, and to constitute a separate, distinct and personal obligation (with respect to which a separate lien may be created hereby), except as limited by subparagraph (c), above) of the Owner of the Lot against which the Assessment is imposed that shall be binding on the Owner's heirs, successors and assigns; provided however, that the personal obligation of each Owner for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

Section 4.07. Exemption of Certain of the Development From Assessments. The following real property subject to this Declaration shall, unless devoted to the use as a residential dwelling, be exempt from the Assessments and the lien thereof provided herein:

- (a) Any portion of the Development that is dedicated and accepted by a local public authority;
- (b) The Common Areas and Common Facilities; and
- (c) Any Lot owned by the Association.

Section 4.08. Notice and Procedure for Member Approval Pursuant to Sections 4.02 and 4.03. In the event that Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 4.02 and 4.03, above, the affirmative vote required to approve the increase shall be a Majority of a Quorum of the Members. The required for such membership action shall be a majority of the Members. Any vote on an increase in the Regular Assessment or on the imposition of a Special Assessment that requires approval of the Members must be conducted by use of a secret ballot and that balloting process shall be conducted using the same procedures for the casting of ballots in the election of directors pursuant to Section 7.05 of the Bylaws.

Section 4.09. Maintenance of Assessment Funds.

(a) Establishment and Maintenance of Association Bank Accounts. All sums received or collected by the Association from Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more insured checking, savings or money market accounts in a bank or savings and loan association selected by the Board of Directors. In addition, the Board shall be entitled to make prudent investment of reserve funds in FDIC insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees. The Board and such officers or agents of the Association as the Board shall designate shall have exclusive control of said account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof. The withdrawal of funds from Association accounts shall be subject to the minimum signature requirements imposed by California Civil Code section 1365.5 and Section 12.02 of the Bylaws. Any interest received on deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Association as provided in subparagraph (b), below.

(b) Expenditure of Assessment Funds. Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments. If the proceeds of any Special Assessment exceed the requirement of which such Assessment was levied, such surplus may, in the Board's discretion, be: (i) returned proportionately to the contributors thereof; (ii) reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, underfunded; or (iii) credited proportionately on account of the Owners' future Regular Assessment obligations.

(c) Separate Accounts; Commingling of Funds. Except as otherwise provided in subparagraph (d), below, to preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one or more accounts and need not be deposited in separate accounts so long as the separate accounting records described herein are maintained. For purposes of accounting, but without requiring any physical segregation of assets, the Association shall keep a separate accounting of all funds received by the Association in payment of each Assessment and of all disbursements made therefrom; provided, however, that receipts and disbursements of Special Assessments made pursuant to Section 4.03(a)(i), above, shall be accounted for together with the receipts and disbursements of Regular Assessments, and a separate accounting shall be maintained for each capital Improvement for which reserve funds for replacement are allocated.

Unless the Association is exempt from federal or state taxes, all sums allocated to capital replacement funds shall be accounted for as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in any other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board that will prevent such funds from being taxed as income of the Association.

(d) Reserve Funds. As more particularly provided in Article XII of the Association Bylaws, the Association Board is required by law to periodically identify the major components of the Development that the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of thirty (30) years or less. In the capital reserve analysis process, the Board is also obligated to identify the probable remaining useful life of the components identified in the study and to estimate the cost of repair, replacement, restoration, or maintenance of the components during and at the end of their useful life. The information developed in this capital reserve replacement analysis is then to be used by the Board as a component of preparing the annual budget of the Association. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or for litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short term cash flow requirements or other expenses if the Board has provided notice of the intent to consider the transfer in a notice of meeting, which shall be provided to the Members as specified in Civil Code section 1363.05. The notice shall include the reasons why the transfer is needed, some of the options for repayment, and whether a Special Assessment may be considered. If the board authorizes the transfer, the Boards shall issue a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed and describing when and how the monies will be repaid to the reserve fund.

The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the Board may, after giving the same notice required for considering a transfer, and upon making a finding supported by documentation that a temporary delay would be in the best interests of the Development, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by

this subparagraph (d). This Special Assessment is subject to the Member approval requirements of California Civil Code section 1366 and Section 4.03(b), above, if the aggregate amount of the Special Assessment exceeds five percent (5%) of the budgeted gross expenses of the Association for the year in which the Special Assessment is imposed. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of that decision in the next available mailing to all Members pursuant to California Corporations Code section 5016, and of the availability of an accounting of those expenses. 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 Members at the Association's principal office.

(e) Limitations on Association's Authority to Assign or Pledge Assessment Obligations. The Association may not voluntarily assign or pledge its right to collect payments or Assessments, or to enforce or foreclosure 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, the restrictions imposed by this subparagraph (e) shall not restrict the right or ability of the Association to assign any unpaid obligations of a former Member to a third party for purposes of collection.

Section 4.10. Collection of Assessments; Enforcement of Liens. Installments of Regular Assessments shall be delinquent if not paid within thirty (30) days of the due date as established by the Board. Special Assessments, Special Individual Assessments and Emergency Assessments shall be delinquent if not paid within the times prescribed in Sections 4.03(c), 4.04(b) and 4.05(b), respectively. When an Assessment becomes delinquent, the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code sections 1366(c) and 1366.1 or comparable successor statutes. Once an Assessment becomes delinquent, the Association may elect to one (1) or both of the following remedies:

(a) Enforcement of An Owner's Personal Obligation to Pay Assessments. The Association may bring a legal action directly against the Owner for breach of the Owner's personal obligation to pay the Assessment and in such action shall be entitled to recover the delinquent Assessment or Assessments, accompanying late charges, interest, costs and reasonable attorneys' fees. Commencement of a legal action shall not constitute a waiver of any lien rights as described in subparagraph (b), below.

(b) Imposition and Enforcement of Assessment Lien and Limitations Thereon. Except as otherwise provided in subsection (b)(ix), below, with respect to the limitation on the imposition of liens for Special Individual Assessments, the Association may impose a lien against the Owner's Lot for the amount of the delinquent Assessment or Assessments, plus any

reasonable costs of collection (including reasonable attorneys' fees), late charges and interest by taking the following steps:

(i) Issuance of Delinquency Notice; Contents. At least thirty (30) days prior to recording a lien upon the Owner's Lot to collect a delinquent Assessment, the Association shall notify the Owner in writing by certified mail of the following (the "Delinquency Notice"):

(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 of the Lot has the right to inspect the Association records, pursuant to section 8333 of the Corporations Code, 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, any 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 previously levied by the Association if it is subsequently determined that the Assessment was paid on time.

(D) The right of the notified Owner to request a meeting with the Board as provided in subsection (iv), below.

(E) The right to dispute the Assessment debt by submitting a written request for dispute resolution to the Association pursuant to the Association's "meet and confer" program pursuant to Civil Code section 1363.810, et seq.

(F) The right of the noticed Member to request alternative dispute resolution with a neutral third party pursuant to Civil Code section 1369.510 et seq. before the Association may initiate foreclosure against the Owner's Lot, except that binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure, rather than a non-judicial foreclosure.

(ii) Application of Payments. Any payments made by the Owner of a Lot toward the delinquent Assessment shall first be applied to the Assessments that are owed at the time the payment is made; and only after the Assessments owed are paid in full shall the payments be applied to the fees and the costs of collection, attorneys' 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 the payment on behalf of the Association. The Association shall provide its Members with a mailing address for overnight payment of Assessments.

(iii) Pre-Lien Offer to Meet and Confer with the Owner. Prior to recording a lien for delinquent Assessments, the Association shall offer the Owner and, if so requested by the

Owner, participate in dispute resolution pursuant to the Association's meet and confer program that is required by Civil Code section 1363.810 et seq. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the Owner, except that binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure.

(iv) Rights of Owners to Propose Payment Plans. An Owner may also submit a written request to meet with the Board to discuss a payment plan for the delinquent Assessment. This request must also be made within fifteen (15) days of the postmark of the Delinquency Notice. The Association shall provide the Owners with the standards for payment plans, if such standards have been adopted. So long as a timely request for a meeting has been tendered, the Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the request for a meeting, 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 to meet with the Owner. Payment plans may incorporate any Assessments that accrue during the payment plan period. Payment plans shall not impede an Association's ability to record a lien on the Owner's Lot to secure payment of delinquent Assessments. Additional late fees shall not accrue during the payment plan period if the Owner is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Association may resume its efforts to collect the delinquent Assessments from the time prior to entering into the payment plan.

(v) Association Assessment Lien Rights. Except as provided in subsection (ix), below (relating to Special Individual Assessments), the amount of the Assessment, plus any costs of collection, late charges, and interest assessed in accordance with Civil Code section 1366 shall be a lien on the Owner's Lot from and after the time the Association causes to be recorded in the Office of the County Recorder a Notice of Delinquent Assessment, which shall state the amount of the Assessment and other sums imposed in accordance with Civil Code section 1366, a legal description of the Owner's Lot against which the Assessment and other sums are levied, the name of the record owner of the Owner's Lot against which the lien is imposed. The itemized statement of the charges owed by the Owner that is required by subparagraph (b)(i)(B), of this Section 4.10 shall be recorded together with the Notice of Delinquent Assessment. The decision to record a lien for delinquent Assessments shall be made only by the Board of Directors of the Association and may not be delegated to an agent of the Association. The Board shall approve the decision by a majority vote of the Board in an open meeting and the vote shall be recorded in the minutes of the meeting.

In order for the lien to be imposed by non-judicial foreclosure as provided in subsection (vii), below, the Notice of Delinquent Assessment shall state the name and address of the trustee authorized by the Association to enforce the lien by sale. The Notice of Delinquent Assessment shall be signed by any officer of the Association or by the person designated by the Association for that purpose or if no one is designated, by the president of the Association. A copy of the recorded Notice of Delinquent Assessment shall be mailed by certified mail to every person whose name is shown as an Owner of the Lot in the Association's records, and the notice shall be mailed no later than ten (10) calendar days after Recordation. Upon receipt of a written request by an Owner identifying a secondary address for purposes of collection notices, the

Association shall send additional copies of any notices, including Notices of Delinquent Assessments, required by Civil Code section 1367.1 to the secondary address that is specified.

(vi) Priority of Assessment Liens. A lien created pursuant to subsection (v), above or subsection (ix), below, shall be prior to all other liens recorded against the Owner's Lot subsequent to the Notice of Delinquent Assessment, except as described in Section 4.12, below.

(vii) Enforcement of Assessment Liens. Subject to the limitations of this Section 4.10(b) and in particular this subsection (vii), after expiration of thirty (30) days following the recording of a Notice of Delinquent Assessment, the Association's lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Civil Code section 2934(a). Any sale by the trustee shall be conducted in accordance with Civil Code sections 2924, 2924(b) and 2924(c) applicable to the exercise of powers of sale in mortgages and deeds of trusts. The fees of a trustee may not exceed the amounts prescribed in Civil Code sections 2924(c) and 2924(d).

The following specific limitations shall apply to the pursuit of foreclosure remedies:

(A) The decision to initiate foreclosure of a lien for delinquent Assessments that has been validly recorded shall be made only by the Board of Directors of the Association and may not be delegated to an agent of the Association. The Board shall approve the decision by a majority vote of the Board in an executive session and shall record the vote in the minutes of the next meeting of the Board that is open to attendance by the Members. The Board shall maintain the confidentiality of the Owner or Owners of the Lot by identifying the matter in the minutes by the parcel number of the property, rather than the name of the Owner or Owners. A Board vote to approve foreclosure of a lien shall take place at least thirty (30) days prior to any public sale of the Lot in question.

(B) Prior to initiating a foreclosure for delinquent Assessments, the Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution pursuant to the Association's meet and confer program that is required by Civil Code section 1363.810 et seq. or alternate dispute resolution with a neutral third party pursuant to Civil Code section 1369.510 et seq. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the Owner, except that binding arbitration shall not be available if the Association intends to initiate judicial foreclosure, rather than non-judicial foreclosure. If a dispute exists between the Owner of a Lot and the Association regarding any disputed charge or sum levied by the association, including, but not limited to, an Assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and the amount in dispute does not exceed the jurisdictional limits stated in sections 116.220 and 116.221 of the Code of Civil Procedure, the Owner of the Lot may, in addition to pursuing dispute resolution pursuant to Civil Code section 1363.810 et seq., pay under protest the disputed amount and all other amounts levied, including any fees and reasonable costs of collection, reasonable attorney's fees, late charges, and interest, if any, (Civil Code section 1366(e)), and commence an action in small claims court. Nothing in this subparagraph (B) shall impede the Association's ability to collect delinquent assessments.

(C) If the Board votes to commence foreclosure proceedings to collect delinquent Assessments pursuant to this subsection (vii), the Board shall provide notice of that decision by personal service to an Owner of the Lot in accordance with the manner of service of summons pursuant to Code of Civil Procedure sections 415.10 et seq. who occupies the Residence or to the Owner's legal representative. If the Owner does not occupy the home that is the subject of the foreclosure proceeding, the Board shall provide written notice to the Owner by first-class mail, postage prepaid, at the most current address for the Owner that is shown on the books of the Association. In the absence of written notification by the Owner to the Association, the address of the Owner's Residence or Unit may be treated as the Owner's mailing address.

(D) Debts for Assessments, Regular or Special, may not be collected through the use of judicial or non-judicial foreclosure remedies until the delinquent Assessment amount, exclusive of any accelerated Assessments, late charges, fees, costs of collection, attorneys' fees, and interest, equals or exceeds One Thousand Eight Hundred Dollars (\$1,800.00) or the Assessments are more than twelve (12) months delinquent. Delinquent Assessments in a smaller amount may not be collected through the use of foreclosure remedies, but may be collected through the use of any of the following other means: (1) a civil action in small claims court; (2) by recording a lien on the Owner's Lot (subject to the restrictions on foreclosure of that lien); or (3) any other manner provided by law, other than judicial or non-judicial foreclosure. If the Association elects to record a lien for delinquent Assessments, subsections (b)(iii) and (b)(v), above, shall continue to apply.

(viii) Foreclosed Owner's Rights of Redemption. A non-judicial foreclosure by the Association of an Owner's interest in his or her Lot to collect a debt for delinquent Assessments shall be subject to a right of redemption. The redemption period within which the Lot may be redeemed from a foreclosure sale under this subsection (viii) (which reflects Civil Code section 1367.4(c)(4)) ends ninety (90) days after the sale. In addition to the requirements of Civil Code section 2924(f), a notice of sale in connection with an Association's foreclosure of a Lot shall include a statement that the property is being sold subject to the right of redemption created pursuant to Civil Code section 1367.4(c)(4).

(ix) Limitation on Authority to Use Lien and Foreclosure Remedies to Collect Special Individual Assessments. Only the following categories of Special Individual Assessments may be collected through the use of lien and foreclosure remedies in accordance with subsections (v) through (viii), above: (A) Special Individual Assessments or other monetary charges imposed by the Association as a means of reimbursing the Association for costs incurred in the repair of damage to Common Areas and Common Facilities for which the Member or the Member's Permitted Users were responsible; and (B) Special Individual Assessments imposed to recover late charges, reasonable costs of collection and interest assessed in accordance with Civil Code section 1366(e).

(x) Obligation to Record Lien Releases. If it is determined that a lien previously recorded against a Lot was recorded in error, the party who recorded the lien, within twenty-one (21) calendar days, shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Lot Owner with a declaration that the lien filing or recording was in error and a copy of the lien release or notice of rescission. If the determination that the lien was recorded in error is the result of dispute resolution meet and

confer proceedings conducted pursuant to Civil Code section 1363.810 or alternative dispute resolution with a neutral third-party pursuant to Civil Code section 1369.510, the Association shall also be obligated to promptly reverse all late charges, fees, interest, attorneys' fees, costs of collection, costs imposed for the issuance of the notices prescribed by Civil Code section 1367.1, and costs of recording the lien release and all costs incurred in the mediation or alternative dispute resolution process.

In addition, within twenty-one (21) days of the payment of the sums specified in the Notice of Delinquent Assessment, the Association shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Lot Owner a copy of the lien release or notice that the delinquent Assessment has been satisfied.

(xi) Effect of Failure to Adhere to Lien Restrictions. If the Association fails to comply with the procedures set forth in this Section 4.10(b) prior to recording a lien, the Association shall recommence the required notice process prior to recording a lien. Any costs associated with recommencing the notice process shall be borne by the Association and not by the Owner of the Lot.

The provisions of this Section 4.10(b) are intended to comply with the requirements of Civil Code sections 1367.1, 1367.4 through 1367.6, as in effect on the date that this Declaration is recorded in the Official Records of Tuolumne County, California. If these sections of the Civil Code are amended or modified in the future in a way that is binding on the Association and causes this Section to be in conflict with applicable law, the provisions of this Section 4.10(b) automatically shall be amended or modified in the same manner by action of the Board of Directors without necessity of approval of the amendment by the Members so long as all Members are given a copy of the recorded amendment and the decision to approve the amendment is made at a duly noticed open meeting of the Board of Directors.

Section 4.11. Transfer of Lots by Sale or Foreclosure. The following rules shall govern the right of the Association to enforce its Assessment collection remedies following the sale or foreclosure of a Lot:

(a) Except as provided in subparagraph (b), below, the sale or transfer of any Lot shall not affect any Assessment lien which has been duly Recorded against the Lot prior to the sale or transfer, and the Association can continue to foreclose its lien in spite of the change in ownership.

(b) The Association's Assessment lien shall be extinguished as to all delinquent sums, late charges, interest and costs of collection incurred prior to the sale or transfer of a Lot pursuant to a foreclosure or exercise of a power of sale by the holder of a prior encumbrance (but not pursuant to a deed-in-lieu of foreclosure). A "prior encumbrance" means any first Mortgagee or other Mortgage or lien Recorded against the Lot at any time prior to Recordation of the Association's Assessment lien (see Section 4.12, below).

(c) No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale or otherwise shall relieve the new Owner of the Lot (whether it be the former beneficiary of the

first Mortgage or other prior encumbrance or a third party acquiring the Lot) from liability for any Assessments which thereafter become due with respect to the Lot or from the lien thereof.

(d) Any Assessments, late charges, interest and associated costs of collection which are lost as a result of a sale or transfer of a Lot covered by subparagraph (b), above, shall be deemed to be a Common Expense collectible from the Owners of all Lots in the Development, including the person who acquires the Lot that is the subject of the foreclosure and his or her successors and assigns.

(e) No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale or otherwise shall affect the Association's right to maintain an action against the foreclosed previous Owner personally to collect the delinquent Assessments, late charges, interests, and associated costs of collection incurred prior to and/or in connection with the sale or transfer.

Section 4.12. Priorities. When a Notice of Delinquent Assessment has been Recorded, such notice shall constitute a lien on the Lot prior and superior to all other liens except: (a) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; and (b) the lien or charge of any first Mortgage of record (meaning any Recorded Mortgage with first priority over other Mortgages) made in good faith and for value; provided, however, that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of the such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such first Mortgage or other prior encumbrance.

Section 4.13. Allocation of Taxes on Common Areas. In the event that any taxes are assessed against the Common Areas, or personal property owned by the Association, rather than being assessed to the individual Lots, such taxes shall be included in the Regular Assessments imposed pursuant to Section 4.02, above, and if necessary, a Special Assessment may be levied against Lots within the Development in an amount equal to such taxes to be paid in two installments, thirty (30) days prior to the due date of each tax installment.

Section 4.14. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article, the benefit of any homestead or exemption law of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed.

ARTICLE V ARCHITECTURAL REVIEW AND APPROVAL OF IMPROVEMENT PROJECTS

Section 5.01. Requirement that Improvement Projects Be Approved. Except as otherwise expressly permitted in this Declaration, no Improvements (as defined in Section 1.16, above) shall be commenced, installed, erected, painted, repainted, remodeled, or maintained on any Lot in the Development, nor shall any exterior alteration of any Improvement of any kind be made, until the same has been approved in writing by the Board of Directors of the Association. The Board may (but shall not be obligated to) delegate its responsibilities under this Article V to a duly authorized committee, which, if appointed, shall be called the "Architectural Committee."

Section 5.02. Improvements Restricted Solely to the Interior of Residences and Minor Improvement Projects. The requirement of Board or committee approval of Improvement projects pursuant to this Article V shall not apply to projects that are confined to the interior of existing Residences or other enclosed building structures so long as the project is otherwise in compliance with this Declaration and any applicable Architectural Rules (see Section 5.03, below). For example, a project to convert a garage bay to a living space or work shop would not be exempt under this Section 5.02 because the project is prohibited by Section 7.05(d), below. Minor repair, refinishing, or painting projects using materials that are a like kind, color and appearance to existing colors or materials are also exempt even if the project involves Residence or building exteriors. Improvement projects that are otherwise exempt under this Section 5.02 shall nevertheless require prior approval by the Board if the project will necessitate the stacking, storage or staging of materials or debris on portions of the Owner's Lot that are visible from neighboring or adjacent Lots or streets for periods in excess of eight (8) hours.

Section 5.03. Architectural Rules. The Board may, from time to time adopt, amend and repeal rules and regulations to be known as the "Architectural Rules." The Architectural Rules shall interpret and implement the provisions hereof by setting forth: (a) any standards and procedures for the Board's review and approval of proposed Improvement projects (consistent with Sections 5.06 and 5.07, below); (b) guidelines for color schemes, exterior finishes and materials and similar features which are recommended or required for use in connection with particular Improvement projects within the Development; (c) procedures for expedited approval or waiver of plan and specification requirements for minor or commonly recurring projects; and (d) the criteria and procedures for requesting variances from any property use restrictions or minimum improvement standards that would otherwise apply to the proposed Improvement under this Declaration or applicable Architectural Rules. Notwithstanding the foregoing, no Architectural Rule shall be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Architectural Rules and this Declaration, the provisions of the Declaration shall prevail. Among other things, in accordance with Civil Code section 1378(a)(1), the Architectural Rules shall provide a fair, reasonable and expeditious procedures that the Committee must follow when making decisions on submitted Improvement plans and projects. The procedures adopted by the Board shall include prompt deadlines for various actions and a maximum time for response to an application, consistent with Section 5.07, below.

Section 5.04. Alterations or Improvements Associated With Disabilities. A physically impaired Owner may make modifications to the Owner's Lot upon approval of the Board of Directors, in accordance with the terms, conditions and restrictions set forth in Section 1360 of the Civil Code, as that section may be amended from time to time.

Section 5.05. Association Exemption. No consents or approvals of the Board of Directors of the Association or any duly designated Architectural Committee shall be required in connection with any construction or improvement projects undertaken by the Association to its property or the Common Area.

Section 5.06. Basis for Approval of Improvements. When a proposed Improvement is submitted to the Board of Directors or its duly designated committee for review, the Board/committee shall grant the requested approval only if the Board, in its sole discretion,

exercised in good faith, makes the following findings regarding the proposed Improvement project:

(a) The Owner's plans and specifications conform to this Declaration and to the Architectural Rules, if any, that are in effect at the time such plans are submitted to the Association;

(b) The Improvement will be in harmony with the external design of other Residences and/or landscaping within the Development;

(c) The Improvement, as a result of its appearance, location or anticipated use, will not interfere with the reasonable enjoyment of any other Owner of his or her property; and

(d) The proposed Improvement(s), if approved, will otherwise be consistent with the architectural and aesthetic standards prevailing within the Development and with the overall plan and scheme of development within the Development.

While it is recognized that the Board's determination to approve, disapprove or conditionally approve proposed Improvement projects will, of necessity, be subjective to some degree, the Board shall act reasonably and in good faith and shall consider such factors as the quality of workmanship and materials proposed for the Improvement project, the harmony of its exterior design, finished materials and color with that of other existing Residences or neighboring structures. The Board shall also be entitled to determine that a proposed Improvement or component thereof is unacceptable when proposed with respect to a particular Lot or Residence, even if the same or a similar Improvement/component has previously been approved for use at another location if factors such as drainage, noise or prior adverse experience with the product or design provide a reasonable basis for denial of approval of the proposed Improvement or use of a particular component of the proposed Improvement within the Unit that is involved in the Owner's submittal. Any decision on a proposed improvement project shall be made in good faith and may not be unreasonable, arbitrary, or capricious. Furthermore, in spite of the discretion conferred on the Board/Committee pursuant to this Article V, no decision of the Board/Committee regarding a proposed Improvement project can be made or imposed that violates any governing provision of law (including, without limitation, the California Fair Employment and Housing Act) or a building code or other applicable law governing land use or public safety.

In approving a request for approval of an Improvement, the Board or its duly designated Committee may condition its approval upon the adoption of modifications in the Owner's plans and specifications or observance of restrictions as to location, noise abatement or similar mitigating conditions applicable to the Improvement.

Section 5.07. Time Limits for Approval or Rejection.

(a) Approval or Disapproval by the Board. Within thirty (30) days after submission of plans and specifications satisfying the requirements of the Architectural Rules, the Board shall return one set of such plans to the applicant, with either written notice of approval or disapproval. If the proposed improvement is disapproved, the written decision of the Board shall include both an explanation of why the proposed change was disapproved and a description of

the procedure for reconsideration of the Board's decision by the Board. If written suggestions of changes required for approval of the project accompany the returned set of plans, the applicant may implement such changes to the plans and within thirty (30) days resubmit plans incorporating such changes for approval to the Board, which shall not unreasonably withhold its approval so long as the Owner has complied in all material respects with the requested changes. If no written notice of approval or disapproval is received by the applicant within thirty (30) days after the Owner's plans and specifications (or revisions thereto) are submitted to the Board, the plans shall be deemed to have been approved as submitted.

(b) Right to Seek Reconsideration by the Board. In the event that the Board of Directors delegates its authority under this Article V to a committee and the committee denies approval of a proposed Improvement project, the applicant shall have the right to seek reconsideration of the committee's decision by the Board of Directors. Unless otherwise requested by the member-applicant, the Board's hearing of the applicant's appeal shall be conducted in open session and in accordance with Civil Code section 1363.05. Any reconsideration by the Board does not constitute a process of dispute resolution within the meaning of Civil Code section 1363.820.

Section 5.08. Proceeding With Work. Upon receipt of approval from the Board or its duly designated committee, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction and erection of the Improvement pursuant to said approval, said commencement to be, in all cases, within six (6) months from the date of such approval, and the project shall be diligently pursued to completion. If the Owner shall fail to comply with this section, any approval given pursuant to this Article shall be deemed revoked unless the Board, upon written request of the Owner made prior to the expiration of the initial six (6) month period, extends the time for commencement or completion. No such extension shall be granted except upon a finding by the Board that there has been no change in the circumstances upon which the original approval was granted and that the Owner has a bona fide intention and ability to complete the project within the time specified in the extension request. The Board's approval of a particular Improvement project may either extend or shorten these completion deadlines given the nature and extent of the project.

Section 5.09. Failure to Complete Work. Unless the Owner has been granted an extension of time to complete the project by the Board or its duly designated Committee, construction, reconstruction, refinishing or alteration of any approved Improvement must be complete within six (6) months after construction has commenced, except and for so long as such completion is rendered impossible or would result in great hardship to the Owner because of strikes, fires, national emergencies, natural calamities or other supervening forces beyond the control of the Owner or his or her agents. In the case of building Improvements, the requirements of this Section shall be deemed to have been met if, within the six (6) month construction period, the Owner has completed construction of the building's foundation and all exterior surfaces (including the roof, exterior walls, windows and doors).

If the Owner fails to comply with this Section, the Board may initiate enforcement action pursuant to Article XII below.

Section 5.10. Limitation on Liability. In exercising its duties hereunder to review and approve proposed Improvement projects, neither the Board of Directors, nor any individual director or officer shall be liable to any Owner for any damage, loss or prejudice suffered or claimed on account of any mistakes in judgment, negligence or nonfeasance arising out of: (a) the approval or disapproval of any Improvement plans, drawings and specifications, whether or not defective; or (b) the construction or performance of any Improvement project, whether or not pursuant to approved plans, drawings specifications; so long as the Board has acted in good faith on the basis of such information as the directors possessed at the time the application was reviewed.

Section 5.11. Compliance With Governmental Regulations. Review and approval by the Board of Directors or its duly designated Architectural Committee of any proposals, plans or other submittals pertaining to Improvements shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements, the responsibility for which shall lie solely with the Owner who desires to construct, install, or modify the approved Improvement.

ARTICLE VI ASSOCIATION AND OWNER MAINTENANCE OBLIGATIONS

Section 6.01. Association Maintenance Obligations. The Association shall be responsible for maintaining the following in good condition and repair:

(a) Common Area Improvements. The Association shall maintain or provide for the maintenance of all Common Area improvements, including but not limited to, all recreational facilities, utility buildings and utility laterals located with the Common Area, which are not maintained by any private or public utility.

(b) Landscaping. The Association shall provide gardening services and fire suppression for all the landscaping within the Common Area. The sprinkling systems originally installed on the Common Area in connection with the landscaping improvements shall also be operated and maintained by the Association.

(c) Entry Statement and Gates. The Association shall maintain the signage and other improvements located at the four entries to the Development, the security booth, and entry statement and appurtenant landscaping and lighting improvements at the Development entrances from Ferretti Road.

(d) Security Wall. The Association shall maintain and repair the security wall bordering Ferretti Road at the northern edge of the Development.

(e) Lot 71. The Association shall maintain and repair the improvements on Lot 71 including the paved areas and parking structures, if any are constructed.

Section 6.02. Owners' Maintenance Obligations. Each Owner shall have the following maintenance and repair responsibilities:

(a) Maintenance of the Owner's Residence and Lot, Generally. Each Owner shall be responsible for maintaining in good condition and repair the Owner's Residence and Lot, including all improvements and landscaping thereon and any Exclusive Use Common Area parking structure that is appurtenant to the Owner's Lot.

(b) Utility Lines. Owners or Owners' tenants are responsible for maintaining the utility lines that connect the Owner's Residence to the Development's utility lines. All electrical, water, sewer, and gas connections must be kept in a good, safe, and leak-proof condition at all times, and in compliance with all state and local laws and regulations.

(c) Incidental Repairs. Owners or their tenants are responsible for malfunctions in their home, including but not limited to plugged sewer lines, electrical shorts, etc. Owners or an Owner's tenants, guests or invitees shall not put grease, paper towels, diapers, sanitary napkins, condoms, tea bags, mini-pads, Q-tips, tampon applicators, etc., down any drain or toilet, and into the sewer system. If an Owner or his or her tenant, guests or invitees are responsible for clogging the sewer system, he/she will be charged for the repair as a Special Individual Assessment.

(d) Trees. Owners shall be responsible for the maintenance of trees on their Lots and for the removal of dead or dying trees; provided, however, that prior to the removal of any tree with a trunk diameter of more than eight (8) inches measured at a height of five (5) feet above ground level must receive the prior approval of the Board of Directors. In the event that a tree is identified on an Owner's Lot as being dead or diseased and therefore in need of removal, and the Owner does not initiate that action on his or her own volition (after receiving notice of the condition and having a reasonable opportunity to respond) the Association shall have the right to enter the Owner's Lot and remove the tree and to recover the costs incurred in taking that action as a Special Individual Assessment (see Section 6.03(b), below).

Section 6.03. Association Recovery of Costs of Certain Repairs and Maintenance.

(a) Association Maintenance Caused by Owner Negligence. If the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder, is caused through the willful or negligent acts of an Owner, his or her family, guests, tenants, or invitees, and is not covered or paid for by Association insurance policies or any liability insurance maintained by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Section 4.04, above.

(b) Owner Defaults in Maintenance Responsibilities. If an Owner fails to perform maintenance or repair functions on the Owner's Residence or Lot the Association may give written notice to the offending Owner with a request to correct the failure within fifteen (15) days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance, the Association may exercise its rights under Section 3.07(b), above, to enter the Owner's Lot and perform the repair or maintenance, so long as the Owner has been given notice and the opportunity for a hearing in accordance with Section 12.06, below. Cost of any such repair or maintenance shall be charged to the Owner as a Special Individual Assessment pursuant to Section 4.04, above.

Section 6.04. Cooperative Maintenance Obligations. To the extent necessary or desirable to accomplish the Association's maintenance obligations hereunder, individual Owners shall cooperate with the Association and its agents and maintenance personnel in the prosecution of the Association's maintenance activities.

ARTICLE VII USE RESTRICTIONS

Section 7.01. Use of Lots. It is anticipated that the Owner of each Lot will have constructed or moved on to the Lot a manufactured home (referred to below as "home"). No Lot, or any portion thereof, shall be occupied and used except for single family residential purposes by the Owners, their contract purchasers, lessees, tenants, or social guests. Lots with no sewage usage may be used for building of a structure as long as it is built according to applicable State codes.

Section 7.02. Statement of Restrictions On Rights of Occupancy of Residences in the Development.

(a) Imposition of Age Restrictions, Generally. Each Residence within the Development, if occupied, must be occupied by at least one (1) Qualifying Resident, as defined in Section 1.26, above. All other persons occupying a Residence within the Development shall be either a Qualified Permanent Resident (see section 1.25) or a Permitted Health Care Resident (see Section 1.23), or a guest (of any age) of a Qualifying Resident or of a Qualified Permanent Resident so long as the guest's residency does not exceed a total of sixty (60) days in any calendar year. This Section and its subparagraphs are intended to comply with the federal Fair Housing Act Amendments of 1988 and the Housing for Older Persons Act of 1995, as they may be amended from time-to-time. Under the Fair Housing Act requirements at all times at least eighty percent (80%) of the residences in the Development must be occupied by a Qualifying Resident. In calculating compliance with this eighty percent (80%) occupancy requirement it is permissible to exclude: (i) residences in which a Qualifying Resident has resided in the past year and intends to return on a periodic basis, (ii) residences occupied by Qualified Permanent Residents who are providing reasonable accommodations to Qualifying Residents who are disabled; and (iii) Lots that are not yet improved with residence structures.

(b) Termination of Right Of Occupancy for Qualifying Permanent Residents Under Certain Circumstances. Except as otherwise provided in the next succeeding paragraph of this subparagraph (b), upon the death or dissolution of marriage, or upon hospitalization, or other prolonged absence of the Qualifying Resident, any Qualified Permanent Resident shall be entitled to continue his/her occupancy, residency or use of the Residence. This right shall not apply to a Permitted Health Care Resident whose rights of continued occupancy shall be determined in accordance with subparagraph (c), below.

If a person is a "Qualified Permanent Resident" by virtue of being a disabled person or a person with a disabling illness or injury who is a child or grandchild of the Qualifying Resident and the disabling condition ends, the Owner of the Residence or the Association Board of Directors may require the formerly disabled resident to cease residing in the Development upon

receipt of six (6) months' written notice; provided, however, that the Owner or the Board of Directors may allow the person to remain a resident for up to one year after the disabling condition ends. In addition, the Owner of the Residence or the Board of Directors may take action to prohibit or terminate occupancy by a person who is a Qualified Permanent Resident on account of a disability or disabling illness or injury if the Owner or the Board of Directors, based on credible and objective evidence, finds that the person is likely to pose a significant threat to the health or safety of others that cannot be ameliorated by means of a reasonable accommodation; provided, however, that the action to prohibit or terminate the occupancy of the disabled Qualified Permanent Resident may only be taken after doing both of the following:

(i) Providing the reasonable notice disabled person whose occupancy is being challenged, as well as an opportunity to be heard. When notice is provided to the disabled person, a copy of that notice shall also be provided to the co-resident parent or grandparent of that person; and

(ii) Giving due consideration to the relevant, credible, and objective information provided at the hearing. The evidence shall be taken and held in a confidential manner, pursuant to a closed session by the Owner of the Residence or the Board of Directors, as the case may be, in order to preserve the privacy of the disabled person whose occupancy is being challenged and other affected persons. Any Qualified Permanent Resident who is the subject of such a hearing, as well as other affected persons, shall be entitled to have present at the hearing an attorney or other person authorized by the Qualified Permanent Resident or other affected persons to speak on their behalf or to assist them in the matter.

(c) Continued Occupancy of a Residence by a Permitted Health Care Resident. In the absence of a Qualifying Resident. A Permitted Health Care Resident shall be permitted to continue his or her occupancy, residency, or use of the Residence as a permitted resident in the absence of the Qualifying Resident only if both of the following are applicable:

(i) The Qualifying Resident's absence from the Residence was due to hospitalization or other necessary medical treatment and expects to return to his or her Residence within ninety (90) days from the date that the absence began; and

(ii) The absent Qualifying Resident or an authorized person acting for the absent Qualifying Resident submits a written request to the Owner or the Board of Directors stating that the Qualifying Resident desires that the Permitted Health Care Resident be allowed to remain in order to be present when the Qualifying Resident returns to reside in the Development. Furthermore, upon written request of the Qualifying Resident or an authorized person acting for the absent Qualifying Resident, the Owner or the Board of Directors shall have the discretion to allow a Permitted Health Care Resident to remain as an occupant for a time period longer than ninety (90) days from the date that the Qualifying Resident's absence began, if it appears that the Qualifying Resident will return to reside at the Residence within the Development within a period of time not to exceed an additional ninety (90) days.

Section 7.03. Maximum Occupancy. Unless preempted by state or local laws or ordinances, the number of people residing in a Residence shall not to exceed two (2) persons per bedroom plus one (1) additional person per Residence.

Section 7.04. Business Activities. No business or commercial activities of any kind whatsoever shall be conducted in any Residence garage or out building or in any portion of any Lot without the prior written approval of the Board; provided, however, the foregoing restriction shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities under the Governing Documents. Furthermore, no restrictions contained herein shall be construed in such a manner so as to prohibit any Owner from: (a) maintaining his or her personal library in his or her Residence; (b) keeping his or her personal business records or accounts therein; (c) handling his or her personal or professional telephone calls or correspondence therefrom; (d) engaging in other activities related to the resident's business profession that can be conducted from a Residence using computers and other technology so long as the home or business activities generate no traffic, noise, or involve other employees or contractors in the Residence; (e) leasing or renting his or her Residence in accordance with Section 2.04, above; or (f) conducting any other activities on the Owner's Lot otherwise compatible with residential use and the provisions of this Declaration which are permitted under applicable zoning laws or regulations without the necessity of first obtaining a special use permit or specific governmental authorization. The uses described in (a) through (f) are expressly declared to be customarily incidental to the principal residential use and not in violation of this Section 7.04. Regular child-care operations or "babysitting," when conducted as a business activity, shall be prohibited within the Development.

Section 7.05. Restrictions Relating to Parking and the Use of Garages.

(a) Unless otherwise permitted by the Board, no motor vehicles shall be parked or left on any other portion of the Development other than within a Lot's driveway, garage, designated Common Area parking place, if any, or Exclusive Use Common Area parking, if any, or other portions of the Development that are specifically designated for parking. The parking of recreational vehicles shall be permitted in designated areas of the Development or on an approved area of the Owner's Lot. This restriction is not intended to prevent temporary parking of recreational vehicles or boats for purposes of loading, unloading or cleaning, not to exceed forty-eight (48) hours.

(b) Because some of the private streets within the Development are narrower than conventional city streets, parking on the private street(s) within the Development is strictly prohibited. At all times a minimum of twenty feet (20') of unobstructed roadway shall be maintained in order to permit access by fire and other emergency vehicles. Any vehicle parked on a private street is subject to having the vehicle towed away at the owner's expense. WARNING: If the tow company is called for the removal of a vehicle parked on a street within the Development the owner of the vehicle may be charged by the towing company whether the vehicle is moved or not.

(c) Visitors or guests who cannot utilize the parking on a Lot must park their vehicles in designated guest parking areas. The Association may promulgate and enforce restrictions regarding parking within the Development.

(d) Each Owner shall keep his or her garage area or carport in a neat and orderly condition. Garage doors, if any, shall be normally be closed when not in use. Each owner shall be entitled to the exclusive use of the driveway serving their garage and shall keep the driveway

clean and free of debris. No garage shall be converted into a work shop, living space, or storage area that would preclude the parking of a vehicle in each bay of the garage space.

(e) Driveways must be kept clean at all times. Any vehicle dripping gasoline, oil or other fluids (other than water) must be repaired immediately to avoid damage to the paving. Oil pans may be used if they are kept clean. Car washing and minor car repairs in the garage and/or in the driveway are acceptable.

Section 7.06. Vehicle Restrictions. The Development is subject to the following vehicle restrictions:

(a) Recreational vehicles (RV's), campers, boats and all other towable equipment must be stored in the garage or on approved area of Owner's Lot, or in the Association's RV/board storage area.

(b) No commercial vehicle, truck (other than a standard size pickup truck), inoperable automobile, or similar equipment shall be permitted to remain upon any area within the Property, other than temporarily. Commercial vehicles shall 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.

(c) No noisy or smoky vehicles shall be operated within the Development. All vehicles operated within the Development must be properly equipped with a muffler to ensure quiet performance. No off-road unlicensed motor vehicles shall be operated within the Development. Mufflers are mandatory.

(d) No motorcycle, motor scooter, mini-bike, moped or other two or three wheel motorized vehicle will be allowed within the Development unless it is the property of an Owner, his guest, tenant or invitee. Such vehicles must be registered with the California Department of Motor Vehicles.

(e) No all-terrain vehicles, dirt bikes, or vehicles not registered with the California Department of Motor Vehicles may be driven within the Development at any time for any reason.

Section 7.07. Signs. No sign of any kind shall be displayed on or from any Lot or any portion of the Development without the approval of the Association, except as follows:

(a) One sign of customary and reasonable dimensions advertising a Lot for sale, lease, rent or exchange displayed from a Lot in compliance with Civil Code sections 712 and 713; and

(b) Such other signs or notices as are required by law or as are otherwise necessary to perfect a right provided for in law.

Section 7.08. Animals/Pets. No animals, reptiles, rodents, birds, fish livestock, or poultry shall be raised, bred, or kept on any Lot or portion of the Development; except that no

more than two usual and ordinary household pets such as dogs, cats, fish or birds may be kept, provided that they are not kept, bred, or maintained for any commercial purposes, and they are kept under reasonable control at all times. This provision shall not apply to aquarium type fish and the Board, in its discretion and upon prior application by an Owner may permit more than two common household pets if the Board makes a reasonable determination that an additional pet or pet will not result in an unreasonable interference with the quiet enjoyment of other residents.. Notwithstanding the foregoing, no pets may be kept on the Development which result in an annoyance or nuisance to other Owners. No pets shall be allowed on the Common Area except as may be permitted by rules of the Board. No animals shall be allowed in the Clubhouse/swimming pool area. No dog shall enter the Common Area except while on a short leash which is held by a person capable of controlling the dog. Owners shall prevent their pets from soiling any portion of the Development and pet owners shall be obligated to immediately clean up after their pets. The Association can prohibit the keeping of any animal within the Development that in the sole and exclusive opinion of the Board constitutes a nuisance or danger to any other Owner. Current vaccination certificates shall be on file with the Association's office.

Section 7.09. Trash and Storage of Materials. All garbage and trash shall be regularly removed from the Development, and shall not be allowed to accumulate thereon. Trash shall be placed and kept in covered sanitary containers where it is not visible from any neighboring lot except for a reasonable time prior to or after collection. Garbage and trash shall be placed for pick up as required by the disposal service and any rules adopted by the Association. Firewood must be stacked neatly and stored in the back or side of the home. Outdoor furniture, manufactured barbecue equipment, firewood, and no more than two (2) storage cabinets not to exceed a combined total of one hundred and twenty (120) square feet, are the only items permitted outside the home. Large trucks, commercial vehicles, or inoperative vehicles are not to be store or parked on a Lot. Storage of any material under a home is expressly prohibited.

Section 7.10. Storage Cabinets and Sheds. Written approval must be obtained from the Board before a storage cabinet may be installed. No more than two professionally built storage cabinets, up to a combined total of one hundred and twenty (120) square feet, may be placed on a Lot at the rear of the home. Unless otherwise approved by the Board or its duly constituted Architectural Committee, storage cabinets must be commercially manufactured and color coordinated with the exterior of the home. Storage cabinets must be placed on a Lot in accordance with Title 25 of the California Code of Regulations. Electrical service to the storage cabinet is prohibited. Storage cabinets must be maintained in a clean and attractive condition. Any damage to the storage cabinet must be repaired within thirty (30) days from the date of damage.

Section 7.11. Manufactured Home Standards and Maintenance.

(a) Manufactured homes ("homes") placed on Lots with the Development must meet all local, state, and federal standards and must be approved in writing the Board. Only double- and triple-wide manufactured homes, or structures of similar appearance are permitted within the Development and the homes must either be new or have the appearance of being practically new and well maintained. All homes are to have an attached or detached garages, single wide with

attached RV garage. All homes installed after recordation of this Declaration shall be attached to permanent foundations.

(b) All homes must have wood or stucco exteriors with painted or stained colors approved by the Board. All attached or detached structures must be of the same materials and appearance as a home. Roofs of any home erected or placed on a Lot after the recordation date of this Declaration must have minimum 16-inch eaves, or awnings up to eleven (11) feet in width made out of color coordinated wood, fiberglass or metal, subject to Board approval. Awnings, shades, screens, blinds or other similar items which are made of bamboo, rattan or other similar materials are not permitted unless approved by the Board.

(c) A garage must be installed within sixty (60) days after the installation of a home. Before installing awnings, decks, garage or carport, the Owner must obtain approval of the appropriate permits from local or state agencies. Each Owner must provide the Board of Directors with copies of any permits obtained. Color and materials must be coordinated with the manufactured home, and approved by the Board.

(d) Damaged awnings or awning supports, must be repaired or replaced within thirty (30) days from date of damage. Choice and color of materials must be coordinated with the manufactured home.

(e) Each Owner is required to start landscaping his/her Lot within three (3) months of installation of the home.

Section 7.12. Window Coverings. Windows shall be covered by drapes, shades or shutters and shall not be covered by foil, cardboard or similar materials.

Section 7.13. Drainage. No Owner shall do any act or construct any improvement which would interfere with the natural or established drainage systems or patterns within the Development without the approval of the Board. Rain gutters and down-spouts must be connected to underground storm-drains if feasible.

Section 7.14. Liability of Owners for Damage to Common Area. The Owner of each Lot shall be liable to the Association for all damages to the Common Area and/or improvements thereon caused by such Owner, or any occupant of his Lot or guest, except for that portion of said damage, if any, fully covered by insurance of the Association. Liability of an Owner shall be established only after notice to the Owner and hearing before the Board.

Section 7.15. Recreational Facilities.

(a) Every Owner shall have a right to use the recreational facilities situated on the Common Area, subject to the following provisions:

- (i) The right of the Association to charge reasonable fees for the use of any recreational facility by non-members; and
- (ii) The right of the Association to deny use after hearing for infringement of rules and nonpayment of dues.

(iii) The right of the Association to offer for rent the recreation facility at fees to be set by the Association.

(b) Any Owner may delegate, in accordance with the Bylaws, right of enjoyment to the recreational facilities to family members, tenants or contract purchasers who reside on the Development.

Section 7.16. Sports Fixtures. No basketball standards, hoops or backboards or other fixed sports apparatus or portable basket ball standard shall be attached to the front of any Residence or erected or maintained in the front yard of any Lot.

Section 7.17. Extended Absence/House-Sitting. Residents shall notify the Association Board as far in advance as possible when planning to be away from the Development for any extended period of time. Residents who wish to have another person or persons occupy their home during their absence must notify the office. If the absence is longer than six (6) months, such person or persons occupying the home shall enter into a long term lease agreement. The lease agreement requires written approval of the Board. See also Section 2.04, above.

Section 7.18. Soliciting. The Board reserves the right to refuse admittance to anyone and prevent trespassing. No soliciting, door-to-door selling, or distribution of handbills or throw-away newspapers will be permitted without the express written permission of the Association Board.

Section 7.19. Nuisances. No noxious, illegal, or seriously offensive activities shall be carried on within any Lot, or in any part of the Development, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each Owner's Lot or Common Area, or which shall in any way increase the rate of insurance for the Development or for any other Lot, or cause any insurance policy to be cancelled or to cause a refusal to renew the same, or which will impair the structural integrity of any building. Without limiting the foregoing, owners of dogs shall be obligated to dispose of their pet's waste.

Section 7.20. Compliance with Governing Documents. Each Owner, contract purchaser, lessee, tenant, guest, invitee or other permitted occupant of a Lot or user of the Common Area shall comply with provisions of the Governing Documents.

ARTICLE VIII EASEMENTS

Section 8.01. Owners' Easements of Ingress and Egress to Common Areas. Owners shall have the nonexclusive easements of access, use and enjoyment in and to the Common Areas of the Development that are more particularly set forth in Section 2.03, above.

Section 8.02. Easements for Utilities and Maintenance. Easements over and under the Development for the installation, repair and maintenance of electric, telephone, water, gas and sanitary sewer lines and facilities, heating facilities, cable or master television antenna lines,

drainage facilities, walkways and landscaping as shown on the recorded Map of the Property, and as may be hereafter required or needed to service the Development, are hereby reserved the Association, together with the right to grant and transfer the same.

Section 8.03. Encroachment Easements. Each Lot within the Development is hereby declared to have an easement over all adjoining Lots and the Common Area for the Purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the building, or any other cause. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Lot agree that minor encroachments over adjoining Lots or Common Area shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

Section 8.04. Easements Established on the Map. Each Lot and its Owner and the Association, as the case may be, is hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the Development and each Lot as shown on the Subdivision Map for any portion of the Development.

ARTICLE IX INSURANCE

Section 9.01. Insurance. In addition to other insurance required to be maintained by the Governing Documents, the Association, through its Board, shall obtain from generally accepted insurance carriers, and maintain in effect at all times, the following insurance at common expense:

(a) Liability Insurance. The Association shall obtain and maintain comprehensive public liability insurance insuring the Association and each Owner against any liability incident to the ownership, use or maintenance of the Common Area, and other maintenance obligations, including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than \$1,000,000 (one million dollars) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance may include protection against water damage liability, liability for non-owned and hired automobiles, liability for property of others, and such other risks as are customarily covered with respect to projects similar in construction, location and use. Such policy may provide for a reasonable deductible.

(b) Fire, Casualty and Extended Coverage Insurance. The Association shall also obtain and maintain a policy of fire, casualty and extended coverage insurance for the full insurable replacement value (without deduction for depreciation) of all of the Common Area improvements within the Development. Such policy may provide for a reasonable deductible. The form, content, term of policy, its endorsements and the issuing company shall meet the

reasonable standards of all First Mortgagees and shall be consistent with good sound insurance coverage for properties similar in construction, location and use. The policy shall name as insured the Association for the benefit of the Owners and all Mortgagees as their respective interests shall appear, and may contain a loss payable endorsement in favor of any trustee described below.

(c) Trustee. All fire, casualty and extended coverage insurance proceeds payable under Section 8.01(b) above for losses to real property and improvements may be paid to a trustee, to be held and expended for the benefit of the Owners, Mortgagees, and others, as their respective interests shall appear. Said trustee shall be a commercial bank, savings and loan or trust company in the county in which the Development is located that agrees in writing to accept such trust.

(d) Other Insurance. The Board shall purchase and maintain worker's compensation insurance, to the extent that it is required by law, for all employees or uninsured contractors of the Association. The Board also shall purchase and maintain fidelity bonds or insurance (which shall be in an amount not less than 150% of each year's estimated annual operating expenses and reserves and shall contain an endorsement of coverage of any person who may serve without compensation) sufficient to meet the requirements of any First Mortgagee. The Board shall also purchase and maintain insurance on personal property owned by the Association, and any other insurance that it deems necessary, that is required by any First Mortgagee or that is customarily obtained for projects similar in construction, location and use.

(e) Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Sections 8.01(a)(b) and (e). The Board is granted full right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

(f) Officer and Director Insurance. The Association shall purchase and maintain insurance on behalf of any Director, Officer, or member of a committee of the Association (collectively the "agents") against any negligent act or omission asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under applicable law. This policy of directors and officers liability insurance shall provide minimum coverage of at least One Million Dollars (\$1,000,000.00).

(g) Waiver of Subrogation. All insurance carried by the Association, or the Owners, shall contain provisions whereby the insurer waives rights of subrogation as to the Association, Directors, Officers, the Owners, occupants of Lots, their family, guests, agents and employees.

(h) Notice of Cancellation. All insurance carried by the Association shall require the insurer to notify any first Mortgagee requesting such notice at least fifteen (15) days prior to effective date of any reduction or cancellation of the policy.

(i) Annual Review of Policies. All insurance policies shall be reviewed at least annually by the Board in order to ascertain whether the coverage contained in the policies is adequate.

(j) Payment of Premiums. Premiums on insurance maintained by the Association shall be a common expense funded by Assessments levied by the Association.

Section 9.02. Individual Fire Insurance. Each Owner shall obtain and maintain, at his expense, fire and casualty coverage as may be required by the Owner's individual Mortgagee, or if no Mortgagee encumbers a Lot, fire and Casualty coverage as may be determined by the Board, with respect to damage or destruction to improvements on the Owner's Lot. All such individually carried insurance shall also contain a waiver of subrogation rights by the carrier as to other Owners, the Association and the First Mortgagee of such Lot. On an annual basis each Owner shall provide the Association with proof of insurance, consistent with the requirements of this Section 9.02 within thirty (30) days of the policy's renewal.

ARTICLE X DAMAGE AND DESTRUCTION

Section 10.01. Destruction of the Common Area.

(a) Minor Destruction Affecting Common Area. Notwithstanding Section 8.01(b), the Board shall have the duty to repair and reconstruct the Common Area without the consent of Members and irrespective of the amount of available insurance proceeds or other funds, in all instances of partial destruction where the estimated cost of repair and reconstruction does not exceed 5% of the budgeted gross expenses of the Association for that fiscal year. The Board may levy a Special Assessment for the cost of such repair and reconstruction to the extent insurance proceeds or other funds are unavailable.

(b) Major Destruction Affection Common Area.

(i) Destruction: Proceeds Exceed 85% of Reconstruction Costs. If there is a total or partial destruction of the Common Area, and if the available proceeds of the insurance carried pursuant to Section 9.01 or other available funds are sufficient to cover not less than 85% of the costs of repair and reconstruction, the Common Area shall be promptly rebuilt unless, within 90 days from the date of destruction, Members then holding at seventy-five percent (75%) of the Voting Power of the Members determine that repair and reconstruction shall not take place.

(ii) Destruction: Proceeds Less than 85% of Reconstruction Costs. If the proceeds of insurance carried pursuant to Section 8.01 or other available funds are less than 85% of the costs of repair and reconstruction, repair and reconstruction shall not take place unless, within 90 days from the date of destruction, Members then holding at least a majority of the Voting Power of the Members determine that repair and reconstruction shall take place, If repair and reconstruction is to take place, the Board shall execute, acknowledge and record in the office

of the County Recorder not later than one hundred and twenty (120) days from the date of destruction a certificate declaring the intention of the Members to rebuild.

(iii) Special Assessment to Rebuild. If the determination is made to rebuild pursuant to the above Sections, the Association may levy a Special Assessment against all Lot Owners to cover the cost of rebuilding not covered by insurance proceeds or other funds, subject to any membership approval requirements imposed by Section 4.03(b), above.

(iv) Rebuilding Contract. If the determination is made to rebuild, the Board shall obtain bids from at least three (3) reputable contractors, and shall award the repair and reconstruction work to a qualified bidder who submits a bid proposal that appears most advantageous to the Association and its Members, in the reasonable exercise of the Board's discretion. The Board shall have the authority to enter into a written contract with the contractor for the repair and reconstruction, and the insurance proceeds shall be disbursed to said contractor according to the terms of the contract. It shall be the obligation of the Board to take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

(v) Rebuilding Not Authorized. If the determination is made not to rebuild, then any insurance proceeds and any other funds held for rebuilding of the Common Area shall, subject to Corporations Code Section 8724, be distributed among the Lots on the same basis as their Regular Assessment obligation, and between the Lot Owner and his Mortgagee(s) as their interests shall appear.

Section 10.02. Damage to Residences or Other Lot Improvements.

(a) Obligation to Rebuild or Clear Damaged Structures. If all or any portion of any home, garage, or other Lot improvement is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of affected Lot, repair or reconstruct the damaged structure or clear the Lot of all damaged or destroyed structures or portions thereof. If structural improvements other than a home, garage or fence are damaged or destroyed and the Owner prefers not to rebuild the improvement, the Owner shall clear his or her Lot of all damaged or destroyed materials and return the affected area to an attractive appearance.

(b) Approval of Improvements by the Board. Any Owner whose home or other structural improvements have been damaged or destroyed shall apply to the Board of Directors for approval of plans for the reconstruction, rebuilding, or repair of the damaged or destroyed home or structure. Application for such approval shall be made in accordance with Article V, above. The Board shall grant such approval only if the design proposed by the Owner satisfies the requirements for approval set forth in section 5.06, above.

(c) Time Limitation for Reconstruction or Removal. The Owner or Owners of any damaged Lot improvements and the Board of Directors shall be obligated to proceed with all due diligence hereunder to remove damaged structures (or portions thereof), prepare and process reconstruction plans and specifications and complete the repair and restoration work. At a minimum, whenever Owners are required to prepare and submit repair or reconstruction plans to the Board, said submittal shall be made within sixty (60) days following the event and

reconstruction shall commence within thirty (30) days following receipt of approval from the Board. Reconstruction shall be completed within six (6) months following receipt of Board approval. For good cause (including, without limitation, delays caused by inclement weather or the processing of insurance claims) the Board may waive or extend any of the deadlines imposed by this subparagraph (c).

ARTICLE XI CONDEMNATION

Section 11.01. Condemnation Affecting Common Area

(a) Sale in Lieu. If an action for condemnation of all or a portion of the Common Area is proposed or threatened by an entity having the right to eminent domain, then on the unanimous written consent of all of the Owners and subject to the rights of all Mortgagees, the Common Area, or a portion of it, may be sold by the Board. Subject to Corporations Code Section 8724, the proceeds of the sale shall be distributed among the Lots on the same basis as their Regular Assessment obligations and between the Lot Owners and their Mortgagees as their respective interests shall appear.

(b) Award. If the Common Area, or a portion of it, is not sold, but is instead taken, the judgment of condemnation shall by its terms apportion the award among the Owners and their respective Mortgagees. If the judgment of condemnation does not apportion the award, then the award shall be distributed as provided above.

Section 11.02. Condemnation Affecting Lots. If an action for condemnation of all or a portion of, or otherwise affecting a Lot is proposed or threatened, the Owner and the Mortgagees of the affected Lot, as their respective interests shall appear, shall be entitled to the proceeds of any sale or award relating to the affected Lot.

If any Lot is rendered irreparably uninhabitable as a result of such a taking, the Lot shall be deemed deleted from the Development and the Owners and Mortgagees of the affected Lot, upon receiving the award and any portion of the reserve funds of the Association reserved for the Lot, shall be released from the applicability of the Governing Documents and deemed divested of any interest in the Common Area.

ARTICLE XII ENFORCEMENT OF DECLARATION

Section 12.01. Remedy at Law Inadequate. Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration are inadequate and that the failure of any Owner, tenant, occupant or user of any Lot, or any portion of the Common Areas or Common Facilities, to

comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

Section 12.02. Nuisance. Without limiting the generality of the foregoing Section 11.01, the result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 12.03. Attorneys' Fees. Reasonable attorneys' fees and costs shall be awarded to the prevailing party in any procedure to enforce the Governing Documents or a party's rights arising under the Governing Documents. Such enforcement procedures include an action brought in any court of competent jurisdiction as well as any alternative dispute resolution procedure implemented pursuant to the Governing Documents or pursuant to California Civil Code sections 1354 and 1369.510-1369.580 (as such sections may be renumbered or revised from time to time). In any enforcement procedure, such as mediation in which there is no agreement between all of the parties that attorneys will represent them, recoverable costs are limited to attorneys' fees and costs incurred in providing the notices required under such statute.

Section 12.04. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Declaration.

Section 12.05. Failure Not a Waiver. The failure of any Owner, the Board of Directors, the Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or the Board, or any of its officers or agents.

Section 12.06. Rights and Remedies of the Association (Governing Document Enforcement).

(a) Rights Generally. Except as otherwise provided in Section 4.10, above (Assessment Collections), in the event of a breach or violation of any Association Rule or of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's Permitted Users, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such Rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use recreation Common Facilities or suspension of the Owner's voting rights as a Member of the Association; provided, however, the Association's right to undertake disciplinary action against its Members and/or their

Permitted Users shall be subject to the conditions and due process requirements set forth in this Section.

The decision of whether it is appropriate or necessary for the Association to take enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Association's Board or its duly authorized enforcement committee. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement pursuant to California Civil Code Sections 1354 and 1369.510-1369.580 or otherwise by law.

(b) Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles). Once imposed, a fine or penalty may be collected as a Special Individual Assessment, subject to the limitation on the use of lien and foreclosure remedies stated in Section 4.10(b)(ix), above. Any schedule of fines or amendments to a previously established schedule of fines shall be distributed to each Member by personal delivery or first-class mail.

(c) Definition of "Violation." A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for additional days, discipline imposed by the Board may include one component for the violation and, according to the Board's discretion, a per diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Association shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Areas at the cost of the responsible Owner.

(d) Limitations of Disciplinary Rights.

(i) Generally. The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his or her Lot due to the failure by the Owner (or his or her Permitted Users) to comply with any provision of the Governing Documents or of any duly enacted Association Rule except where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction, a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Association or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Association's actions satisfy the due process requirements of subparagraph (iii) below.

(ii) Monetary Penalties. Monetary penalties imposed by the Association: (A) for failure of a Member to comply with the Governing Documents; (B) as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Areas or Common Facilities allegedly caused by a Member; or (C) in bringing the Member and his or her Lot into compliance with the Governing Documents, may not be characterized nor treated as an Assessment which may become a lien against the Member's Lot enforceable by a sale of the Lot in nonjudicial foreclosure; provided, however, that this limitation on the Association's lien rights shall not apply to charges imposed against an Owner consisting

of reasonable late payment penalties to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in the Association's efforts to collect delinquent Assessments.

(iii) Hearings and Summary Enforcement Rights. No penalty or temporary suspension of rights shall be imposed pursuant to this Article unless the Member alleged to be in violation is given at least ten (10) days prior notice of the Board's intention to impose a penalty or discipline the Member (see subparagraph (iv), below). Notwithstanding the foregoing, under circumstances involving conduct that constitutes: (A) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (B) a traffic or fire hazard; (C) a threat of material damage to, or destruction of, the Common Areas or Common Facilities; or (D) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations), the Board of Directors, or its duly authorized agents, may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Association, in writing, within five (5) days following the Association's disciplinary action), or on its own initiative, conduct a hearing on the matter.

(iv) Conduct of Hearings and Notice. Disciplinary hearings may be before the Board or its duly appointed Covenants Committee and shall be scheduled at a date which is at least ten (10) days, but no more than thirty (30) days following the date that notice of the hearing is given to the Owner. The notice shall be given by either first-class mail or by personal delivery and shall set forth the date, time and location of the hearing, a general description of the violation and a notice that the Member has a right to attend the hearing and address the Board or its duly designated Covenants Committee. The Board shall meet in executive session if requested by the Member who is the subject of the disciplinary action.

If the Board or its Covenants Committee imposes discipline on a Member, the Board shall provide the Member with a written notification of the action taken, within fifteen (15) days following the Association's action. That notice shall be given either by personal delivery or by first-class mail. In no event shall the effective date of any disciplinary action commence sooner than five (5) days following conclusion of the hearing unless: (i) the hearing merely affirms summary disciplinary action initiated pursuant to the immediately preceding paragraph; or (ii) earlier commencement is necessary to preserve the quiet enjoyment of other residents or to prevent further damage to, or destruction of, the Development or any portion thereof.

(v) Rules and Procedures. The Board, or an appropriate committee appointed by the Board to conduct and administer disciplinary hearings and related proceedings, shall adopt hearing and disciplinary rules or procedures that comply with the requirements set forth in Civil Code section 1363.830. Such rules or procedures, when approved and adopted by the Board, shall become a part of the Association Rules.

(vi) Appointment of a Covenants Committee. Acting pursuant to Section 11.01 of the Bylaws, the Board of Directors may, but shall not be obligated to, establish a Covenants Committee to hear and decide cases involving alleged violations of the Governing

Documents. If no committee is established, the Board shall perform this function. The Covenants Committee shall review written complaints from Lot Owners, the Association's property manager, or the Design Review Committee (for violations other than those relating to specific Improvement projects, which shall remain within the jurisdiction of the Design Review Committee) of alleged violations of the Governing Documents or Association Rules, and, when determined appropriate, conduct hearings and make findings regarding the alleged violation(s).

The decisions of the Covenants Committee, if established, shall be appealable by the affected Owner(s) to the Board of Directors within ten (10) calendar days following receipt of the Committee's decision. The Board shall have the discretion to hear any appealed matter or decline to take the appeal and thus affirm the decision of the Covenants Committee. Any decision to decline an appeal shall be based on a reasonable determination from the record that the appeal lacks merit. Decisions of the Board shall be final. Procedures for appeal and the hearing of appeals from the Covenants Committee shall be set forth in the Association Rules.

(vii) Court Actions. Court actions to enforce the Governing Documents may only be initiated on behalf of the Association by resolution of the Board. Prior to the filing of any court action seeking declaratory or injunctive relief to interpret or enforce the Governing Documents (including either such action coupled with a claim for monetary damages not in excess of Five Thousand Dollars (\$5,000)), the Association shall first comply with the provisions of California Civil Code sections 1369.510-1369.580 relating to alternative dispute resolution. The Association's own notice and hearing procedures may be drafted to satisfy these statutory requirements

The notice and hearing procedures set forth in this Section 11.06 shall not apply to any actions by the Association or its duly authorized agents to collect delinquent Assessments. Assessment collections shall be subject to Section 4.10, above, and any other notice, hearing and/or dispute resolution requirements or procedures as may be specifically applicable by law to Association assessment collection efforts.

ARTICLE XIII MORTGAGEE PROTECTIONS

Section 13.01. Mortgages Permitted. Any Owner may encumber his or her Lot with Mortgages.

Section 13.02. Priority of Mortgage. Notwithstanding any other provision of this Declaration, it is hereby provided that a breach of any of the conditions contained in the Governing Documents by any Owner of any re-entry by reason of such breach, shall not defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value as to said Lot or any part thereof. Any lien which the Association may have on any Lot in the Development for the payment of common expense assessments attributable to such Lot will be subordinate to the Lien or equivalent security interest of any first mortgage on the Lot recorded prior to the date of recordation of a notice of delinquent assessment.

Section 13.03. Payment of Taxes or Premiums by Mortgagees. Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area, unless such taxes or charges are separately assessed against the Owners, in which case the rights of Mortgagees shall be governed by the provisions of their Mortgagees. Mortgagees may, jointly or singly, also pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy for the Common Area and Mortgagees making such payment shall be owed immediate reimbursement therefore from the Association. Entitlement to such reimbursement shall be reflected in an agreement in favor of any Mortgagee which requests the same to be executed by the Association.

Section 13.04. Effect of Breach. No breach of any provision of this Declaration shall invalidate the lien of any Mortgage made in good faith and for value, but all of the covenants, conditions and restrictions shall be binding on any Owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

Section 13.05. Mortgagee's Rights. A First Mortgagee's rights shall include, but not be limited to, the following:

(a) Attend Meetings. Any First Mortgagee, upon written request, shall receive written notice of all meetings of the Association and be permitted to designate, a representative to attend all such meetings.

(b) Furnish Information. Any Mortgagee may furnish information to the Board concerning the status of any Mortgage.

(c) Inspect Books and Records. The Association shall make available to Owners, prospective purchasers and First Mortgagees current copies of the Governing Documents and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours.

In addition, the Association must provide an audited financial statement for the immediately preceding fiscal year if the First Mortgagee submits a written request for it. Said financial statement shall be furnished by the Association within a reasonable time following such request. If there is no audited financial statement available, any First Mortgagee should be allowed to have an audited financial statement prepared at its own expense.

Section 13.06. No Restriction on Owner's Right of Ingress and Egress. There shall be no restriction upon any Owner's right to ingress and egress to his Lot, which right shall be perpetual and appurtenant to his or her Lot ownership.

Section 13.07. Notices of Mortgagees [I.e., Lender]. Upon written request to the Association, any First Mortgagee shall be entitled to timely written notice of the following:

- (a) Any proposed amendment to the Governing Documents effecting a change in;
 - (i) The boundaries of any Common Area Lot or the exclusive use rights appurtenant thereto, if any;

- (ii) The interests in the general or exclusive use Common Areas, if any, appurtenant to any Lot or the liability for common expenses appurtenant thereto;
 - (iii) The number of votes in the Association appurtenant to any Lot; or
 - (iv) The purposes to which any Lot or the Common Area are restricted.
- (b) Any proposed termination of the legal status of the Development as a planned development.
- (c) Any condemnation or casualty loss which affects with a material portion of the Development or any Lot on which there is a First Mortgage held, insured or guaranteed by such requesting party.
- (d) Any 60-day delinquency in the payment of Assessments or Individual Charges owed by an Owner subject to a First Mortgage held, insured or guaranteed by such requesting party.
- (e) Any default in the performance by the affected Owner of any obligation under the Governing Documents which is of cured within sixty (60) days.
- (f) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.
- (g) Any proposed action which requires the consent of a specified percentage of First Mortgagees as specified in Section 13.08.

Section 13.08. FNMA, FHLMC, FHA, VA Mortgages.

- (a) Conditions When This Section Applicable. The provisions of this Section 12.08 shall apply if any of the following conditions exist pertaining to First Mortgages on any of the Lots:
- (i) Any First Mortgage is sold or transferred to FNMA;
 - (ii) Any First Mortgage is sold or transferred to FHLMC; or
 - (iii) Any First Mortgage is FHA insured or the United States Department of Veterans Affairs ("VA") mortgage.
- (b) Approval of Material Amendments. The approval of sixty-seven percent (67%) of the total voting power of the Association and 51% or more of the Eligible First Mortgagees (based upon one vote for each first mortgage owned) must be obtained for amendments of a material nature to the Governing Documents. A change to any of the following would be considered as material:

- (i) Voting rights;
- (ii) Assessments, assessment liens, or subordination of assessment liens;
- (iii) Reserves for maintenance, repair and replacement of common areas or any other portions of the Development which the Association has a duty to maintain, repair and replace.
- (iv) Responsibility for maintenance and repairs;
- (v) Reallocation of interests in the general or exclusive use common areas, if any, or rights to their use;
- (vi) Boundaries of any Common Area Lot;
- (vii) Convertibility of Lots into Common Areas or vice-versa;
- (viii) Expansion or contraction of the Development or the addition, annexation or withdrawal of property to or from the Development.
- (ix) Insurance or fidelity bonds;
- (x) Leasing of Lots;
- (xi) Imposition of any right of first refusal or similar restriction on a Lot Owner's right to sell, transfer or convey his or her Lot;
- (xii) A decision by the Owner's Association to establish self management when professional management has been required previously by a First Mortgagee;
- (xiii) Restoration or repair of the Development (after a hazard damage or partial condemnation) in a manner other than that specified in the Development Documents;
- (xiv) Any action to terminate the legal status of the Development after substantial destruction or condemnation occurs; or
- (xv) Any provisions that expressly benefit First Mortgagees, insurers or guarantors.

An addition or amendment to the Governing Documents shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only.

If an addition or amendment is not considered as a material change, approval will be implied when a First Mortgagee fails to submit a response to any written proposal for an amendment within 30 days after the proposal is submitted.

(c) Termination of Legal Status. Except as provided above, any election to terminate the legal status of the Development as a planned development must be approved by at least 67% of the voting power of the Association and sixty-seven percent (67%) of the Eligible First Mortgagees based upon one vote for each First Mortgage owned.

(d) Reallocation of Interests in the Common Area. No reallocation of interests in the Common Area resulting from a partial condemnation or partial destruction of the Development shall be effected without the approval of fifty-one percent (51%) of the Eligible First Mortgagees based upon one vote for each First Mortgage owned.

(e) Restriction on Certain Changes. Unless at least two-thirds of the First Mortgagees (based on one vote for each First Mortgage owned) and two-thirds of the Owners have given their prior written approval, the Association shall not:

(i) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area (the granting of easements for public utilities or for other public purposes consistent with the intended use of such Common Area by the Association shall not be deemed a transfer within the meaning of this clause); or

(ii) Change the method of determining the Assessments, or other charges which may be levied against a Lot Owner; or

(iii) By act or omission change, waiver or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of Lots, the exterior maintenance of Lots, the maintenance of any Common Area party walls or common fences and driveways, or the upkeep of lawns and plantings in the Development; or

(iv) Fail to maintain fire and extended coverage on insurable Common Area and other portions of the Development which the Association has a duty to insure on a current replacement costs basis in an amount not less than 100% of the insurable value (based on current replacement cost); or

(v) Use hazard insurance proceeds for losses to any Common Area or other Project improvements for other than the repair, replacement or reconstruction of such Common Area or improvements.

(f) No Right of First Refusal. The right of an Owner to sell, transfer or otherwise convey his Lot shall not be subject to any "right of first refusal" or similar restriction.

(g) Foreclosure Eliminates Unpaid Assessments. Each holder of a first mortgage lien on a Lot who comes into possession of the Lot by virtue of foreclosure of the mortgage or any purchaser at a foreclosure sale, will take the Lot free of any claims for unpaid Assessments and charges against the Lot which accrue prior to the time such holder comes into possession of the Lot, except for claims for a pro rata share of such Assessments or charges resulting from a pro rata share of such Assessments or charges resulting from a pro rata reallocation of such Assessments or charges of all Project Lots, including the mortgaged Lot.

(h) Mortgage Priority in Case of Distribution. No provision in any Project Document will entitle a Lot Owner or other party to priority over any rights of the First Mortgagee on the Lot pursuant to its Mortgage in the case of a distribution to such Lot Owner of insurance proceeds or condemnation awards for losses to or a taking of the Lot and/or Common Area.

(i) Leasing Restrictions. No Owner shall be permitted to lease his Lot for transient or hotel purposes. No Owner may lease less than the entire Lot. Any lease or rental agreement must be in writing and be subject to the provisions of the Governing Documents.

(j) Taxes Relate Only to Individual Lots. All taxes, assessments and charges which may become liens prior to the first mortgage under local law shall relate only to the individual Lots and not to the Development as a whole.

Section 13.09. Additional FHA Provisions. It is desirable that that loans secured by mortgages encumbering Lots within the development qualify the mortgage insurance by FHA. In furtherance of that objective, all Owners, tenants and occupants of Lots in the development covenant and agree that the administration of the development shall be in accordance with the terms and provisions of the Regulatory Agreement {FHA Form No. 3278) executed by FHA and the Association and that such terms and provisions of said Regulatory Agreement shall be fully complied with.

To the extent any matters in this Declaration or in the Articles or the Bylaws are in any way inconsistent with any matters in said Regulatory Agreement, then any such inconsistent matters in said Regulatory Agreement shall prevail. The right to lease Lots in the development shall be subject to all terms and provisions of said Regulatory Agreement.

In the event of any conflict between any of the provisions of this Section and my, other provisions of this Declaration, the provisions of this Section shall control.

Any provision of this Declaration which confers a power or right upon the FHA or the Federal Housing Commissioner and all of the provisions of the Regulatory Agreement shall be inapplicable whenever there are no lots where FHA insures the mortgage held by any First Mortgagee.

Whenever a notice is required to be sent to a Mortgagee holding an FHA insured mortgage or the approval of FHA is required, the notice or the request for approval shall be sent to the supervisor of the FHA office in which the Development is located. If FHA does not respond within twenty (20) days after the notice is mailed or delivered, then FHA shall be deemed to have approved the request.

Section 13.10. Compliance with FHA/VA, FHLMC or FNMA Requirements. It was the intention of the original Declarant that the Development shall comply with all of the requirements of the Federal Housing Administration ("FHA"), the United States Department of Veterans Affairs ("VA"), the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA"). All casualty and liability insurance covering any portion of the Development encumbered by a Mortgage insured by FHA, guaranteed by VA, or held by FHLMC or FNMA, shall therefore conform to the applicable FHA/VA, FHLMC or FNMA requirements. All Lot Owners also agree that in the event the Development or the

Governing Documents do not comply with the applicable FHA/VA, FHLMC or FNMA requirements, the Board and each Owner shall take any action or adopt any resolutions required by Declarant or any First Mortgagee to conform such Governing Documents, or the Development, to the FHA/VA, FHLMC or FNMA requirements.

Section 13.11. Waivers. A Mortgagee may waive any requirement contained in this Declaration as they pertain to such Mortgagee, provided such waiver shall be in writing.

Section 13.12. Conflicts. In the event of a conflict between any of the provisions of this Section 13.12 and any other provisions of this Declaration, the provisions of this Section 13.12 shall control.

ARTICLE XIV NOTICES

Section 14.01. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

- | | |
|------------------------|---|
| If to any Owner: | To the street address of his or her Lot or to such other address as the Owner may from time to time designate in writing to the Association. |
| If to the Association: | Yosemite Vista Estates Homeowners Association, at the principal office of the Association (or to such other address as the Association may from time to time designate in writing to the Owners). As of the date of this Declaration the Association's mailing address is 22645 Prospect Heights, Groveland, CA 95321 |

Nothing in this Section 14.01 is intended to preclude the use of any other means of delivering notices to Members or Owners (other than by personal service or mail) if other methods of delivery are authorized by this Declaration by Civil Code Section 1350.7, or by other provisions of the Davis-Stirling Common Interest Development Act (California Civil Code section 1350 et seq.) that reference Civil Code section 1350.7.

Section 14.02. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-Owners of any Lot, to any general partner of a partnership which is the Owner of Record of any Lot, or to any officer or agent for service of process of a corporation which is the Owner of Record of any Lot, shall be deemed delivered to all such co-Owners, to such partnership, or to such corporation, as the case may be.

Section 14.03. Deposit in United States Mails. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered seventy-two (72) hours after deposit in the United States mail in the County.

ARTICLE XV AMENDMENTS

Section 15.01. Member Approval Requirements for the Adoption of Amendments. After conveyance of the first Lot, this Declaration may be amended or revoked only the affirmative vote (in person or by proxy) or written consent of Members representing a majority of the Voting Power of the Members of the Association; provided, however, that the percentage of the Voting Power necessary to amend a specific clause or provision of this Declaration shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision.

Section 15.02. Recordation. Any amendment must be recorded and shall become effective only upon being recorded in the County Recorder's Office.

Section 15.03. Unanimous Consent for Specific Amendments. The consent of all Owners shall be required for any amendment of Governing Documents effecting a change in

- (a) the undivided interest in the common elements pertaining to the Lot or the liability for Common Expenses appertaining thereto;
- (b) the number of votes in the Owners Association appertaining to the Lot; or
- (c) the fundamental purposes to which any Lot or the common elements are restricted.

ARTICLE XVI GENERAL PROVISIONS

Section 16.01. Term. The covenants and restrictions of this Declaration shall run with and bind the Property, and shall inure to the benefit of and be binding on the Association and the Owners of any Lots, their legal representatives, heirs, grantees, tenants, successors and assigns, subject to this Declaration, for a term of thirty (30) years from the date this Declaration is recorded. Thereafter, subject to the Section above entitled "Amendments," they shall be automatically extended for successive periods of ten (10) years.

Section 16.02. Owner's Compliance. Each Owner, tenant or occupant of a Lot shall comply with the provisions of this Declaration, and (to the extent they are not in conflict with the Declaration), the Governing Documents and the decisions and resolutions of the Association or the Board, as lawfully amended from time to time. Failure to comply with any such provisions, decisions, or resolutions, shall be grounds for an action to recover sums due, for damages, for injunctive relief, or to enforce such provisions, decisions or resolutions.

All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in the Governing Documents shall be deemed to be binding on all Owners of Lots, their successors and assigns.

Section 16.03. Notices. Any notice permitted or required by the Governing Documents may be delivered either personally or by mail. If delivery is by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of the same has been deposited in the United States mail, first class or registered, postage prepaid, addressed to the person to be notified at the current address given by such person to the Secretary of the Board or addressed to the Lot of such period if no address has been given to the Secretary.

Section 16.04. Notice of Transfer. No later than fifteen (15) days after the sale or transfer of any Lot under circumstances whereby the transferee becomes the Owner thereof, the transferee shall notify the Association in writing of such sale or transfer. Such notice shall set forth:

- (a) the Lot involved;
- (b) the name and address of the transferee and transferor; and
- (c) the date of sale.

Unless and until such notice is given, the Association shall not be required to recognize the transferee for any purpose, and any action taken by the transferor as an Owner may be recognized by the Association. Prior to receipt of any such notification by the Association, any and all communications required or permitted to be given by the Association shall be deemed duly given and made to the transferee if duly and timely made and given to said transferor.

Section 16.05. Delivery of Governing Documents to Transferee. Prior to the transfer of title to a Lot, the transferor shall provide to the prospective transferee a copy of the Governing Documents and such other documents and information as required by California Civil Code section 1368.

Section 16.06. Easements Reserved and Granted. Any easements appurtenant to a Lot referred to in this Declaration shall be deemed reserved and/or granted by reference to this Declaration in a deed to said Lot.

Section 16.07. Mergers and Consolidations. To the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit organizations organized for the same purposes as this Association, provided that any such merger or consolidation shall have the written consent of all of the members of the assent by vote of two-thirds of the members voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be given to all Members at least thirty (30) days in advance.

Section 16.08. Fair Housing. No Owner shall, either directly or indirectly, forbid or restrict the conveyance, encumbrance, leasing or mortgaging or occupancy of his Lot to any person of a specific race, sex marital status, color, religion, ancestry, physical handicap or national origin.

Section 16.09. Severability. Should any provision or portion hereof be declared invalid or in conflict with any law of the jurisdiction where this Project is located, the validity of all other provisions and portions hereof shall remain unaffected and in full force and effect.

Section 16.10. Estoppel Certificate. Within ten (10) days of the mailing or delivery of a written request by any Owner, the Board shall provide the Owner with a written statement containing the following information:

(a) whether to the knowledge of the Association, the Owner or the Owner's Lot is in violation of any of the provision of this Declaration, the Articles, Bylaws, or Association Rules;

(b) the amount of regular and special assessments, including installment payments, paid by the Owner during the fiscal year the request is received; and

(c) the amount of any assessments levied against the Owner's Lot that are unpaid as of the date of the statement, including any late charges, interest, or cost of collection that as of the date of the statement are or may be made a lien against the Owner's Lot as provided by this Declaration, the Articles, Bylaws, or Association Rules.

Section 16.11. Conflict with Governing Documents. If there is a conflict among or between the Governing Documents, the provisions of this Declaration shall prevail; thereafter, priority shall be given to Governing Documents in the following order: Articles, Bylaws, and Rules and Regulations of the Association.

Section 16.12. Headings. The headings used in this Declaration are for convenience only and are not to be used to interpret the meaning of any of the provisions of this Declaration.

IN WITNESS WHEREOF, Yosemite Vista Estates, a California nonprofit mutual benefit corporation, has executed this Declaration on the date listed below.

Dated: _____, 2011.

**YOSEMITE VISTA ESTATES
HOMEOWNERS ASSOCIATION,**
a California nonprofit mutual benefit corporation

By: _____
_____, Secretary

**RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:**

**SPROUL TROST, LLP
Attn: Curtis C. Sproul, Esq.
3200 Douglas Blvd., Suite 300
Roseville, California 95661**

(Space Above For Recorder's Use)

**FIRST RESTATED DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
OF
YOSEMITE VISTA ESTATES**

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