

**Recording Requested By
and when recorded return to:**

Carnelian Woods
P.O. Box 68
Carnelian Bay, CA 96140

CERTIFICATE OF CORRECTION OF AMENDED AND RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF CARNELIAN WOODS
[PURSUANT TO CIVIL CODE SECTION 4235]


The Undersigned, being the President and Secretary of Carnelian Woods, a California non-profit corporation, and being duly authorized by the Board of Directors thereof (the "Board") to certify and record this Certificate, HEREBY CERTIFY:

1. That the AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CARNELIAN WOODS was recorded August 28, 2007, in Official Records, Placer County, California, at Document No. 2007-0084700-00 (the "CC&R's");
2. That on January 1, 2014, technical and organizational changes to the Davis Stirling Common Interest Development Act (the "Davis Stirling Act") became effective, which did not change the substance of the prior law but re-chaptered and renumbered all of the provisions of the Davis Stirling Act;
3. That on January 25, 2014, at a regular meeting of the Board, the Board resolved by the requisite number of directors voting with a quorum (the "Resolution") to amend the CC&R's pursuant to Civil Code Section 4235, solely for the purpose of correcting any references to the Davis Stirling Act, in the form presented to the Board and attached hereto;
4. That in the Resolution, the Board further directed that the Association, through its

officers, to prepare and record in Official Records, Placer County California, the Corrected CC&R's and Declaration pursuant to Civil Code Section 4235(b), this Certificate, and a copy of the Resolution.

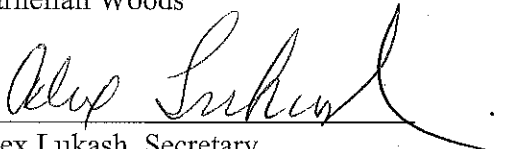
5. That the legal description of the Real Property affected by this Certificate is attached hereto as Exhibits 1, 2 and 3 to the Corrected CC&R's.

Dated: 2/5/14



Craig Thomas, President,
Carnelian Woods

Dated: 2/5/14



Alex Lukash, Secretary
Carnelian Woods

State of California

County of SAN FRANCISCO

On Evening 5/20/14 before me, April M Johnson, a Notary Public, personally appeared

Craig Thomas and Alex Lukash

_____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) ~~is~~ are subscribed to the within instrument and acknowledged to me that ~~he~~ she/they executed the same in ~~his~~ her/their authorized capacity(ies), and that by ~~his~~ her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

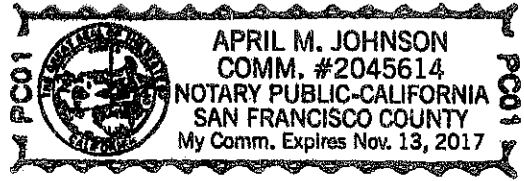
Signature [Signature]

Name: APRIL M JOHNSON

(typed or printed)

(Area reserved for official notarial seal)

seal)



c

RESOLUTION-CORRECTED CC&R'S
CARNELIAN WOODS TOWNHOUSE ASSOCIATION

WHEREAS, on January 1, 2014, technical and organizational changes to the Davis Stirling Common Interest Development Act (the "Davis Stirling Act") became effective, which did not change the substance of the prior law but re-chaptered and renumbered all of the provisions of the Davis Stirling Act; and

WHEREAS, on January 1, 2014, a new law became effective to address these changes in existing governing documents of common interest developments, which is Civil Code Section 4235, which states:

(a) Notwithstanding any other provision of law or provision of the governing documents, if the governing documents include a reference to a provision of the Davis-Stirling Common Interest Development Act that was repealed and continued in a new provision by the act that added this section, the board may amend the governing documents, solely to correct the cross-reference, by adopting a board resolution that shows the correction. Member approval is not required in order to adopt a resolution pursuant to this section.

(b) A declaration that is corrected under this section may be restated in corrected form and recorded, provided that a copy of the board resolution authorizing the corrections is recorded along with the restated declaration.

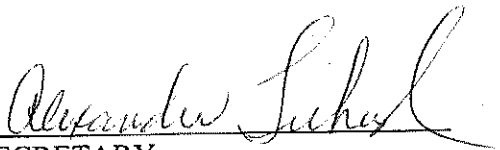
and;

WHEREAS, the Amended and Restated Declaration of Covenants, Conditions and Restrictions of Carnelian Woods recorded August 28, 2007, in Official Records, Placer County, California, at Document No. 2007-0084700-00 (the "CC&R's") contains numerous references to the prior numbering of the Davis Stirling Act;

IT IS HEREBY RESOLVED THAT:

1. The Board hereby amends the CC&R's pursuant to Civil Code Section 4235, solely for the purpose of correcting any references to the Davis Stirling Act, in the form presented to the Board and attached hereto;
2. The Board hereby further directs that the Association, through its president and counsel, prepare and record in Official Records, Placer County California, the Corrected CC&R's and Declaration pursuant to Civil Code Section 4235(b).
3. The officers of this corporation are authorized to do any other acts necessary to implement these resolutions.
4. These resolutions shall be attached to and incorporated in the minutes of this corporation.

5. These resolutions were passed by a majority of the Board at a regular meeting of the Board held on January 25, 2014.


SECRETARY

Recorded By:
When Recorded return to:
Carnelian Woods
P.O. Box 68
Carnelian Bay, CA 96140

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

**AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF CARNELIAN WOODS, A COMMON INTEREST DEVELOPMENT**

CORRECTED TO CONFORM TO CHANGES EFFECTIVE JANUARY 1, 2014 ONLY
CIVIL CODE SECTION 4235

SEE ATTACHED RESOLUTION OF THE BOARD OF DIRECTORS

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This document includes changes voted upon and adopted by the homeowners of Carnelian Woods at a general membership meeting on June 9, 2007.

This Declaration of Covenants, Conditions and Restrictions Establishing a Plan for Ownership of a common interest development, Carnelian Woods ("Declaration") is made on the date hereinafter set forth by the undersigned Declarant and is made with specific reference to the following facts:

A. Declarant constitutes the Association and record owners in fee simple of lots in Carnelian Woods, located in the County of Placer, State of California. The project consists of 118 developed units, 123 undeveloped residential lots and Common Area, as shown on Placer County Tract Map Book J.41 "Tract No. 210, Carnelian Woods Unit No. 1"; Placer County Tract Map J.42 "Tract No. 229, Carnelian Woods Unit No. 2"; Placer County Tract Map J.61 "Tract No. 236, Carnelian Woods Unit No. 3"; Placer County Tract Map J.62 "Tract No. 237, Carnelian Woods Unit No. 7;" a parcel of 25.671 acres, more or less, annexed to the Project by Declarations of Annexation recorded December 26, 1972 at Book 1463, page 534, and October 29, 1973, at Book 1529, Page 368, Placer County Records; Common Area Lots A and B of Tract 236, Carnelian Woods Unit No. 3, by Grant Deed recorded January 2, 1974, at Book 1541, Page 279, Placer County Records; Common Area Lot A of Carnelian Woods Unit No. 7, by Grant Deed recorded August 18, 1987 under Recorder's Serial No. 47185, Placer County Records; real property deeded as Common Area, by Grant Deed recorded August 7, 1989 under Recorder's Serial No. 42273, Placer County Records, and Declaration of Annexation recorded August 7, 1989, under Recorder's Serial No. 42275, Placer County Records; and a parcel containing 27.69 acres more or less, under Grant Deed recorded December 28, 1990, under Recorder's Serial No. 90-083058, Placer County Records.

Declarant consists of the Association and record Owners of Units constituting more than seventy-five percent (75%) of the total voting power of the Association and is empowered by Article IX, Section 3 of the Declaration of Conditions, Covenants, and Restrictions of Carnelian Woods, recorded August 3, 1972, Document No. 19436, at Book 1434, Page 627, as amended, to amend and restate the Declaration.

B. Carnelian Woods, a California non-profit mutual benefit corporation, is the "Association" or "Homeowners Association" as that term is defined or used in that "DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CARNELIAN WOODS" recorded August 3, 1972 in the Placer County Recorder's Office as Document Nos. 19436 through 19438, inclusive, commencing at Book 1434, Page 627 (the "CC&Rs").

C. The Association is the successor to M.J. Brock & Sons, Inc., a Delaware corporation, which is the "Declarant" as that term is defined or used in the "CC&Rs".

D. The Association is owner of certain real property located in Carnelian Bay, County of Placer, State of California, and which is more particularly described on Exhibit 1 which collectively consists of the Common Area of Carnelian Woods.

E. The CC&Rs have been amended from time to time, which amendments have been recorded as follows:

1. "AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS" recorded on January 3, 1972, at Book 1392, Page 542 in the records of the Placer County Recorder (annexing additional real property).
2. "AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CARNELIAN WOODS" recorded on August 3, 1972, 1972, at Book 1434, Page 657 in the records of the Placer County Recorder (restating original Covenants, Conditions & Restrictions).
3. "AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CARNELIAN WOODS" recorded on August 3, 1972, 1972, at Book 1434, Page 659 in the records of the Placer County Recorder (revoking Covenants, Conditions & Restrictions for purposes of restatement).
4. "AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS" recorded on December 11, 1972, as Document No. 31770, at Book 1460, Page 677 in the records of the Placer County Recorder (amending parking rights for units at Carnelian Woods).
5. "AMENDED DECLARATION OF ANNEXATION AND OF COVENANTS, CONDITIONS AND RESTRICTIONS" recorded on October 29, 1973, as Document No. 29294, at Book 1529, Page 363 in the records of the Placer County Recorder (annexing additional real property to Carnelian Woods).
6. CERTIFICATE OF AMENDMENT OF DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CARNELIAN WOODS" recorded February 7, 1985, at Book 2773, Page 0515 (amending assessments procedures).
7. CERTIFICATE OF AMENDMENT OF DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CARNELIAN WOODS" recorded August 28, 1990, as Document No. 90-056083 (sale of storage sheds).
8. CERTIFICATE OF AMENDMENT OF DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CARNELIAN WOODS" recorded July 25, 1997, as Document No. 97-0043384-00 (taking title to remaining developer lots and for their control and disposition).

F. The CC&Rs are part of the governing documents for the Common Area and 241

separate interests ("Units" or "Lots") located at Carnelian Woods. Of these, 118 Units are held by private Owners (the "Members") and are legally described on Exhibit 2 to this Declaration. The remaining 123 residential Lots are owned by the Association and are legally described on Exhibit 3 hereto. One such Lot has no further development rights.

G. The Members and the Association are together the successors to M.J. Brock & Sons, Inc., a Delaware corporation, which is the "Declarant" as that term is defined or used in the "CC&Rs". The entire real property consisting of the units and the Common Area is a "common interest development" within the meaning of California Civil Code Section 4100.

H. It is the intention of the Declarant to amend the CC&Rs pursuant to Article IX, Section 3 of the CC&Rs, which provide that such amendment may be taken by the vote of at least 75% of the Members, and to impose and maintain on real property mutually beneficial restrictions under a general plan of improvement for the benefit of all of the Units, the structures, and the Owners.

I. Pursuant to such actions taken by the Members, the CC&Rs are amended as set forth herein and by recording such Amended and Restated Declaration, declares that the original CC&Rs are entirely superseded by this Amended and Restated Declaration, and that all of the real property described herein shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied, sold and improved subject to the following declarations, limitations, covenants, conditions, restrictions, easements, servitudes and liens all of which are declared and agreed to be in furtherance of a plan for common interest ownership as described in the Davis-Stirling Common Interest Development Act for the subdivision, improvement, protection, maintenance and sale of Lots within or upon the Development and all of which are declared and agreed to be for the purpose of enhancing and protecting the value and attractiveness of the Development and every part thereof. All of such limitations, covenants, conditions, restrictions, easements, servitudes and liens shall run with the land and shall be binding upon and inure to the benefit of the Association and the Members, and their successors and assigns and all parties having or acquiring any right, title or interest in or to any part of the Property or the Development.

ARTICLE 1 DEFINITIONS

Section 1.1 Definitions.

"Architectural Control Committee" shall mean and refer to any committee by that name established pursuant to this Declaration or the Bylaws of the Association.

"Articles" shall mean and refer to the Articles of Incorporation of **Carnelian Woods**, as amended from time to time.

"Assessment" shall mean and refer to that portion of the cost of maintaining, improving,

repairing, operating and managing the Development which is to be paid by each Owner as determined by the Association in accordance with this Declaration.

"Association" shall mean and refer to **Carnelian Woods**, a California nonprofit mutual benefit corporation, and its successors and assigns; which sometimes does business as and is referred to as **Carnelian Woods Townhouse Association**.

"Association Rules" shall mean and refer to the rules and regulations governing the use and enjoyment of the Units and the Common Area which shall be adopted by the Board or the Members from time to time.

"Board" or "Board of Directors" shall mean and refer to the governing body of the Association.

"Bylaws" shall mean and refer to the Bylaws of Carnelian Woods, as amended from time to time.

"Common Area" shall refer to all real property and improvements in the Development which is not a Unit, and includes the real property described on Exhibit 1 to this Declaration.

"Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions, and any amendments, modifications or supplements hereto.

"Depository" shall have the meaning ascribed thereto in Section 9.10 (c) hereof.

"Development" shall mean and refer to the Property together with all structures and improvements now or hereafter existing or erected thereon and all property, real or personal, intended for or used in connection therewith.

"Eligible Insurer or Guarantor" shall mean and refer to an insurer or governmental guarantor of a Mortgage who requests notice of certain matters from the Association in accordance with Section 8.2.

"Eligible Mortgagee" shall mean and refer to a Mortgagee of a Mortgage who requests notice of certain matters from the Association in accordance with Section 8.2.

"Exclusive Use Common Area" shall mean and refer to those portions of the Common Area set aside for exclusive use of an Owner with respect to his or her Unit as set forth in this Declaration. Each such area shall be appurtenant to such Owner's Unit and may not be conveyed or transferred apart from such Unit. The boundaries or location of, and limitations on, the Exclusive Use Common Area are described in Section 2.2 (c).

"General Contractor" shall mean and refer to the general contractor designated by the Association pursuant to Section 9.10(d) hereof.

"Governing Documents" shall mean and include this Amended and Restated Declaration of Covenants, Conditions, and Restrictions of Carnelian Woods, the Bylaws of the Association, Articles of Incorporation of the Association and operating rules of the Association.

"Individual Special Assessment" shall mean and refer to a charge against a particular Unit made for the purpose of obtaining reimbursement of certain expenditures of the Association pursuant to Section 4.6.

"Line" or "Lines," when used in a context pertaining to a utility service or function, shall mean and refer to wires, cables, pipes, conduits, chases, and ducts.

"Map" shall mean and refer to the recorded final subdivision map for the Property as described in Recital A above; and any other amended or subsequently recorded Maps.

"Materially Damaged" shall mean and refer to any damage for which the cost of repair or reconstruction, as determined by bids solicited and obtained from at least two (2) licensed contractors selected by the Board, is equal to or greater than 50% of the undamaged fair market value of the affected improvements.

"Member" shall mean and refer to each Owner holding a membership in the Association as herein provided.

"Mortgage" shall mean and refer to a mortgage or a deed of trust encumbering a Unit.

"Mortgagee" shall mean and refer to a beneficiary of, or the holder of, a beneficial interest in a deed of trust as well as a mortgagee.

"Mortgagor" shall mean and refer to the trustor of a deed of trust, as well as a mortgagor.

"Owner" or "Owners" shall mean and refer to the record holder or, if more than one, holders of title of a Unit in the Development. This shall include any Person holding a fee simple title to any Unit, but shall exclude certain contract sellers and Persons having any interest merely as security for the performance of an obligation. If a Unit is sold in a recorded "real property sales contract," as defined in Section 2985 of the California Civil Code, to a purchaser who resides in the Unit, the resident purchaser (rather than the contract seller who is the fee owner) shall be considered the Owner so long as he or she resides in the Unit as a contract purchaser.

"Person" shall mean and refer to a natural person, a corporation, a partnership, a trustee or other legal entity.

"Property" shall have the meaning ascribed thereto in Recital A of this Declaration, unless otherwise indicated.

"Regular Assessment" shall mean and refer to an Assessment against all Units in the Development which is levied pursuant to Section 4.3.

"Special Assessment" shall mean and refer to an Assessment against all Units in the Development which is levied pursuant to Section 4.4.

"Unit" or "Lot" shall mean and refer to the separate interest of an Owner which is not owned in common with all Owners or by the Association, the boundaries of which are shown and more particularly described in Exhibit 3 and in deeds conveying separate interests, and in this Declaration.

ARTICLE 2
DESCRIPTION OF DEVELOPMENT, DIVISION OF PROPERTY, AND CREATION
OF PROPERTY RIGHTS

Section 2.1 Description of Development. As of the date of this Declaration, the Development consists of the Property described in Exhibits 1-3 inclusive, together with all improvements and infrastructure.

Section 2.2 Division of the Development Areas. The Development is hereby divided into the following separate freehold estates:

(a) Units. Each of the Units, as separately shown, in Exhibit 3, consists of the space bounded by and contained within the interior unfinished surfaces of the perimeter and or party walls, floors, ceilings, fire boxes, windows, window frames, doors and door frames of each Unit. Paint, paper, paneling, outlets, stain, tile, carpet and other finishes are considered part of the Unit. Each Unit includes the portions of the building so described as well as the airspace so encompassed. In addition, each Unit includes 1) any heating, air conditioning and water heating equipment, and outlets thereof wherever located; 2) any electrical, heating, cooling, ventilation, communications, water, and sewer systems which are part of a discrete and complete system intended to serve only such Unit; 3) glazing in all window and door openings; 4) stairs and landings within a Unit; and 5) electrical and water systems from its connection with any meters; and the sewer system to the point it connects with a common drainage pipe. A Unit does not include, however, any bearing wall or other structural member necessary for the support or adequate rigidity of any portion of the Common Area or any other Unit, except that any finished surface of such bearing wall or structural member which faces a Unit shall be a part of such Unit. Each Unit is subject to such encroachments as are contained in the building whether the same now exists or may be later caused or created in any manner referred to in Section 10.5.

(b) Common Area. The Common Area shall consist of the entire Development excluding the Units, and may include, without limitation: land; roads; paths; parking areas; balconies; recreational facilities, including pools, decks, courses, tennis courts; storage sheds or lockers; decks; structures; buildings; trash rooms or enclosures; bearing

walls; exterior walls; columns; beams; sub-floors; unfinished floors; roofs; foundations; stairways not located within a Unit; hallways and walkways which provide access to Units and other Common Areas; life safety equipment (not located within a Unit); those portions of reservoirs, tanks, pumps, motors, ducts, flues, chutes, conduits, pipes, plumbing, wires and other utility installations lying within the Development or contained within and immediately surrounded by that portion of any structure or space which is defined herein as a part of the Common Area (as required to provide power, communications, light, telephone, cable television, gas, water, sewage, drainage, heat and air conditioning service) except to the extent such are included as part of a Unit in this Article.

(c) Common Area Rights of Owners. Each Owner shall have, as appurtenant to his or her Unit, a membership in the Association and an undivided interest in the Common Area equivalent to that shown in the subdivision map and governing documents. The ownership of each Unit shall include both a Unit and an undivided interest in the Common Area as described in this Declaration. The Common Interest appurtenant to each Unit is declared to be permanent in character and cannot be altered without the consent of the Owners in accordance with this Declaration and/or the Governing Documents. Such Common Interest cannot be separated from the Unit to which it is appurtenant. Each Owner may use all Common Area (other than (1) Exclusive Use Common Area which use is governed by Section 2.2(d) and (2) any Common Area leased to or in the possession of tenants or licensees of the Association) in accordance with the purposes for which such Common Area is intended so long as such use does not hinder the exercise of or encroach upon the rights of any other Owners, including another Owner's rights to Exclusive Use Common Area as hereinafter described. All uses of the Common Areas by Owners are subject to the bylaws, rules, and regulations of the Association presently existing or hereafter enacted.

(d) Exclusive Use Common Area. Portions of the Common Area referred to as "Exclusive Use Common Area" as shown on the subdivision maps and descriptions of any Unit, are hereby set aside and allocated for the exclusive use of one or more, but fewer than all, Owners. Said Exclusive Use Common Area shall consist of an assignment or easement for exclusive use for decks, balconies, entrances and walkways. Such easements shall be appurtenant to respective Units as set forth in the Grant Deed to each Unit Owner at the time of conveyance of title to each Unit.

(e) No Separate Conveyance of Undivided Interests. The foregoing undivided interests are hereby established and are to be conveyed with the respective Units as indicated above and cannot be changed except as herein set forth. Declarant, its successors, assigns and grantees covenant and agree that the undivided interest in the Common Area and the fee title to the respective Unit conveyed therewith shall not be separated or separately conveyed. Each such undivided interest shall be deemed to be conveyed or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the fee title to the Unit.

Section 2.3 Partition Prohibited. The Common Area shall remain undivided as set forth above. Except as otherwise provided in California Civil Code Section 4610, no Owner shall bring any action for partition of a Unit or of the Common Area, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Development and each Owner, by acceptance of a deed to his or her Unit, shall be deemed to have waived and abandoned, personally and for his or her successors and assigns (whether by deed, gift, devise, foreclosure or operation of law), the right to bring or maintain any such action for partition. Judicial partition by sale of a single Unit owned by two or more Persons and division of the sale proceeds is not prohibited hereby but partition of title to a single Lot is prohibited.

Section 2.4 Subdivision Prohibited/Limited. Neither the Association nor any Owners shall subdivide or merge, or apply to any appropriate jurisdiction to subdivide or merge the Common Area, or any portion thereof, without the consent of at least seventy five percent (75%) the Owners in accordance with this Declaration and/or the Governing Documents.

ARTICLE 3

THE ASSOCIATION

Section 3.1 Incorporation. The Association is a nonprofit mutual benefit corporation formed under the laws of the State of California. The Association shall be charged with the duties and invested with the powers set forth in the Governing Documents.

Section 3.2 Action Through Designated Officers. Except as to matters requiring the approval of Owners as set forth in the Governing Documents, the affairs of the Association, including the exercise of its powers and duties, shall be conducted by the Board, such directors, officers or committees as the Board may elect or appoint or such Persons with delegated authority as set forth in the Governing Documents.

Section 3.3 Association to Manage the Common Area. The management of the Common Area shall be vested in the Association in accordance with the Governing Documents. The Owners of all of the Units hereby covenant and agree that the administration of the Development shall be in accordance with the provisions of the Governing Documents.

Section 3.4 Membership. The Owner of a Unit shall automatically, upon becoming the Owner of same, be a Member of the Association, and shall remain a Member thereof until such time as his or her ownership ceases for reasons set forth herein, at which time his or her membership in the Association shall automatically terminate. Each Owner shall have the rights, duties and obligations of membership as set forth in the Governing Documents. Any party that holds an interest in a Unit merely as security for performance of an obligation shall not be a Member of the Association. An Owner shall have the duty to notify the Association in writing of any change of ownership of a Unit. The Association shall have no monetary or non-monetary liability to any Owner with respect

to any right or privilege of membership or ownership arising from the failure of an Owner to comply with this provision.

Section 3.5 Transferred membership. Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale, conveyance, judicial sale or other voluntary or involuntary transfer of the Unit to which it is appurtenant and then only to the purchaser in the case of a sale or to the transferee in the case of a transfer. Any attempt to make a prohibited transfer is void.

Section 3.6 Membership Classes and Voting Rights. The Association shall have two classes of voting Members.

(a) Class A-Present Members-118 Units. Class A shall consist of all Owners of Units shown in Exhibit 2, and shall be entitled to one vote or right of consent for each Unit owned. When more than one Person holds an interest in any Unit, all such Persons shall be Members; provided, however, the vote or right of consent for any such Unit shall be exercised in accordance with the Bylaws and as such multiple Owners may among themselves determine, but in no event shall more than one vote be cast or right of consent be exercised with respect to any Unit.

(b) Class B-Future Members. Class B shall consist of all Owners of interests, if any, that the Association conveys in the Undeveloped Lots (123 lots) or any other Lots created in the future. Upon recording of such transfers, such Owner(s) shall be entitled to one-fifth (1/5) vote per Lot and be liable for one-fifth (1/5) of all Assessments against Units in the Development. Upon sale or conveyance of any such Lot to an Owner as a completed residential Unit used as such, such Owner shall be entitled to all rights and privileges as applicable to all Class A Members; and liable for the full amount of all Regular and Special Assessments applicable to all Units thereafter. While the Undeveloped Lots are owned by the Association and not developed as Units, such Lots shall not vote nor be assessed.

Section 3.7 General Duties and Powers. In addition to the duties, powers and limitations enumerated in the Articles and Bylaws of the Association or elsewhere provided for at law or herein, and those enumerated in Section 7140 of the Corporations Code, and without limiting the generality thereof, the Association shall have, as applicable, the duty and/or authority to:

(a) Subject to the provisions of Section 5.1, maintain in good condition and appearance, repair, replace, restore, operate and manage all of the Common Area and all facilities, improvements, furnishings, equipment and landscaping thereon including repair and maintenance of the Common Area occasioned by the presence of wood destroying pests or organisms, vermin and marauding animals, and all property that may be acquired by the Association, as more fully provided in Section 5.5. Relocation of members required to repair areas within the responsibility of the Association shall be subject to the provisions of Civil Code § 4785, et seq., or any succeeding or amended

statutes governing relocation of occupants.

(b) Acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, internet, gas, security, snow removal and other necessary utility services for the Common Area and for the Units that are not separately billed to an Owner or an Association tenant; provided, however, the Association shall have no liability to any Owner arising out of the temporary or permanent failure of any contractor, vendor, utility, governmental entity or quasi-utility to deliver such services after the Association has contracted for such services.

(c) Grant easements and licenses over, under and through the Common Area.

(d) Maintain such policy or policies of insurance as are required by this Declaration or as the Board deems necessary or desirable in protecting the interests of the Association and its Members.

(e) Employ a manager or other Persons and to contract with independent contractors or managing agents to perform all or any part of the duties or responsibilities of the Association except the initiation and execution of disciplinary proceedings against Members in accordance with the procedure set forth in the Bylaws.

(f) Discharge by payment, if necessary, any obligation which may become a lien against the Common Area, or any portion thereof, and assess the costs thereof as a monetary penalty against any Owner responsible for the existence of said lien as determined by the Board after notice and a hearing in accordance with the Bylaws.

(g) Enforce this Declaration and adopt reasonable Association Rules not inconsistent with this Declaration for the use of the Common Area and all improvements and facilities now or hereafter located thereon and the conduct of Owners and their tenants and guests with respect to the Development and other Owners.

(h) Defend, prosecute and settle, as deemed necessary, all lawsuits and arbitrations involving the Association in the Association's own name as the real party in interest and without joining with it the individual Owners in the manner described in California Code of Civil Procedure, Section 374.

(i) Assume obligations, enter into contracts, including contracts of guarantee or surety, incur liabilities, borrow, lend money or otherwise use its credit and secure any of its obligations, contracts or liabilities by mortgage, pledge or other encumbrance of all or any part of its property or income.

(j) Fill a vacancy on the Board except for a vacancy created by the removal of a Board member.

(k) Establish and maintain separate, restrictive accounts into which only Regular

Assessments and Special Assessments for reserves shall be deposited. Approval of the Board shall be obtained prior to the expenditure of such reserves; and the Association may:

(l) Institute, defend, settle, or intervene on behalf of the Association, subject to compliance with Section 5975 of the Civil Code, litigation, arbitration, mediation, or administrative proceedings in matters pertaining to:

(i) enforcement of this Declaration;

(ii) damage to the Common Area;

(iii) damage to Unit(s) which the Association is obligated to maintain or repair, or

(iv) damage to Unit(s) which arises out of, or is integrally related to, damage to the Common Area or Units which the Association is obligated to or repair.

(m) Subject to any required approvals of the Owners, to purchase, sell, lease, license, encumber or transfer any interest in the Common Area; and to add to or annex land and improvements to the Common Area.

Section 3.8 Limitation of Liability of Officers and Directors. No officer or director of the Association shall be personally liable to any Member, or any other person, for any error or omission in the discharge of their duties and responsibilities for their failure to provide any service required hereunder or pursuant to the Bylaws, provided that such person has, upon the basis of such information as may be possessed by the person, 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. In investigating a matter, an officer or director may rely upon the investigation and report or information provided by the Association's staff, another director, an officer or a committee of the Association, as to matters within such person's purview and authority; or any professional retained by the Association. This standard of care and limitation of liability shall extend, without limitation, to matters such as (i) the establishment of the Association's annual financial budget; (ii) the funding of reserve accounts; (iii) the discharge of the Association's maintenance, repair and replacement obligations; (iv) the consideration and funding of an emergency expenditure; (v) the setting of Assessments; (vi) the adequacy of insurance or its limits; (vii) decisions by or concerning the Architectural Control Committee; (viii) the selection of vendors, service providers, employees, managers, contractors, and the contractual terms of such arrangements; and (ix) the interpretation and enforcement of the Governing Documents.

ARTICLE 4

ASSESSMENTS

Section 4.1 Creation of the Lien and Personal Obligation for Assessments. Declarant, for each Unit owned within the Development hereby covenants, and each Owner by acceptance of a deed for each Unit, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Association: (1) Regular Assessments and (2) Special Assessments, such Assessments to be established and collected as hereinafter provided. The Regular Assessments and Special Assessments, together with interest, costs and reasonable attorneys fees, shall be charged to a Unit and shall be a continuing lien upon such Unit, the lien to become effective upon the recordation of a Notice of Assessment. Each such Assessment, together with interest, costs and a reasonable attorneys fee, shall also be the personal obligation of the Owner of such Unit at the time such Assessment becomes due. Before the Association may place a lien upon a Unit pursuant to this section, to collect an obligation which is past due, the Association shall notify the Owner in writing by certified mail of the fee and penalty procedures of the Association, provide an itemized statement of the charges owed by the Owner, including items on the statement which indicate the principal owed, any late charges and the method of calculation, any attorneys' fees, and the collection practices used by the Association to the reasonable costs of collection. Any payments owed toward such a debt shall first be applied to the principal owed, and only after the principal owed is paid in full shall such payments be applied to interest or collection payments. The personal obligation for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed in writing by them. No Owner may exempt himself from liability for his or her contribution towards the Common Expenses by waiver of the use of enjoyment of the Common Area or by the abandonment of his or her Unit.

Section 4.2 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to promote the health, safety and welfare of all of the residents in the entire Development, for the improvement and maintenance of the Common Area and for the common good of the Development.

Section 4.3 Regular Assessments. Each Owner shall pay Assessments based upon the operating expense budget submitted by the Association and approved by the Members. The budget shall be based on the estimated operating expenses to be paid during the year by the Association in the performance of its duties (plus a reasonable provision for replacement reserves, including a reserve for life safety systems not entirely within a Unit) and shall be assessed uniformly against each Unit in the Development.

Section 4.4 Special Assessments. In addition to the Regular Assessment authorized above, the Association may levy, in any fiscal year, a Special Assessment for the purpose of defraying, in whole or in part, the Common Expenses of the Association for such fiscal year (including, but not limited to, unanticipated delinquencies, insurance costs, losses and casualties, costs of construction and unexpected repairs, replacement or

reconstruction of capital improvements in or on the Common Area including fixtures and personal property related thereto). The aggregate of Special Assessments during any fiscal year shall not exceed five percent (5%) of the budgeted gross expenditures of the Association for that fiscal year without an approval of Owners casting a majority of the votes at a meeting or election of the Association at which a quorum was present and in accordance with Section 4.5 conducted in accordance with California Corporations Code Sections 7510 et seq. and 7613. Any Special Assessment other than an Individual Special Assessment shall be levied against each of the Owners in the same proportion as Regular Assessments and may be enforced in the same manner as an Regular Assessment.

Section 4.5 Notice and Quorum for Adoption of Regular or Special Assessment; Emergency Assessments. Any action authorized to be taken by the Members under Sections 4.3 and 4.4, shall be taken at a meeting called for that purpose, written notice of which shall be mailed by first class mail, postage prepaid to each Member at the address of record of each Unit owned by such Member within the Development not less than ten (10) days nor more than sixty (60) days prior to the meeting. For purposes of Sections 4.3 and 4.4 only, quorum means more than fifty percent (50%) of the Owners of the Association. The proposed action may also be taken without a meeting pursuant to the provisions of California Corporations Code Section 7513. The Association shall provide notice by first class mail to the Owners of the separate interests of any increase in the Regular or Special Assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased Assessment becoming due. This Article shall not limit Regular or Special Assessments or increases necessary for the following emergency situations: (1) an extraordinary expense required by an order of a court or a public agency; (2) an extraordinary expense necessary to repair or maintain the Development or any part of it for which the Association is responsible where a threat to personal safety in the Development is discovered; (3) an extraordinary expense necessary to repair or maintain the Development or any part thereof for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the budget. Prior to the imposition or collection of an Assessment for emergency situations under this Section, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved; a determination as to why the expense was not or could not have been reasonably foreseen in the budgeting process; and why there is insufficient time to call and hold a meeting of Members to consider such expense. Such resolution shall be distributed to the Members with the notice of Assessment. The Board shall call and hold a meeting of Members as soon as practicable after the Notice of Assessment for the purpose of reviewing, and, based on a vote of the Members, limiting, disapproving, ratifying, or modifying such emergency Assessment.

Section 4.6 Individual Special Assessment. The Association may levy an Individual Special Assessment, against any Unit or any Owner in order to obtain reimbursement of certain funds expended by the Association, provided that such an Individual Special Assessment may only be levied to reimburse the Association for costs incurred in bringing the Owner and his or her Unit into compliance with provisions of the Governing

Documents. When levied pursuant to the procedures contained in the Bylaws, such an Individual Special Assessment shall be immediately due and payable. Such Individual Special Assessment shall not be subject to the procedures contained in Sections 4.14 and 4.15.

Section 4.7 Division of Assessments; Segregation of Proceeds. Regular Assessments shall be collected from each Owner on a quarterly or other basis as determined by the Board of the Association. Regular Assessments will be divided among all of the units equally. Special Assessments shall be divided equally among the Owners. Unless exempt from Federal and State of California income taxes, all proceeds from any Special Assessment shall be segregated and deposited into a special account and shall be used solely for the purpose or purposes for which it was levied, or otherwise shall be handled and used in a manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board in order to avoid, to the extent possible, its taxation as income to the Association.

Section 4.8 . Date of Commencement of Regular Assessment. The Regular Assessment provided for herein shall commence as to a Unit covered by this Declaration on the first day of the month following the conveyance of the Unit to a Member.

Section 4.9 Failure to Establish Regular Assessment. Subject to the provisions of Section 4.3 hereof, the Board shall propose a budget and Regular Assessment charged against each Unit at least forty-five (45) days in advance of each fiscal year of the Association. If the Board fails or refuses to propose a budget and Regular Assessment as required by this Section; and/or the Members fail to approve a budget for any reason, the last approved budget and Assessments approved by Members shall continue in effect, with an automatic increase of 3%, effective at the beginning of the fiscal year, unless and until a new budget and Regular Assessment is approved.

Section 4.10 Notice of Assessments. Written notice of the Regular, Increased or Special Assessment charged with respect to each Unit shall be sent to each Owner subject thereto not less than 30 nor more than 60 days prior to the Regular and/or any increased Assessment falling due by first class mail to the address for each Owner as specified in Section 10.11.

Section 4.11 Certificate as to Payment. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the Assessments on a specified Unit have been paid. Such certificate shall be deemed to be conclusive evidence of the payment of such Assessments to the extent stated therein to have been previously paid.

Section 4.12 Delinquency of Assessment. All regular and Special Assessments, or installments thereof, levied pursuant to this Declaration are delinquent thirty (30) days after they become due. For each delinquent Assessment, or installment thereof, the Association may recover: (a) reasonable costs incurred in collecting the delinquent

Assessment, or part thereof, including reasonable attorneys fees, (b) a late charge not to exceed ten percent (10%) of the delinquent Assessment or ten dollars (\$10.00), whichever is greater, and (c) interest on all sums imposed herein, including the delinquent Assessment, reasonable costs of collection and late charges at ten percent (10%) per annum commencing thirty (30) days after the Assessment becomes due.

Section 4.13 Transfer of Unit by Sale or Foreclosure. Sale or transfer of any Unit shall not affect the Assessment lien except as hereinafter provided and shall not relieve such Unit from liability for any Assessments thereafter becoming due or from the lien thereof. A lien for regular and Special Assessments against an Owner's Unit shall be subordinate to the lien of a prior-recorded Mortgage on a Unit. Where the Mortgagee of a Mortgage of record or other purchaser of a Unit obtains title to the same by virtue of foreclosure of the mortgage or by purchase at a foreclosure sale, such acquirer of title and his or her successors and assigns shall take the Unit free of any claims for unpaid Assessments and charges against the Unit which accrue prior to the time the Mortgagee or other purchaser comes into title of the Unit except for claim for a pro rata share of such Assessments or charges resulting from a pro rata reallocation of such Assessments or charges to all Units including the mortgaged Unit. The transfer of the Unit as a result of a foreclosure or purchase at a foreclosure sale shall not relieve the new Owner (whether it be the Mortgagee of a Mortgage or another Person) from liability for any Assessments thereafter due or from the lien thereof. If a Unit is sold or transferred voluntarily, the transferring or transferee Owners shall be responsible for ensuring that all Assessments are paid currently at the date of transfer.

Section 4.14 Procedure for Perfection of Lien of Assessment. If any Assessment is not paid within thirty (30) days after the day upon which it becomes due, the Board may deliver a "Notice of Delinquent Assessment" to the Owner of the Unit assessed and may cause a copy of said Notice to be recorded in the Official Records of the County of Placer. Said Notice of Delinquent Assessment shall state the amount of the Assessment then due and unpaid which shall include interest, costs and reasonable attorneys fees, a legal description of the Unit against which such Assessment has been levied, the name of the record Owner of such Unit and the name and address of the trustee authorized by the Association to enforce the lien by nonjudicial foreclosure (if the Association so elects). Such Notice of Delinquent Assessment shall be signed by a representative designated by the Board, and mailed in the manner set forth in Section 2924(b) of the Civil Code, to all Record Owners of the Unit assessed, no later than ten (10) calendar days after recordation. When such a Notice of Delinquent Assessment has been recorded, the Assessment described therein shall constitute a lien upon the Unit identified therein which lien shall be prior in right to all other liens thereafter arising except for all taxes, assessments or other levies which by law would be prior thereto and except for the lien of any Mortgage recorded prior to the date any such Assessment became due. Such Assessment lien shall be in favor of the Association and shall be for the benefit of all Owners. If the delinquent Assessment or installment and related charges are paid or otherwise satisfied, the Association shall send to the Owner a "Notice of Satisfaction and Release of Lien" and shall record same in the Official Records of the County of Placer.

Section 4.15 Enforcement of Lien of Assessment. After the expiration of thirty (30) days following the recording of the lien of any Assessment established pursuant to Section 4.14, the Board may enforce the lien by filing an action for judicial foreclosure or, if the "Notice of Delinquent Assessment" contains the name and address of the trustee authorized by the Association to enforce the lien by nonjudicial foreclosure, by recording a "Notice of Default" in the form described in California Civil Code Section 2924c(b)(1) to commence nonjudicial foreclosure. Such nonjudicial foreclosure is to be conducted in accordance with the requirements of Sections 2924-2924h of the California Civil Code applicable to the exercise of nonjudicial foreclosures of mortgages or deeds of trust. The sale shall be conducted by the trustee named in the "Notice of Delinquent Assessment" or by a trustee substituted in accordance with the provisions of California Civil Code Section 2934a. The Association, acting on behalf of the Owners, shall have the power to bid for the Unit at a foreclosure or trustee's sale and to acquire, hold, mortgage and convey the same. If the default is cured before the sale, or before completing a judicial foreclosure, including payment of all costs and expenses incurred by the Association, the Association shall record a "Notice of Satisfaction and Release of Lien" and, upon receipt of a written request by the Owner, a "Notice of Rescission of the Declaration of Default and Demand for Sale." Any perfection or enforcement of a lien shall be subject to Civil Code Sections 4040(b) and 5730 or any successor statute(s).

Section 4.16 Enforcement of Assessment by Suit. The Association may, in its own name, commence and maintain a suit at law against any Owner or Owners personally obligated to pay Assessments for such delinquent Assessments as to which they are personally obligated. Any judgment rendered in any such action shall include the amount of the delinquent Assessments, together with processing fees, interest thereon, costs of collection, court costs and reasonable attorneys fees in such amount as the court may determine with respect to such delinquent Owner. Suit to recover judgment for unpaid Assessments shall be maintained without foreclosing or waiving any lien for such Assessments created pursuant to this Declaration. In any action instituted by the Association to collect delinquent Assessments, accompanying late charges and/or interest, the prevailing party shall be entitled to recover costs and reasonable attorneys fees.

Section 4.17 Suspension for Non-Payment of Assessment. The Board may suspend the voting rights and right to use the Common Area and recreational facilities of a Member who is in default in the payment of any Assessment after notice to such Member and an opportunity for a hearing before the Board which satisfies the minimum requirements of Section 7341 of the California Corporations Code and as provided in the Bylaws.

Section 4.18 Unallocated Taxes. If any taxes are assessed against the Common Area, or any portion thereof, the personal property of the Association or the Development as a whole, rather than against the Units, said taxes shall be included in the Assessments made under the provisions of Section 4.1, and, if necessary, a Special Assessment may be levied against the Units in an amount equal to said taxes to be paid in two installments, each thirty (30) days prior to the due date of the respective tax installment.

ARTICLE 5
MAINTENANCE AND IMPROVEMENT

Section 5.1 Maintenance by Association of Development. The Association shall manage, control and maintain in good condition and repair all of the Common Area. All maintenance, repair and replacement of facilities and improvements shall be in accordance with the Association Rules. The replacement of any of the Common Area shall be of equal or greater grade or quality than the original installation. The responsibility of the Association for maintenance and repairs need not extend to repairs or replacements arising out of or caused by the willful or negligent act or neglect of an Owner or his or her guests, tenants or invitees the cost of which is not covered by insurance. The repair or replacement of Common Area resulting from such excluded acts or neglect shall be the responsibility of each Owner who shall comply with the rules and regulations of the Architectural Control Committee as approved by the Board; provided, however, that if an Owner shall fail to make the repairs or replacements which are the responsibility of such Owner as provided above, then, upon a vote of a majority of the Board and after notice to the Owner and an opportunity for a hearing before the Board, the Association shall have the right, but not the obligation, to make such repairs or replacements and, if necessary in connection therewith, to enter the Unit. The cost of such repairs or replacements shall be payable to the Association by the Owner thereof.

Section 5.2 Owner's Right and Obligation to Maintain and Repair. Except for those portions of the Development which the Association is required to maintain and repair, each Owner shall, at his or her sole cost and expense, maintain and repair his or her Unit keeping the same in good condition. Subject to the Association Rules, each Owner shall have the exclusive right to paint, plaster, tile, wax, paper or otherwise refinish and decorate the inner surfaces of the walls, ceilings, floors, windows and doors bounding his or her Unit in a manner which does not intrude on or into the Common Area, which does not transmit unreasonable noise through the Common Area as reasonably determined by the Board and which is not visually offensive to persons of ordinary sensibilities viewing from the Common Area or public areas as reasonably determined by the Board

(a) Exclusive Use Common Area. Each Owner shall keep those portions of the Exclusive Use Common Area to which he or she has rights of use and enjoyment clean and neat and shall maintain, repair and otherwise care for any personal property, located within or upon any area designated for the exclusive use of his or her Unit.

(b) Party Walls. Each wall which is built as part of the original construction of a unit and placed on the lot line between units shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Declaration, the general rules or law regarding party walls and liability for property damage and maintenance shall apply. The cost of repair and maintenance of party wall shall be shared by the Owners who make use of the wall in proportion to such use, except where damage to or the necessity for repair arises from the negligent or willful act or omission of one Owner. The right to contribution from any other Owner under this section shall be appurtenant to and run with the land.

(c) Enforcement. If an Owner fails to maintain the interior of his or her Unit or the Exclusive Use Common Area to which he or she has an easement or assignment in a manner which the Board deems necessary or appropriate to preserve the appearance and value of the Development, the Board may notify the Owner of the work required and request that the Owner complete such work within thirty (30) days from the date such notice was given to the Owner. If an Owner fails to complete such work within said period, the Board may, after written notice to the Owner and an opportunity for a hearing before the Board, cause such work to be done and the cost of such work shall be a monetary claim payable to the Association by such Owner.

Section 5.3 Maintenance of Forest, Landscaping, etc. The Association shall maintain specific parts of the Common Areas as listed here.

(a) Landscaping. The Association shall maintain all of the landscaping within the Development (other than that placed on a deck or balcony by an Owner or tenant) in general accordance with the landscaping plans as originally installed unless climatic conditions make such maintenance impracticable or unless the Board consents to a change in the plan for the landscaping.

(b) Forest Management. The Association shall conduct and maintain a forest management program to ensure the preservation and health of the natural environment, including trees, shrubs, watershed, and natural vegetation. The Association shall, from time to time, but at least once every three calendar years, retain a professional forester to examine the forest within the Development and to report on its condition and recommendations for its health and preservation. In accordance with such program, the Association shall have the right and discretion to plant or harvest, cut, or remove such vegetation or trees for health, safety, environmental or aesthetic purposes. This shall include the right and obligation to maintain a defensible space around structures for fire control purposes. The Association shall have the right to sell commercially valuable timber or other products that arise from such operations. No Member shall be entitled to disturb any trees, shrubs, watershed or other natural vegetation. All forestry activities shall comply with applicable laws and regulations, and subject to all applicable permits.

(c) Drainage. The Association shall be responsible for controlling and maintaining such drainage systems with the development as will be reasonable necessary for the protection of the property and the watershed, and to comply with Best Management Practices and related or successor requirements imposed by the Tahoe Regional Planning Agency or other public authorities.

(d) Roads. The Association shall be responsible for the maintenance of all private roads within the development. In connection with this responsibility, the Association shall have the right to temporarily interrupt, block, or redirect access on such roads; to repair or reconfigure them based on necessity or engineering recommendations; and to establish policies, rules and regulations for their use. Notwithstanding the foregoing, the Association shall have no responsibility for traffic law enforcement, control, or use of

such roads by any motorist. The Association shall be responsible for maintaining a reasonable snow removal program on such roads, by its own employees or outside contractors, provided, however, that the Association shall have no liability for failure or delay to clear any road of snow or other obstructions. The Association may, in its discretion, limit or forbid the operation of types or classes of vehicles or equestrian uses on roads and paths in the development.

(e) Recreation Center and Facilities. The Association shall maintain a Recreation Center, other recreation facilities in the Common Area, including paths, pools, spas, par courses, tennis and volleyball courts, and other amenities for the use and enjoyment of Members and Tenants. The Association shall not, without the approval of the Board, allow any recreational facilities to be used by persons not renting or occupying a Unit.

(f) The Association shall ensure compliance in the management, improvement and repair of the Common Area with environmental regulations imposed by public agencies.

Section 5.4 Access at Reasonable Hours. For the purpose of performing the maintenance, repairs or preservation of the Development, as authorized by this Article V or for any other purpose reasonably related to the performance by the Board of its responsibilities under this Declaration, the Association's agents or employees shall have the right, after reasonable written notice to the Owner (received by Owner pursuant to Section 10.11 not less than twenty-four (24) hours prior to entry, unless an emergency exists, in which case no written notice need be given), to enter any Unit during reasonable hours with as little inconvenience to the Owner as is practicable.

Section 5.5 Capital Improvements by Association. The Association may purchase furniture or fixtures or may construct or cause to be constructed capital improvements upon the Common Area; provided, however, that the Association shall not incur in any fiscal year aggregate expenses for such purchases and construction which exceed five percent (5%) of the budgeted gross expenses of the Association for such fiscal year without the vote or written assent of a majority of each class of Members.

Section 5.6 Review of Accounts, Revenues and Expenses. The Board shall, on at least a quarterly basis, or as otherwise and hereafter required by law:

- (a) Review a current reconciliation of the Association's operating accounts.
- (b) Review a current reconciliation of the Association's reserve accounts.
- (c) Review the current year's actual reserve revenues and expenses compared to the current year's budget.
- (d) Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts.

(e) Review an income and expense statement for the Association's operating and reserve accounts.

Section 5.7 Expenditure of Reserve Funds: Studies.

(a) The Board shall not expend funds designated as reserve funds for any purpose other than:

(i) The repair, restoration, replacement or maintenance of major components for which the Association is obligated and for which the reserve fund was established, or

(ii) Litigation involving the purposes set forth in (i) above.

(b) Notwithstanding the provisions of (a)(i) and (a)(ii) above the Board:

(i) May authorize the temporary transfer of money from the reserve account to the Association's operating account to meet short term cash flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund.

(ii) Shall cause the transferred funds to be restored to the reserve account within one year of the date of the initial transfer; however, the governing body may, upon making a documented finding that a delay of restoration of the funds to the reserve account would be in the best interests of the Development, temporarily delay the restoration.

(iii) Shall exercise prudent fiscal management in maintaining the integrity of the reserve account and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits specified in (b) above. The Board may, at its discretion, extend the date the payment on the Special Assessment is due; however, any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment. Any such Special Assessments shall be subject to the limitations specified in Section 4.4 (c). When the decision is made to use reserve funds or to temporarily transfer funds from the reserve account to pay for litigation, the Association shall notify the Members of that decision in the next available mailing to all Members pursuant to Section 5016 of the California Corporations Code, and of the availability of an accounting of those expenses. The Association shall make an accounting of such expenses on at least a quarterly basis, and such accounting shall be made available for inspection by Members at the Association's office.

(c) The signatures of at least two (2) persons, who shall be members of the

Board, and officers of the Association, shall be required for the withdrawal of moneys from the reserve account.

(d) The Board shall:

(i) At least once every three years, cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obliged to repair, replace, restore or maintain; as part of a study of the reserve account requirements, if the current replacement value of the major components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than fifty percent (50%) of the gross budget for any fiscal year, which excludes the Association's reserve account for that period.

(ii) Annually review the reserve account study and shall consider and implement necessary adjustments to its analysis of the reserve account requirements as a result of that review.

(iii) Cause the reserve account study to include at a minimum:

(1) Identification of the major components which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than 30 years.

(2) Identification of the probable remaining useful life of the components identified in (1) above as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration or maintenance of each major component identified in (1) above during and at the end of its useful life.

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

(e) The Board shall summarize the Association's reserves and distribute such summary to members based upon the most recent review or study, which summary shall be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life and estimated useful life of each major component.

(ii) As of the end of the fiscal year for which the study is prepared:

- (1) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain major components.
- (2) The current amount of accumulated cash reserves actually set aside to repair.
- (iii) The percentage that accumulated cash reserves actually set aside is of the current estimate of cash reserve necessary.

(f) Each such summary as provided hereinabove shall include a statement as to whether the governing body of the Association has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefor. The term "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components which the Association is obligated to maintain.

Section 5.8 Undeveloped Lots. The Association shall not change the use of, rent, sell, subdivide, merge, option, mortgage, assign, convey, or hypothecate any of the Undeveloped Lots (See Exhibit 3), or rights thereof, including transferable development rights, without the prior written consent or vote of 75% of the Members.

Section 5.9. Architectural Control Committee. The Board of Directors shall establish an Architectural Control Committee which shall be composed of at least three Members. No work, addition, modification, expansion, or change of any kind to the exterior of a Unit, (including windows, doors, doorways, vents, chases, chimneys, entrances, balconies, subfloor, or under structure) or to Exclusive Use Common Areas, or any work which is situated on Common Area, may be performed until reviewed and approved by the Architectural Control Committee in accordance with such rules, regulations and policies as the Board or the Members establish from time to time. The Board may grant variances from specific rules or policies subject to terms and conditions it deems reasonable. The Association may charge to an Owner and collect as a condition of approval, a reasonable fee for review of architectural approval applications, which may include costs of retention of outside consultants, such as engineers, architects, soils experts, contractors and additional insurance.

ARTICLE 6 UTILITIES AND EASEMENTS

Section 6.1 Owners' Rights and Duties. The rights and duties of the Owners with respect to sanitary sewer, water, cable television, electricity, gas, telephone and communication Lines and facilities and heating and air-conditioning facilities shall be as follows:

- (a) Whenever sanitary sewer, water, cable television, internet, satellite, telephone, communication, electricity, gas, heating or air-conditioning conduits, ducts or flues are

installed within the Development, which connections, or any portion thereof, lie in or about Units owned by a Person other than the Owner of a Unit served by said connections, the Association shall have the right, and is hereby granted an easement to the full extent necessary therefor, to enter upon the Units or to have the appropriate utility companies enter the Units after reasonable notice and during reasonable hours (except, in an emergency in which case entry may occur at anytime without notice), in or about which said connections, or any portion thereof, lie to repair, replace and generally maintain said connections as and when necessary.

(b) Whenever sanitary sewer, water, cable television, internet, satellite, telephone, communications, electricity, gas, heating or air-conditioning conduits, ducts or flues are installed within the Development which connections serve more than one Unit, the Owner of each Unit served by said connection shall be entitled to full use and enjoyment of such portions of said connections as service his or her Unit .

(c) Whenever internal and external telephone, communications, internet, and satellite wiring for a Unit, or any portion thereof, lies in or about the Development, the Owner of the Unit served by such wiring shall be entitled to reasonable access to the Development for the purpose of maintaining such wiring. Said access shall be subject to the consent of the Board whose consent shall not be unreasonably withheld and which may include the Association's approval of wiring upon the exterior of the Common Area and other conditions as the Board determines reasonable.

(d) If there is a dispute between Owners with respect to the repair or rebuilding of the above-described connections, or with respect to the sharing of the cost thereof, then, upon request of one of such Owners addressed to the Association, the matter shall be submitted to the Board who shall hold a hearing and decide the dispute and the decision of the Board shall be final and conclusive upon the parties.

Section 6.2 Easements for Utilities and Maintenance. Easements over and under the Development for (1) the installation, operation, repair and maintenance of electric, telephone, communications, internet, satellite, water, gas and sanitary sewer Lines and facilities; (2) heating and air-conditioning Lines and facilities; (3) cable television internet, satellite lines and facilities; (4) drainage Lines and facilities; and (5) walkways and landscaping, as such easements are recorded or are needed to service the Development or any portion thereof, are hereby reserved by Declarant and Declarant's successors and assigns together with the right to grant and transfer the same.

Section 6.3 Association's Duties. The Association shall maintain all utility connections, sanitary sewers and storm drainage facilities located in the Common Area, except for those installations maintained by utility companies whether public, private or municipal. All storm drainage facilities shall be regularly inspected and, if necessary, cleaned or otherwise maintained. The Association shall pay all charges for utilities supplied to the Development except those metered or charged separately to the Units.

Section 6.4 Easements for Ingress, Egress and Support. Unless designated Exclusive Use Common Area, which use is restricted as described on the subdivision map or this Declaration for the benefit of less than all Units, there is appurtenant to each Unit nonexclusive right of ingress, egress and support, if necessary, through, on, upon or over the Common Area.

ARTICLE 7 USE RESTRICTIONS

In addition to all of the covenants contained herein, the use of the Development and each Unit therein is subject to the following restrictions:

Section 7.1 Use. The Units may be used for private residences only.

Section 7.2 Nuisance. No nuisance, use or practice is permitted which is detrimental to the health, safety and welfare of the residents or interferes with their peaceful possession or proper use of their Units. No use is allowed which creates conditions that are hazardous, noxious or offensive through the emission of odor, smoke, cinders, dust, gas, vibration, glare, refuse, water-carried waste or excessive noise or which, in any manner, increases the rates of insurance for the Development, causes an insurance policy to be canceled, causes a refusal to renew an insurance policy or impairs the structural integrity of any building. To the extent storage of materials is permitted pursuant to the Governing Documents, such storage must be in accordance with building, fire, health and safety requirements as set forth by governmental authorities and insurance carriers.

Section 7.3 Parking and Vehicle Operation Restrictions. The Association shall maintain vehicle parking areas in connection with the use of Units and Recreational Facilities as set forth in the subdivision map. Parking spaces are not assigned to any individual Unit. The Association shall have the right to make and enforce restrictions and rules for parking areas, including the right to have vehicles towed off the development for violation of such parking restrictions. No parking area may be used for repair or maintenance of vehicles or the disposal of fuels, oils or other contaminants. No long term storage of vehicles shall be allowed. No boats, or boats and trailers, longer than twenty-five (25') feet shall be parked or stored in the Common Area.

Section 7.4 Animals. No animals shall be kept in any Unit or elsewhere within the Development, except that domestic dogs or cats, aquarium fish, birds inside a bird cage, or other common household pets may be kept within any Unit if they are not kept, bred or raised for commercial purposes. The keeping and control of any pet shall be expressly subject to such controls or prohibitions as may be reasonably adopted by the Board from time to time. No pet may be kept on the Development if the Board, after a hearing, determines, in its sole good faith judgment, that it would result, would continue to result or has resulted in substantial noise or other annoyance or that it would be, would continue to be or has been obnoxious, menacing or threatening to a person of ordinary sensibilities living within a Unit in the Development. No dog shall be tied up or chained in the

Common Area except where it is under the immediate attention and control of a person. All defecation from a pet on the Common Area shall be immediately cleaned up and disposed of by the responsible Owner or guest. Each person bringing or keeping a pet upon the Development shall be liable to the other Owners, their family members, guests, invitees, tenants and contract purchasers and their respective family members, for any damage to Persons or property proximately caused by any pet brought upon or kept upon the Development by such person bringing or keeping a pet upon the Development.

Section 7.5 Garbage and Refuse Disposal. All rubbish, trash and garbage shall be regularly removed from the Development and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall, at all times, be kept in sanitary containers. All equipment for the storage or disposal of such waste material shall be kept in a clean, orderly and sanitary condition. To the extent reasonable, all equipment, garbage and trash containers, woodpiles or storage piles shall be kept in enclosed areas.

Section 7.6 Right to Lease or Rent as Vacation Rentals. Lease as Residence: The Owner of the Unit shall have the right to lease his or her Unit provided that the lease is for the entire Unit (the taking in of a roommate by an Owner shall not be a violation of this clause), is in writing and is expressly made subject to the Governing Documents and further provided that the breach by the tenant of such covenants, conditions, restrictions, limitations, uses or rules shall also be a breach of the lease. If an Owner does lease his or her Unit as herein provided, he or she shall, within ten (10) days of execution of the lease, provide the Board or the manager with the following: (a) Name of each occupant; (b) Current address and telephone of the Owner; (c) A statement by the Owner that the tenant has received a copy of the Governing Documents; (d) The duration of the lease. An Owner shall have the right to rent his or her Unit as a vacation rental; provided that the Owner or agent shall ensure that renters are advised of rules and regulations applicable to the use of the Unit. In all cases, an Owner shall be strictly liable to the Association and other Members for his or her tenant's or renter's conduct in the Unit or Common Area and compliance with the Governing Documents.

Section 7.7 Construction or Alteration. No alteration or improvement may be built on or appurtenant to any Unit that will encroach upon or affect the Common Area, or its appearance, without the approval and consent of the Board or any committee thereof devoted to architectural control. No such improvement shall be constructed, erected, painted or maintained upon the Development nor shall any alteration or improvement of any kind be made thereto until the same has been approved in writing by the Architectural Control Committee and the Board. The Architectural Control Committee or the Board may condition its approval upon the Owner recording a "Notice of Non-Responsibility" or similar document protecting the Association or other Owners from any mechanics lien that may be recorded because of such alteration or improvement.) Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the Architectural Control Committee and the Board for approval as to the quality of workmanship, design, harmony of external design with existing structures and location in relation to

surrounding structures, topography and finish grade elevation. To the extent required, no construction or repair may commence until it conforms to all applicable ordinances and building at the time such work commences and all necessary permits have been received.

Section 7.8 Antennae and Clothes Lines. No television or radio poles, antennae, flag poles, clothes lines or other external fixtures other than those originally installed by Declarant or approved by the Association, and any replacements thereof, shall be constructed, erected or maintained on or within the Development. No wiring, insulation, air-conditioning or other machinery or equipment other than that originally installed by Declarant or approved by the Association, and any replacements thereof, shall be constructed, erected or maintained on or within the Common Area. Each Owner shall have the right to maintain television or radio antennae within completely enclosed portions of his or her Unit or as otherwise provided herein.

(a) The location of common antennae or connection facilities for any cable television serving one or more Units shall be as designated by the Board, and each Unit and its Owner shall be subject to the right of other Owners or the Association to install, use and maintain such common antennae and facilities.

(b) Notwithstanding any other provision herein, each Owner shall have the right to install or use a video or television antenna (including a satellite dish) with a diameter or diagonal measurement of one meter or less, and to attach such an antenna to a structure within the Development, subject to the following restrictions:

(i) Prior to installation of the antenna, the Owner must give notice and make application for the approval of the Association, whether the antenna is to be installed on his or her Unit, or on the Unit of another Owner.

(ii) The Owner seeking approval shall demonstrate reasonable provision for the maintenance, repair or replacement of roofs or other building components.

(iii) Installers of a video or television antenna shall be required to indemnify or reimburse the Association and its Members for loss or damage caused by the installation, maintenance or use of a video or television antenna. Any contractors employed to install such antennae or related equipment shall be licensed and insured in accordance with applicable governmental regulations.

(iv) Applications for the approval of the installation and use of a video or television antenna under this Section shall be processed in the same manner as an application for construction or alteration, and the issuance of a decision on an application shall not be willfully or unreasonably delayed.

(v) In any action to enforce compliance under this Section, the prevailing party shall be entitled to reasonable attorneys fees, pursuant to Civil Code Section 4725(d).

This section shall be interpreted and enforced in conform with existing and future state and federal laws (respectively Civil Code Section 4725 and FCC Regulations, 47 CFR §1.4000).

Section 7.9 Power Equipment and Car Maintenance. No power equipment, or car maintenance, other than emergency work, shall be permitted in the Development; nor shall a tank for the storage of gasoline, liquid, explosive or any inflammative be stored on or in the Development.

Section 7.10 Liability of Owners for Damage. The Owner of each Unit shall be liable to the Association for all damages to the Common Area caused by such Owner or any occupant of his or her Unit or guest.

Section 7.11 Storage. Nothing shall be stored in the Common Area without the prior written consent of the Board. Nothing shall be stored underneath Units where the floors of any structure are above grade.

Section 7.12 Signs. No sign of any kind shall be displayed to the public view on or from any Unit or the Common Area without the prior written consent of the Board subject to the following exceptions: (a) Development identification signs; (b) Signs advertising any Unit for sale or exchange of a reasonable design and size and in a reasonable location as previously approved in writing by the Board; (c) Signs maintained by any authorized Tenant of the Sales Pavilion Parcel; and warning or safety signs required by codes or regulations. Notwithstanding anything contained herein, any sign which is displayed shall conform to any applicable ordinance regarding signs.

Section 7.13 Smoke Detectors. All Owners shall maintain operable smoke detectors in each Unit in numbers and location according to local housing or other codes.

Section 7.14 Fire extinguishers. All Owners shall maintain at all times at least one fire extinguisher in his or her Unit.

Section 7.15 Fireplaces; Barbeques and Fires. Chimneys and flues for shall be cleaned on a regular basis by the Association. Cleaning charges shall be billed to the Owner as incurred. No external fires may be built or set in the Common Areas. No barbeques of any kind shall be used or operated in the interior of any Unit. Gas or electric barbeques only may be used on any deck or balcony, or in the Common Area. Wood and charcoal burning barbeques shall not be used in any Unit, decks, balconies or Common Area.

Section 7.16 Awnings. Etc. No awnings, ornamental screens, screen doors, sunshades or walls of any nature shall be erected or maintained on or around any portion of, or elsewhere within, the Development except such as are installed in accordance with the original construction of the Development and any replacement thereof or as may be authorized and approved by the Association.

Section 7.17 Conduct Affecting Insurance. Nothing shall be done or kept in any Unit or in the Common Area which will increase the rate of insurance on the Common Area. No Owner shall permit anything to be done or kept in his or her Unit or in the Common Area which will result in the cancellation of insurance on any Unit or on any part of the Common Area or which would be in violation of any law. No waste shall be permitted in the Common Area. No gasoline, kerosene, or other flammable liquids shall be stored in the Storage Areas.

Section 7.18 Roof. No person shall use or walk on any roof without the prior consent of the Board except for areas constructed for such use, if any.

Section 7.19 Encroachments. None of the rights and obligations of the Owners created herein or in the deed creating the Units shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments as long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of any Owner(s) if said encroachment occurred due to the willful conduct of said Owner(s) after conveyance of that Unit by Declarant.

Section 7.20 Occupancy. No Unit shall be permanently occupied for permitted residential purposes with an occupancy in excess of that provided by applicable housing codes.

Section 7.21 Guests and Lessees. Each Owner shall be responsible for compliance with the provisions of this Declaration and the Bylaws and any Association Rules by his or her guests and lessees.

Section 7.22 Compliance with Laws. No Owner shall permit anything to be done or kept in his or her Unit which is in violation of any law, ordinance, statute, rule or regulation of any local, county, state or federal body.

Section 7.23 Damage to Common Area and Personal Injuries. Each Owner shall be liable to the remaining Owners for any damage to the Common Area that may be sustained by reason of the negligence of that Owner, members of his or her family, his or her contract purchasers, tenants, guests or invitees to the extent that any such damage is not covered by insurance. Each Owner, by acceptance of his or her deed, agrees for himself and for the members of his or her family, his or her contract purchasers, tenants, guests or invitees to indemnify each and every other Owner and to hold such Owner harmless from, and to defend such Owner against, any claim by any Person for personal injury or property damage occurring (a) within the Unit of that particular Owner or (b) within any exclusive easements over the Common Area appurtenant to his or her Unit, unless the injury or damage occurred by reason of the negligence of another Owner temporarily visiting in said Unit or portion of the Common Area subject to an exclusive easement appurtenant to the Unit or is wholly covered by homeowners' insurance.

Section 7.24 Furnaces, Fireplaces, and Water Heaters. The maintenance, repair and

replacement of the heating units, fireplaces, furnaces, water heaters or other such heating devices shall be the responsibility of the individual Units to which they pertain even though such devices or components may be located wholly or partly within the Common Area. The Association may promulgate rules and restrictions regarding the maintenance of any such devices or components, including the prevention of pipe freezing, leaks or fire hazards.

Section 7.25 Noise Abatement; Construction Hours. All stereos, televisions, radios, tape recorders, vacuum cleaners, hair dryers, exhaust fans, whirlpool baths, exercise equipment or similar noise producing devices shall be operated in such a manner that they cannot be heard in any bedroom of any other Unit in the Development during the hours of **11:00 p.m. to 8:00 a.m.** Without prior written approval of the Association or the Project Manager, no contractor working on a Unit shall commence operations earlier than 8:00 a.m. or later than 6:00 p.m; nor conduct operations on Saturdays, Sundays or holidays.

Section 7.26 Legal Action. The failure of any Owner to comply with any provision of this Declaration, the Bylaws or the Association Rules, if any, shall give rise to a cause of action in the Association and/or any aggrieved Owner for the recovery of damages or for injunctive relief, or both, including reasonable attorneys fees, costs and expenses as may be determined by the court, subject to any other provisions herein for arbitration and/or alternative dispute resolution.

ARTICLE 8 MORTGAGE PROTECTION

Section 8.1 Validity of Mortgage Lien. No breach of any of the covenants, conditions and restrictions contained herein, nor the enforcement of any lien provisions herein, shall defeat or render invalid the lien of any Mortgage on any Unit made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale or otherwise.

Section 8.2 Notice to Eligible Mortgagees and Eligible Insurers and Guarantors. Upon written request to the Association identifying the name and address of the Eligible Mortgagee or Eligible Insurer or Guarantor and the applicable Unit address, such Eligible Mortgagee or Eligible Insurer or Guarantor shall be entitled to timely notice of (a) Any condemnation loss or any casualty loss which affects a Unit on which there is a Mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer or Guarantor, as applicable; (b) Any delinquency in the payment of Assessments owed by an Owner of a Unit subject to a Mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer or Guarantor which remains unpaid for a period of sixty (60) days; (c) Any default in the performance of an obligation under the Governing Documents by an Owner of a Unit subject to a Mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer or Guarantor which remains unperformed for a period of sixty (60) days; (d) Any lapse, cancellation or material modification of an insurance

policy or fidelity bond maintained by the Association; or (e) Any proposed action which would require the consent of Mortgagees of Mortgages as specified herein. Any failure by the Association to give such notice of default shall not relieve the Owner of responsibility to cure the default or prevent the Association from enforcing the performance of the defaulted obligations by any of the procedures provided for in the Governing Documents.

Section 8.3 Notice of Condemnation or Destruction. If there is a total or substantial destruction of, or the commencement of eminent domain proceedings or other acquisition procedures by a condemning authority against the Development or any portion thereof, Mortgagees of Mortgages shall be given timely written notice of such destruction or proceedings.

Section 8.4 Limitation on Right of First Refusal. The right of an Owner to sell, transfer or otherwise convey his or her Unit shall not be subject to any right of first refusal or any similar restriction in favor of the Association. If there is permitted a right of first refusal in favor of any other Person, it shall not be based upon the race, color, religion, sex, sexual preference, marital status, national origin or ancestry of the vendee and it shall not impair the rights of a holder of a Mortgage to: (a) foreclose or take title to a Unit pursuant to the remedies provided in the Mortgage; (b) accept a deed (or assignment) in lieu of foreclosure in the event of a default by the Mortgagor; or (c) sell or lease a Unit acquired by the Mortgagee.

Section 8.5 Priority as to Proceeds and Awards. Any language contained in this Declaration to the contrary notwithstanding, no Owner and no other party shall have priority over any rights of Mortgagees pursuant to their Mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or taking of Units and/or the Common Area.

Section 8.6 Restrictions on Certain Changes. Except as provided by statute, neither the Association nor the Owner shall be entitled to partition or subdivide any Unit.

Section 8.7 Consent to Terminate Legal Status of Development. Except as provided by statute or any other provision of the Governing Documents, in case of substantial destruction or condemnation of the Development, the consent of Owners of Units holding at least seventy-five percent (75%) of the voting power of the Association and the approval of sixty-seven percent (67%) of Mortgagees (exercising one vote per Unit encumbered regardless of the number of mortgages on a Unit) shall be required to terminate the legal status of the Development as a common interest development.

ARTICLE 9 INSURANCE. DAMAGE OR CONDEMNATION

Section 9.1 Fire and Casualty. Subject to insuring of separate interests as provided below, the Association shall obtain a blanket policy or policies of insurance covering all of the

Development including improvements now or hereafter erected on the Development and all equipment and fixtures located thereon or used in connection therewith, insuring the Owners, including the Association, against loss or damage by the perils insured under the Standard Special Extended Coverage form (including, but not limited to, loss or damage by fire, vandalism, malicious mischief, sprinkler leakage, lightning, windstorm, water and other special extended coverage risks and the costs of demolition and debris removal) which may also be extended to include flood and earthquake insurance. Coverage shall be in an amount or amounts equal to full replacement value of one hundred percent (100%) of replacement cost exclusive of land, foundation, excavation and other items normally excluded from coverage and without any deduction for depreciation; with an "agreed amount" endorsement or its equivalent, if available, or an "inflation guard" endorsement payable to the Association. Each such policy required to be maintained hereunder may be subject to a "deductible" or self-insurance amount as the Board deems prudent under the then existing circumstances. Each such policy shall provide for full waiver of subrogation by the insurer as to any and all claims against the Association, the Owners and their respective officers, directors, partners, agents, employees and tenants, if any, and as to all defenses based upon acts of the insureds or the existence of co-insurance.

Section 9.2 Umbrella Policy. In addition to any other liability insurance herein, the Association shall obtain and maintain an umbrella policy covering the Association, its officers and directors, in amounts to be determined by the Board.

Section 9.3 Liability Insurance. The Association shall obtain and maintain a policy or policies of Comprehensive General Public Liability Insurance with combined single limit of Bodily Injury and Property Damage Liability limits not less than Five Million Dollars (\$5,000,000.00) subject to the Board's good faith determination of availability and cost-effectiveness in relation to the risk and premium to be charged for such coverage; provided, however, under no circumstances may the minimum amounts of coverage be less than that specified in California Civil Code, Section 5800(a)(4). Such policies shall include all of the following extensions of coverage: Products/Completed Operations, Independent Contractors, Blanket Contractual Liability, Broad Form Property Damage, Host Liquor Liability, Non-Owned and Hired Automobile Liability, Employees as Additional Insureds and Personal Injury Liability (Libel, Slander, False Arrest and Wrongful Eviction) with the "Employee Exclusion" deleted. Such policies shall name as insured and shall separately protect the Owners, the Association and the Board including their respective officers, directors, partners, agents, members, employees (including any manager appointed hereunder) and their successors and assigns (both individually and as a class) against any liability to the public including any Owner and his or her successors, assigns, tenants or lessees. Any tort cause of action against any Owner arising solely by reason of an ownership interest as a tenant in common of the Common Area shall be brought only against the Association, pursuant to Section 5805 of the Civil Code, and not against any such Owner, if:

(a) the Association maintained and has in effect for the tort cause of action, one or more policies of insurance including coverage for general liability of the Association; and

(b) The coverage described in (a) above is in the minimum amounts of at least Five Million Dollars (\$5,000,000) or such other amount as specified in Section 5805 or any successor statute.

Section 9.4 Board Members and Officers Liability. The Association shall maintain a policy or policies insuring the Owners, individually and collectively, against claims arising out of or based upon negligent acts, errors, omissions or alleged breaches of duty of any director or any officer while acting in their capacity as such in the amount of One Million dollars (\$1,000,000) per claim, Five Million dollars (\$5,000,000) aggregate, or such minimum amount as specified by law hereafter, and/or the Board's good faith determination. Such limits are to be reviewed by the Board not less frequently than annually. Said policy or policies shall provide for a waiver or subrogation against the insureds, a full waiver of all defenses based upon acts of insureds and shall further provide that said policy or policies cannot be canceled or modified without prior written notice to the Association, the length of which shall be determined by the Board.

Section 9.5 Fidelity Bond or Insurance. The Association may maintain, or be covered by, a fidelity bond or policy of insurance against dishonest acts on the part of any Persons entrusted with or permitted to handle funds belonging to or administered by the Association including the professional manager and his or her employees. Such fidelity bond or policy of insurance shall name the Association as the named insured and shall be written in an amount sufficient to provide protection which is not less than the sum of three (3) months' Assessments on all Units in the Development plus the Association's reserves. An appropriate endorsement shall be added to such policy or bond, if necessary, to cover any Persons who serve without compensation, including directors, if such policy or bond would not otherwise cover the acts of volunteers.

Section 9.6 Workers' Compensation Insurance. The Association shall obtain Workers' Compensation Insurance to the extent required to comply with any applicable law.

Section 9.7 Insurance Limits. The limits of any insurances required under this Declaration may be revised by the Board from time to time to account for changes in applicable law, inflation or other factors.

Section 9.8 General Policy Provisions.

(a) Each of the policies of insurance obtained by the Association pursuant to this Article IX shall include the Association, as trustee for the Owners, as a named insured and shall provide that the insurers may not cancel, change or refuse to renew the policies without first giving sixty (60) days' prior written notice to the Association, the Owners and the Mortgagees. Each such policy shall also provide that coverage shall not be prejudiced by any act or neglect of any Unit Owner except to the extent such prejudice is unavoidably imposed by law or by any failure of the Association to comply with any warranty or condition regarding any portion of the Development over which the Association has no control. Each such policy shall contain both a full waiver of

subrogation by the insurer as to any and all claims against the Association and any Owners and their respective agents, employees and tenants and a waiver of any defenses based upon co-insurance or upon invalidity arising from the acts of the insured except to the extent such invalidity is unavoidably imposed by law. Each such policy shall also provide that the coverage provided with respect to any claim shall not be adjusted based on contribution related to insurance policies purchased by any Owner or his or her Mortgagee.

(b) All such policies of insurance and bonds shall be obtained from insurance companies with both a financial rating of Class VI or better and a policyholder's rating of A or better by Best's insurance rating guide. If Best's should revise its rating system, the Association shall select insurance companies with equivalent financial and policyholder's ratings under the rating system then being used by Best's or, if Best's discontinues its rating system, insurance companies with equivalent financial and policyholder's ratings under such comparable rating system as the Board may select.

(c) The Association shall annually prepare and distribute to the Members, within sixty (60) days preceding the beginning of the Association's fiscal year, a summary of the Association's property, general liability, and earthquake and flood insurance (if any) policies that state all of the following:

- (i) The name of the insurer.
- (ii) The type of the insurance.
- (iii) The policy limits of the insurance.
- (iv) The amount of deductibles, if any.

(d) The Association shall, as soon as reasonably practical, notify Members by first-class mail if any of the policies have lapsed, been canceled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Association receives any notice of non-renewal of a policy described herein, the Association shall immediately notify the Members if replacement coverage shall not be in effect by the date the existence policy will lapse.

(e) To the extent that the information to be disclosed pursuant to subsections is specified in the insurance policy declaration page, the Association may meet the requirements of those subsections by making copies of that page and distributing it to all Members.

(f) The summary distributed pursuant to Section 9.8 shall contain, in at least 10-point boldface type, the following statement:

"This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of the deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage."

Section 9.9 Payment of Premiums. Insurance premiums for the policies required hereby shall be a Common Expense to be included in the Assessments levied by the Association. The portion of Assessment payments necessary for the insurance premiums may be held in a separate account of the Association to be used solely for the payment of the premiums for such policies.

Section 9.10 Material Damage or Destruction. If any portion of the Development is Materially Damaged or destroyed by fire or other casualty, the following events shall occur:

(a) A special Owners meeting shall be held within thirty (30) days of the date of the material damage or destruction. Said Owners meeting shall be called by the Board, the president or any two (2) Owners if the meeting has not been called within five (5) days of the damage or destruction and the Secretary shall give 10 days' written notice of the meeting to each Owner and his or her Mortgagees of record. Said Owners meeting shall be held at a suitable location on the Development or as close thereto as practicable which location shall be specified in such notice.

(b) The Development shall be repaired or reconstructed in substantial accordance with the latest available construction plans and specifications as hereinafter provided unless in such special Owners meeting at least seventy five percent (75%) of the total voting power of each class of Owners casts votes against such repair or reconstruction in which event Section 9.11 shall immediately become applicable.

(c) Unless, in the manner provided above, the requisite number of votes are cast against such repair or reconstruction, all of the insurance proceeds payable on account of such damage or destruction shall be deposited with a commercial lending institution experienced in the disbursement of construction loan funds (the "Depository"). The Depository shall be appointed by the Association. Such funds shall be disbursed in

accordance with the normal construction loan practices for the Depository and which shall be reasonably acceptable to the Board. The restoration or reconstruction shall be substantially in accordance with the latest available construction plans and specifications for the Development modified as may be required by available materials, state of the art construction and applicable building codes and regulations in force at the time of such repair or reconstruction or in accordance with such other plans and specifications as may be approved by a majority of all Owners; provided, however, any Owner's requested modification to the latest available construction plans and specifications of his or her Unit shall be approved unless

(i) the cost of construction pursuant to the modification exceeds the cost of reconstruction according to the latest available construction plans and specifications,

(ii) it affects the Common Area, or

(iii) it affects the square footage of, permitted use of, utility service to, easements in favor of or number of Units.

(d) The Association shall designate, as necessary, a general contractor (the "General Contractor") and architect (the "Architect") for the repair or reconstruction contemplated by this Section.

(e) The insurance proceeds payable on account of such damage or destruction shall be deposited with the Depository and shall be disbursed in accordance with the normal construction loan practices of the Depository upon the receipt of appropriate mechanics lien releases and upon the certification of the Construction Consultant, the General Contractor and the Architect dated not more than ten (10) days prior to any such request for disbursement setting forth the following:

(i) That all of the work completed as of the date of such request for disbursement has been done in compliance with the approved plans and specifications;

(ii) That such disbursement request represents monies which either have been paid by or on behalf of the General Contractor or the Architect and/or is justly due to contractors, subcontractors, materialmen, engineers or other Persons (whose name and address shall be stated) who have rendered certain services or materials for the work;

(iii) That the sum then requested to be disbursed plus all sums previously disbursed does not exceed the cost of the work insofar as actually accomplished up to the date of such certificate;

(iv) That no part of the cost of the services and materials described in Section 9.10(e)(1) has been or is being made the basis for the disbursement of any funds in any previous or then pending application; and

(v) That the amount held by the Depository will, after payment of the amount requested in the pending disbursement request, be sufficient to pay in full the cost of such repair or reconstruction.

(f) If the insurance proceeds available for repair or reconstruction are less than the total cost of such repair or reconstruction, the Association shall first use sums from its accounts and, if necessary, shall levy a Special Assessment on all of the Owners in accordance with Section 4.4 to restore or rebuild the Development.

(g) All such funds to be supplied by the Association shall be deposited with the Depository and shall be disbursed pursuant to the provisions of this Section.

Section 9.11 Owners Vote Not to Rebuild. If the Owners vote not to rebuild, the Association shall, acting as attorney-in-fact for all the Owners, sell the remaining property on terms satisfactory to the Board. The net proceeds of the sale, together with the insurance proceeds, accrued reserves, interest and other funds, shall thereupon be distributed to the Owners according to the following procedure: the Board shall retain, at the Association's expense, an appraiser who is a member of the American Institute of Appraisers or other nationally recognized appraiser's organization who shall determine the fair market value of each Unit as it existed immediately prior to the damage or destruction and whose determination of value shall be final. The Board shall then distribute to each Owner and his or her Mortgagees the following amounts:

(a) That percentage of insurance and net sale proceeds equal to such Owner's Unit's fair market value immediately prior to the damage or destruction divided by the total fair market value of all the Units immediately prior to such damage or destruction; and

(b) That percentage of accrued reserves, interest and other funds equal to the Regular Assessment against such Owner's Unit divided by the total Regular Assessments against all Units, each as of the most recent Regular Assessment immediately prior to such damage or destruction.

Section 9.12 Damage or Destruction Not Considered Material. If any portion of the Development is not Materially Damaged as a result of fire or other casualty the Development shall be repaired and reconstructed (after the holding of a special Owners meeting in which a Special Assessment is approved unless exempted by Section 9.13) in accordance with the provisions for repair and reconstruction as set forth in Section 9.10.

Section 9.13 Substantially Full Insurance Settlement. Notwithstanding any provision of Section 9.11 to the contrary, if the insurance carrier offers eighty-five percent (85%) or more of the full amount required to repair and restore all the damage, then the Board shall, without a vote of Members, contract to repair or rebuild the damaged portions of the Development in the manner provided in Section 9.10.

Section 9.14 Emergency - Repairs. If there is a casualty, there may be a substantial possibility that immediate emergency repairs will be required to eliminate defective or dangerous conditions and to comply with applicable laws, ordinances and regulations pending settlement of insurance claims and prior to procuring bids for performance of restoration work. As such, without waiting to obtain insurance settlement or bids, the Board may undertake such emergency repair work after a casualty as it may deem necessary or desirable under the circumstances and the Board may charge the Association's operating accounts for the costs thereof.

Section 9.15 Notice. Within (60) days after any damage or destruction occurs which invokes the provisions of Sections 9.10 through 9.14, the manager or the Board or, if they do not, any Owner, the insurer, the insurance trustee or any Mortgagee of any such Owner shall record a sworn declaration which shall state that such damage has occurred, shall describe such damage, shall name any insurer against whom claim is or may be made, shall name each insurance trustee and shall state that such sworn declaration is recorded pursuant to this Section of this Declaration and that a copy of such declaration has been served on each Owner pursuant to the provisions of this Declaration.

Section 9.16 Condemnation. In any taking of any Unit, or a part thereof, by eminent domain, the Owner of such Unit shall be entitled to receive the award of such taking after all mortgages and liens on the Unit have been satisfied or otherwise discharged. After acceptance thereof and if such Owner shall vacate the Unit as a result of such taking, the Owner and his or her Mortgagees shall be divested of all interest in the Development. The Development shall be rebuilt unless the Owners, by a vote of seventy five percent (75%) of the total voting power of each class of voting Members, decide not to rebuild. In a taking by eminent domain of the Common Area or more than one Unit, or any parts thereof, at the same time, the Association shall represent the affected Owners in the negotiations and shall propose the method of division of the proceeds of condemnation where the compensation is not apportioned among the affected Owners and their respective Mortgagees by a court judgment or by agreement between the condemning authority and each of the affected Owners. Such compensation available to the affected Owners shall be distributed among the affected Owners and their respective Mortgagees, as their interest may appear, according to the relative fair market value of the Units affected by the condemnation as determined by an independent appraisal conducted by an appraiser who is a member of the American Institute of Appraisers or other nationally-recognized appraiser's organization and whose appraisal shall be final. Said appraiser shall be retained by the Board and paid by the Association. Upon the taking of any Unit(s) which constitutes less than a total taking of all Units, the Board, acting as attorney-in-fact of all Owners, shall amend the subdivision map (if necessary) and this Declaration to eliminate from the Development the Units so taken and to adjust the undivided ownership interest of the remaining Owners to reflect the reduced number of Units in the Development and all Owners of the remaining Units shall convey to each remaining Owner an equal proportionate share of the undivided interests in the Common Area.

9.17 Owner Insurance. Each Owner shall obtain and keep in full force and effect liability insurance for his or her Unit in amounts to be determined by the Board from time to time; and property insurance for his or her separate interest in the Unit, personal property, and all fixtures and improvements within the Unit, including but not limited to carpeting, electrical, flooring, cabinetry, appliances, paint, paneling, and plumbing. However, if the Board determines that based upon cost, availability or other factors, it is in the Association's and Owners' interest to include all interior improvements in the Association's general or blanket policy; and 2) a majority of Owners approve by vote or action taken without a meeting, including the approval of any special or general Assessment for such purpose, the Association may obtain coverage for interior improvements under the Association's general or blanket policy.

ARTICLE 10 GENERAL PROVISIONS

Section 10.1 Enforcement and Dispute Resolution. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration together with any amendments hereto or to the Articles or Bylaws and in such action shall be entitled to recover damages and/or injunctive relief as well as reasonable attorneys fees as may be ordered by the Court. Failure by the Association or by any Owner to enforce any covenant or restrictions herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Board may perform any act reasonably necessary to resolve any civil claim or action through alternate dispute resolution proceedings such as mediation, binding arbitration, or non-binding arbitration. The Board may:

- (a) Provide, or in good faith attempt to provide, one hundred twenty (120) days advance notice of its intent to initiate the prosecution of any civil action and of the nature and basis of the claim to every Member and every entity or person who is a prospective party to the civil action, provided that notice can be given more than one hundred twenty (120) days prior to the expiration of any pertinent statute of limitations, and without prejudice to the Association's right to enforce the Declaration, and further provided that no such notice need be given prior to the filing of an action in small claims court or an action solely to enforce assessment obligations.
- (b) Prior to initiating the prosecution of a civil action solely for declaratory relief or injunctive relief to enforce the Declaration, or for declaratory relief or injunctive relief to enforce the Declaration in conjunction with a claim for monetary damages not in excess of five thousand dollars (\$5,000), to endeavor to submit the matter to alternative dispute resolution in compliance with the provisions of Section 5975(b) of the Civil Code.
- (c) Immediately after initiating the prosecution or defense of any civil action,

making a reasonable effort, in good faith, to meet and confer with every person who is a party concerning appropriate processes for resolving the civil action, including available alternative dispute resolution proceedings; concerning appropriate processes for avoiding or reducing costs or losses by the parties associated with the action; providing an opportunity to cure any alleged defect in Common Areas or facilities which is the basis for the action; and providing for the scope of discovery, if any to be conducted prior to the inception of any alternative dispute resolution procedure.

(d) Consider diversion of the prosecution or defense of any civil action to alternative dispute resolution proceedings such as mediation, non-binding arbitration, or binding arbitration.

(e) Agree to resolution of any civil action but not limited to mediation, to pay the fees reasonably incurred by the Association in such proceedings; to participate fully and in good faith in the through any alternative dispute resolution proceedings, including non-binding arbitration, and binding arbitration, and paying costs of the Association on account of those alternative dispute resolution proceedings.

Members shall annually be provided with a summary of the provisions of Section 5975 of the Civil Code, which shall specifically reference the aforesaid Section 5975, and shall include the following language:

"Failure by any Member of the Association to comply with the prefiling requirements of Section 5975 of the Civil Code may result in the loss of your rights to sue the Association or another Member of the Association regarding enforcement of the governing documents."

The summary shall be provided either at the time the pro forma budget is distributed, or in the manner specified in Section 5016 of the Corporations Code. Any request for alternative dispute resolution sent to an Owner pursuant to subsection (c) of this Section 10.1 shall include a copy of Section 5975 of the Civil Code. If, in a dispute between an Owner and the Association regarding the Assessments imposed by the Association, the Owner chooses to pay in full to the Association all of the charges listed herein at (i) through (iv) inclusive, and states by written notice that the amount is paid under protest, and such written notice is mailed by certified mail not more than thirty (30) days from the recording of a Notice of Delinquent Assessment, the Association shall inform the Owner that the Owner may resolve the dispute through alternative dispute resolution as set forth in Section 5975 of the Civil Code, civil action, and any other procedures to resolve the dispute that may be available through the Association. The charges to be paid by the Owner are:

(i) The amount of the Assessment in dispute.

- (ii) Late charges.
- (iii) Interest.
- (iv) All fees and costs associated with the preparation and filing of a Notice of Delinquent Assessment, including all mailing costs, and including attorneys' fees not to exceed Four Hundred Twenty-Five Dollars (\$425.00) or as hereafter allowed by applicable law.

The right of any Owner to utilize alternative dispute resolution may not be exercised more than two (2) times in any calendar year and not more than three (3) times within any five (5) calendar years. Nothing herein shall preclude any Owner, and the Association, upon mutual agreement, from entering into alternative dispute resolution for any number of times. An Owner may request and be awarded through alternative dispute resolution reasonable interest to be paid by the Association on the total amount paid by the Owner under protest, if it is determined through alternative dispute resolution that the Assessment levied by the Association was not correctly levied.

(f) Any arbitration required under this Declaration will be conducted in accordance with the following rules and procedures:

(i) The parties shall equally contribute the fees necessary to initiate the arbitration, with the costs and fees, including ongoing costs and fees to the arbitrator with the costs and fees of the arbitration to ultimately be borne as determined by the arbitrator(s);

(ii) The arbitration shall be administered by a neutral and impartial person(s);

(iii) A neutral and impartial individual(s) shall be appointed to serve as arbitrator(s), and the arbitrator(s) to be appointed within a specified period of time, which in no event shall be more than sixty days from the administrator's receipt of a written request from a party to arbitrate the claim or dispute. In selecting the arbitrator. The provisions of Section 1297.12 1 of the Code of Civil Procedure shall apply. An arbitrator may be challenged for any of the grounds listed therein or in Section 1297.124 of the Code of Civil Procedure.

(iv) Venue of the arbitration shall be in the county where the subdivision is located unless the parties agree to some other location.

(v) The arbitration shall be promptly and timely commenced in accordance with

(A) the rules of the arbitration, or if the rules do not specify a date by which the arbitration must commence, then

(B) a date as agreed to by the parties, and if they cannot agree,

(C) a date determined by the arbitrator(s);

(vi) The arbitration shall be conducted in accordance with the rules and procedures of the tribunal selected by the parties or, if none, the commercial arbitration rules of the American Arbitration Association

(vii) The arbitration shall be prompt and timely concluded.

(viii) The arbitrators shall be authorized to provide all recognized remedies available in law or equity for any cause.

Section 10.2 Severability; Invalidity. Should any provision or portion hereof be declared invalid or in conflict with any law of the jurisdiction where this Development is situated, the validity of all other provisions and portions hereof shall remain unaffected and in full force and effect.

10.3 Term. The covenants and restrictions of this Declaration shall run with and bind the Development and shall inure to the benefit of and shall be enforceable by the Association or any Owner and their respective legal representatives, heirs, successors and assigns for a term of twenty (20) years from the date this Declaration is recorded after which time they shall be automatically extended for successive periods of ten (10) years.

Section 10.4 Amendments. This Declaration may be amended only by the vote or written assent of not less than seventy-five percent (75%) vote of the Members. Any amendment shall be evidenced by an instrument executed and acknowledged by the President, Secretary or other duly authorized officer of the Association, shall make appropriate reference to this Declaration and its amendments and shall be recorded in the Official Records of the Recorder of the County of Placer.

Section 10.5 Encroachment Easements. In interpreting deeds and the subdivision map, the existing physical boundaries of a Unit shall be conclusively presumed to be its boundaries rather than the metes and bounds expressed in the deed or subdivision map. As such, each Unit within the Development is hereby declared to have an easement over all adjoining Units and the Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, reconstruction, repair, movement, settlement or shifting of any building or any similar cause. In addition, each Unit is subject to such encroachments by the Common Area as may now exist or may hereafter be created by any of the causes referred to in this Section. There shall be valid easements for the maintenance of said encroachments as long as they shall exist and the rights and obligations of the 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 such Owner or Owners. If a structure is partially or totally destroyed and is then repaired or rebuilt in substantially the same manner as originally constructed, the Owners of each Unit agree that minor encroachments over adjoining

Units or the 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 10.6 Abatement of Public Nuisance. If a public nuisance exists or is conducted on any portion of the Common Area, the Association shall abate such nuisance.

Section 10.7 Owner's Compliance. Each Owner of a Unit and/or occupant of a Unit shall comply with the provisions of the Governing Documents and the decisions and resolutions of the Association or its duly authorized representative as such may be lawfully amended from time to time and failure to comply with any such provisions, decisions or resolutions shall be grounds for action to recover sums due for damages or for injunctive relief. All arrangements and determinations lawfully made by the Association in accordance with the voting percentages established in this Declaration or in the Bylaws shall be deemed to be binding on all Owners of Units and their successors and assigns.

Section 10.8 Conflict. In the case of any conflict between the Articles and Bylaws and this Declaration, this Declaration shall control.

Section 10.9 Use of Words. Unless the context otherwise requires, singular nouns and pronouns used in this Declaration should be construed as including the plural thereof. For convenience and brevity, masculine pronouns have been used herein in their generic sense as a reference to all Persons without regard to sex.

Section 10.10 Statutory References. All references in this Declaration to particular statutes of the State of California and federal law, should be deemed to include the same statute as hereafter amended or, if repealed, to such other statutes as may thereafter govern the same subject as the statute to which specific reference was made.

Section 10.11 Notices. Any notice permitted or required by this Declaration, the Articles or the Bylaws may be delivered either personally or by mail. If delivered by mail, such notice 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, postage prepaid, addressed to each Person at the current address given by such Person to the Secretary of the Association or addressed to the Unit of such Person if no address has been given to the Secretary.

Section 10.12 No Discrimination. Notwithstanding anything that may be stated herein, no provision of this Declaration shall purport to restrict or abridge, directly or indirectly, on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry, the right of an Owner to sell, rent or lease his or her Unit to any person.

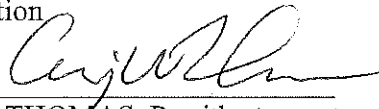
Section 10.13 Power of Attorney. Each of the Owners irrevocably appoints the Association as attorney-in-fact and irrevocably grants to the Association full power in the name and stead of such Owner to sell the entire Development and to execute deeds and conveyances to it, in one or more transactions, for the benefit of all Owners when partition of the Development may be had under California Civil Code Section 4610 and under the

circumstances authorizing partition under this Declaration. This power of attorney shall (i) be binding on all Owners whether they assume the obligations under this Declaration or not; (ii) be exercisable by a majority of the Board acting on behalf of the Association subject to obtaining the prior approval by vote or written consent of sixty-seven percent (67%) of all Mortgagees; and (iii) be exercisable only after recordation in the Official Records of the Recorder of the County of Placer of a certificate executed by those who have power to exercise the power of attorney that the power of attorney is properly exercisable under the authority of this Declaration. This certificate shall be conclusive evidence of proper exercise in favor of any Person relying on in it good faith.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has issued this Declaration as of the day and year written below.

CARNELIAN WOODS, a California non-profit corporation

Dated: 2/5/14

BY 
CRAIG THOMAS, President

State of California

County of San Francisco

On February 5, 2014 before me,
April M. Johnson

_____, a Notary Public, personally appeared
Craig Thomas _____, who proved to me on
the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized
capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity
upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature [Handwritten Signature]

Name: April M. Johnson
(typed or printed)

(Area reserved for official
notarial seal)

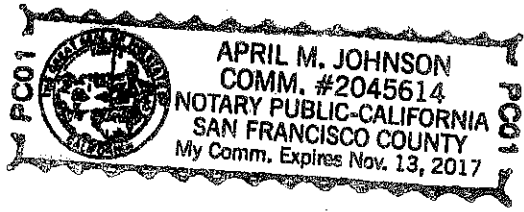


EXHIBIT 1
Carnelian Woods Property

All that certain real property situate, lying and being in the County of Placer, State of California, as follows:

1. Tract No. 210 CARNELIAN WOODS UNIT NO. 1 FILED FOR RECORD DECEMBER 17, 1971, IN BOOK J OF MAPS, AT PAGE 41 OFFICIAL RECORDS
2. Tract No. 229 CARNELIAN WOODS UNIT NO. 2 FILED FOR RECORD DECEMBER 17, 1971, IN BOOK J OF MAPS, AT PAGE 42 OFFICIAL RECORDS
3. Tract No. 236 CARNELIAN WOODS UNIT NO. 3 FILED FOR RECORD DECEMBER 26, 1972, IN BOOK J OF MAPS, AT PAGE 61 OFFICIAL RECORDS
4. Tract No. 237 CARNELIAN WOODS UNIT NO. 7 FILED FOR RECORD DECEMBER 26, 1972, IN BOOK J OF MAPS, AT PAGE 62 OFFICIAL RECORDS

EXHIBIT 1

EXHIBIT 2
118 Privately-Owned Residential Lots ("Units")

All that certain real property situate, lying and being in the County of Placer, State of California, as follows:

1. Lots 1 through 20, inclusive as shown on Tract No. 210 CARNELIAN WOODS UNIT NO. 1 FILED FOR RECORD DECEMBER 17, 1971, IN BOOK J OF MAPS, AT PAGE 41 OFFICIAL RECORDS
2. Lots 21 through 76 inclusive as shown on Tract No. 229 CARNELIAN WOODS UNIT NO. 2 FILED FOR RECORD DECEMBER 17, 1971, IN BOOK J OF MAPS, AT PAGE 42 OFFICIAL RECORDS
3. Lots 108 through 113 inclusive and Lots 120 through 155 inclusive, as shown on Tract No. 236 CARNELIAN WOODS UNIT NO. 3 FILED FOR RECORD DECEMBER 26, 1972, IN BOOK J OF MAPS, AT PAGE 61 OFFICIAL RECORDS

EXHIBIT 2

EXHIBIT 3
Undeveloped Lots-Carnelian Woods

All that certain real property situate, lying and being in the County of Placer, State of California, as follows:

PARCEL ONE:

LOTS 77 THROUGH 107 INCLUSIVE AND LOTS 114 THROUGH 119 INCLUSIVE, AS SHOWN ON THE "TRACT NO. 236, CARNELIAN WOODS UNIT NO. 3", RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF PLACER COUNTY ON DECEMBER 26, 1972 IN BOOK "J" OF MAPS AT PAGE 61.

PARCEL TWO:

LOTS 156 THROUGH 241 INCLUSIVE, AS SHOWN ON THE "TRACT NO. 237, CARNELIAN WOODS UNIT NO. 7", RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF PLACER COUNTY ON DECEMBER 26, 1972 IN BOOK "J" OF MAPS AT PAGE 62.

EXHIBIT 3

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