

If this document contains any restriction based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

01\17\96

RECORDING REQUESTED BY AND
AFTER RECORDING RETURN TO:

Placer Title Company
189 Fulweiler Avenue
Auburn, CA 95603

96-005862

Recorded
Official Records
County of
Placer
Jim McCauley
Recorder
3:01pm 1-Feb-96

Rec Fee 205.00
Check 205.00

RJ 67

RESTATED DECLARATION
OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
OF
GRANITE BAY HILLS

1/17/96

RESTATED DECLARATION
OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
OF
GRANITE BAY HILLS

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. RECITALS	1.1
1.01. Description of Real Property	
1.02. Multiple Phases	
1.03. Ownership Interests	
1.04. Common Plan for Project	
SECTION 2. DEFINITIONS	2.1
SECTION 3. PROPERTY RIGHTS	3.1
3.01. Common Area	
3.02. Partition Prohibited	
3.03. Annexation of Additional Property	
3.04. Reserves for Rental Program in Annexed Phase	
3.05. Easements	
3.06. Provisions Restricting Delegation of Use	
SECTION 4. USE RESTRICTIONS	4.1
4.01. Use of Lots	
4.02. Garages	
4.03. Parking	
4.04. Vehicle Restrictions	
4.05. Signs	
4.06. Animals	
4.07. Trash; Storage of Materials	
4.08. Antennae; Roof Projections	
4.09. Right to Lease	
4.10. Architectural Approval	
4.11. Notices to Owners	
4.12. Window Coverings	
4.13. Clotheslines	
4.14. Power Equipment and Car Maintenance	
4.15. Drainage	
4.16. Liability of Owners for Damage to Common Area	
4.17. Recreational Facilities	
4.18. Nuisances	
4.19. Resubdividing Prohibited	
4.20. Compliance with Project Documents	

Page

SECTION 5:	MAINTENANCE OBLIGATIONS	5.1
5.01.	Association Maintenance Obligations	
5.02.	Owners' Maintenance Obligations	
5.03.	County Service Area Zone of Benefit (CSA)	
SECTION 6:	ASSOCIATION, ADMINISTRATION, MEMBERSHIP AND VOTING	6.1
6.01.	Association to Manage Project	
6.02.	Membership	
6.03.	Transferred Membership	
6.04.	Classes of Membership and Voting	
6.05.	Termination of Class B Membership	
6.06.	Approval of Members Other than Declarant	
6.07.	Inspection of Books	
6.08.	Commencement of Voting Rights	
6.09.	Co-Owner Votes	
6.10.	Membership Meetings	
6.11.	Notice and Place of Meetings	
6.12.	Board of Directors	
SECTION 7:	POWERS, DUTIES AND LIMITATIONS OF THE ASSOCIATION	7.1
7.01.	Powers and Duties of Association	
7.02.	Property Taxes and Assessments	
7.03.	Insurance	
7.04.	Discharge of Liens	
7.05.	Payment of Expenses	
7.06.	Prohibited Acts	
7.07.	Action Requiring Consent	
7.08.	Alternative Dispute Resolution	
SECTION 8:	ASSESSMENTS	8.1
8.01.	Agreement to Pay; Personal Obligation	
8.02.	Purpose of Assessments	
8.03.	Common Facility Assessment Exemption	
8.04.	Regular Annual Assessments	
8.05.	Special Assessments	
8.06.	Quorum	
8.07.	Individual Charges	
8.08.	Equal Division of Regular and Special Assessments	
8.09.	Delinquent Assessments	
8.10.	Commencement of Assessments and Individual Charges	
8.11.	Creation of the Assessment Lien	

	<u>Page</u>
SECTION 9: ENFORCEMENT OF RESTRICTIONS	9.1
9.01. General	
9.02. Specific Enforcement Rights	
SECTION 10: BUDGETS, FINANCIAL STATEMENTS AND BANK ACCOUNTS	10.1
10.01. Proposed Budget	
10.02. Adopt Budget	
10.03. Budgets, Financial Statements	
10.04. Reserves and Reserves Study	
10.05. Bank Accounts	
SECTION 11: INSPECTION OF BOOK AND RECORDS	11.1
11.01. Inspection by Members	
11.02. Rules for Inspection by Members	
11.03. Inspection by Directors	
11.04. Review of Financial Records	
11.05. Reserve Account Withdrawal Restrictions	
SECTION 12: INSURANCE, DESTRUCTION, CONDEMNATION	12.1
12.01. Insurance	
12.02. Individual Fire Insurance	
12.03. Destruction	
12.04. Condemnation	
SECTION 13: MORTGAGEE PROTECTIONS	13.1
13.01. Mortgages Permitted	
13.02. Priority of Mortgage	
13.03. Payment of Taxes or Premiums by Mortgagees	
13.04. Effect of Breach	
13.05. Mortgagee's Rights	
13.06. No Restrictions on Owner's Right to Ingress and Egress	
13.07. Notices to Mortgagees	
13.08. FNMA, FHLMC, FHA, VA Mortgages	
13.09. FHA/VA Approval	
13.10. Additional FHA Provisions	
13.11. Compliance with FHA/VA, FHLMC or FNMA Requirements	
13.12. Waivers	
13.13. Conflicts	

	<u>Page</u>
SECTION 14: ENFORCEMENT OF BONDED OBLIGATIONS	14.1
SECTION 15: AMENDMENTS	15.1
15.01. Prior to First Conveyance	
15.02. After First Conveyance	
15.03. Recordation	
15.04. Unanimous Consent for Specific Amendments	
15.05. FHA Requirements	
15.06. County Requirements	
SECTION 16: GENERAL PROVISIONS	16.1
16.01. Term	
16.02. Owners' Compliance	
16.03. Notices	
16.04. Notice of Transfer	
16.05. Delivery of Project Documents to Transferee	
16.06. Easements Reserved and Granted	
16.07. Termination of Any Responsibility of Declarant	
16.08. Mergers and Consolidations	
16.09. Limitations of Restrictions on Declarant	
16.10. Successor	
16.11. Fair Housing	
16.12. Severability	
16.13. Estoppel Certificate	
16.14. Conflict with Project Documents	
16.15. Headings	
EXHIBIT A: DESCRIPTION OF PROPERTY SUBJECT TO DECLARATION	
EXHIBIT B: DESCRIPTION OF ANNEXABLE PROPERTY	

RESTATED DECLARATION
OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
OF

GRANITE BAY HILLS

THIS RESTATED DECLARATION ("Declaration") is made on the date hereinafter set forth by Mark L. Ures and Beulah M. Ures (herein referred to as "Declarant").

SECTION 1: RECITALS

1.01. Description of Real Property. Declarant is the owner of that certain real property in the County of Placer, State of California, which is more particularly described on Exhibit "A" attached hereto and incorporated herein.

1.02. Multiple Phases. Declarant has improved or intends to improve the Project by subdividing and constructing the first phase into 32 residential lots improved with dwellings ("Lots") and common area lots with improvements ("Common Area").

The development of the Project is in the first phase of a proposed three phased project. It is anticipated that the future phases, if annexed, will consist of approximately 48 additional residential lots and additional common area lots; all constructed in accordance with any development plans, maps and specifications on file with the County of Placer, and the California Department of Real Estate.

Declarant may, but is not required to, annex future phases to the Project. Any annexation by Declarant shall be done in accordance with Section 3.

1.03. Ownership Interests. Each owner shall receive fee title to his Lot, a membership in the Granite Bay Hills Homeowners Association ("Association"), which shall hold title to the Common Area, a non-exclusive easement for use, enjoyment, ingress and egress over the Common Area, and such other interests as are provided herein.

1.04. Common Plan for Project. By this Declaration, Declarant intends to establish a common scheme and plan for the possession, use, enjoyment, repair, maintenance, restoration and improvement of the Project and interests therein conveyed and to establish thereon a Planned Development.

1/17/96

The Project was originally subject to a document entitled "Declaration of Covenants, Conditions and Restrictions of Granite Bay Hills", which recorded in the office of the Recorder of Placer County, California, December 14, 1995, as Instrument No. 95-067272 of the Official Records of said County ("Prior Declaration"). Declarant intends to rescind said Prior Declaration and replace it in its entirety with this Declaration. Subsequent phases shall be subject to this Declaration upon the recordation of a Declaration of Annexation covering such phase or phases.

The purpose of this Declaration is to clarify the Lots affected in Section 4.11 (d).

On the recordation of this Declaration, which shall constitute a restatement of the Prior Declaration in its entirety, the Prior Declaration will no longer be of any force or effect, and the first phase of the project, consisting of the Property described on Exhibit "A", attached hereto, will be entitled to the benefits and subject to the burdens of this Declaration.

NOW, THEREFORE, Declarant hereby declares that the real property described on Exhibit "A" shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold and improved, subject to the following declarations, limitations, covenants, conditions, restrictions and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Project, in accordance with the plan for improvement of the Property and the division thereof into Lots. Pursuant to California Civil Code Sections 1353 and 1354, all of the limitations, covenants, conditions, restrictions and easements shall constitute covenants which shall run with the land, be enforceable as equitable servitudes, and shall be binding upon Declarant and its successors and assigns, and all parties having or acquiring any right, title or interest in or to any part of the Property or the Project.

SECTION 2: DEFINITIONS

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

- 2.01. "Articles" shall mean the Articles of Incorporation of Granite Bay Hills Homeowners Association and any amendments thereto.
- 2.02. "Assessment" shall mean that portion of the cost of maintaining, improving, repairing, operating and managing the Project which is to be paid by each Lot Owner as determined by the Association.
- 2.03. "Association" shall mean the Granite Bay Hills Homeowners Association, a California non-profit mutual benefit corporation, the members of which shall be the Owners of Lots in the Project, their successors and assigns.
- 2.04. "Association Rules" shall mean rules and regulations regulating the use and enjoyment of the Common Area which may be adopted by the Board from time to time.
- 2.05. "Board" or "Board of Directors" shall mean the governing body of the Association.
- 2.06. "Bylaws" shall mean the Bylaws of the Association, as amended from time to time.
- 2.07. "Common Area" means all real property owned by the Association for the common use and enjoyment of the Owners and shall include, upon conveyance to the Association, the plots of land designated Lot A, Lot B, Granite Hills Drive North, Granite Hills Drive South, Granite Park Court, and Granite Woods Court, as shown on the Subdivision Map, and any other plot of land which may be conveyed to the Association. The Common Area shall not include the residential lots. The common area may be expanded through the annexation of additional properties described in Exhibit "B".
- 2.08. "Common Expenses" shall mean and include the actual and estimated expenses of operating the Project and any reasonable reserve for such purposes as found and determined by the Board and all sums designated Common Expenses by or pursuant to the Project Documents.
- 2.09. "Common Maintenance Area(s)" shall mean those areas and improvements over which the County Service Area has the responsibility and duty to maintain at the time this Declaration is recorded, as said Common Maintenance Areas are more particularly described in subsection 5.03.
- 2.10. "County" shall mean the County of Placer, California, the County in which the Project is located.
- 2.11. "County Service Area" or "CSA" shall mean the Placer County Service Area No. 23, Zone 83, which is more particularly described in subsection 5.03 hereof.
- 2.12. "Declarant" shall mean Mark L. Ures and Beulah M. Ures, their successors and assigns, if such successors and assigns are assigned the rights of Declarant pursuant to Section 16.10 hereof or if such successor or assign is a mortgagee acquiring Declarant's interest in the Project by foreclosure or by deed in lieu of foreclosure.
- 2.13. "Declaration" shall mean this Declaration, and any amendments, modifications or supplements thereto.

2.14. "Development Notebook" shall mean an informational notebook for use by the Placer County Planning Department which shall include plot plans for each Lot in the Project depicting all dimensions, easements, setbacks, building coverage ratio, height limits, trees to be saved and protection requirements, grading limitations, fencing restrictions, architectural guidelines, archeological sites, and other restrictions which might affect the construction of structures on said Lot, including requirements for water-conserving drip irrigation systems and drought-tolerant plants. No building permits may be issued for the project until this manual is provided for each phase to the satisfaction of the Planning Director of Placer County.

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

2.16. "Final Public Report" shall mean the final public report issued by the California Department of Real Estate or any successor state agency pursuant to the California Subdivided Lands Act (Business & Professions Code Section 11000 et seq.) as it may be amended from time to time.

2.17. "Improvements" shall mean all structures and improvements on the Project, including, but not limited to, buildings, paving, fences, signs and landscaping.

2.18. "Lot" shall mean any parcel of land shown on the Map, and any other parcel of land designated as "Lot" in any recorded supplement to the Declaration, with the exception of the Common Area.

2.19. "Map" shall mean that subdivision map entitled "Granite Bay Hills Unit No. 1", which Map recorded December 14, 1995, in Book "T" of Maps, Page 24, of the Official Records of Placer County. Said Map is also described in Exhibit "A" of this Declaration.

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

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

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

2.23. "Project" shall mean the entire real property described in Exhibit "A" attached hereto, including all structures and improvements erected or to be erected thereon or on such additional properties which may be brought within the jurisdiction of the Association.

2.24. "Project Documents" shall mean and include this Declaration, as amended from time to time, the exhibits, if any, attached hereto, together with the other basic documents used to create and govern the Project, including the Map, Articles and Bylaws (but excluding unrecorded rules and regulations adopted by the Board or the Association).

2.25. "Property" or "Properties" shall mean the entire real property described on Exhibit "A" attached hereto, including all structures and improvements erected thereon or on such additional properties described on Exhibit "B" which may be brought within the jurisdiction of the Association.

2.26. "Quorum" shall mean a majority of those entitled to act, except in the case of a quorum necessary for the imposition of regular and special assessments set forth in Section 8.

2.27. "Separate Interest" shall mean a Lot.

2.28. "Subdivided Property" shall mean the entire real property described on Exhibit "A" attached hereto, including all structures and improvements erected thereon or on such additional properties described on Exhibit "B" which may be brought within the jurisdiction of the Association.

2.29. "Subdivider" shall mean the Declarant.

2.30. "TSM" shall mean and refer to Transportation Systems Management.

2.31. "Unit" or "Living Unit" shall mean a dwelling structure on a Lot.

SECTION 3: PROPERTY RIGHTS

3.01. Common Area. The Common Area shall be owned by the Association for the use and benefit of the Members. It shall be conveyed to the Association free of money encumbrances prior to or concurrently with the close of escrow of the sale of the first lot. The Common Area shall be maintained by the Association as provided in Section 5.01. When the Common Area is conveyed by Declarant to the Association, an easement shall be deemed automatically reserved over the Common Area in favor of Declarant for common driveway purposes, drainage and encroachment purposes and for ingress and egress from the Common Areas for the purpose of completing improvements thereon or for the performance of necessary repair work, and for entry onto adjacent Property in connection with the development of additional phases of the overall Project. Said easement shall continue for the period of time provided for annexation, plus a reasonable period of time thereafter (not to exceed an additional two years) to complete construction of said improvements. Said easement shall automatically terminate four years after the recordation of this Declaration, or the recordation of any Declaration of Annexation for a subsequent phase of the Project, whichever occurs later.

In the event that said remaining phases, or any of them, are not annexed as provided above, and the easements reserved by Declarant are terminated automatically as provided above, should any of the properties described in Exhibit "B" require access for ingress and egress over private streets located within the Project, said easements shall exist for reasonable vehicular and pedestrian traffic, provided however, that the properties (and the Owners thereof) shall be obligated to pay their equitable share of the cost of maintenance and repair of said private streets, and shall be subject to a lien or liens for said maintenance and repair costs.

3.02. Partition Prohibited. The Common Areas shall remain undivided as set forth above. Except as provided by California Civil Code Section 1359, no owner shall bring any action for partition, 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 Project. Judicial partition by sale of a single lot 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.

3.03. Annexation of Additional Property. Additional Property may be annexed to and become subject to this Declaration by any of the following methods set forth in this Section. Upon annexation, additional parcels shall become subject to this Declaration without the necessity of amending individual sections thereof.

a. Annexation Pursuant to Plan: The Property described on Exhibit "B" shall be annexed to and become part of the Project, subject to this Declaration, and subject to the jurisdiction of the Association, without the assent of the Association or its Members, or without the assent of the Owners, on condition that:

(1) Date of Annexation: Any annexation pursuant to this Section shall be made prior to the third anniversary of the issuance of the original Public Report for the immediately preceding phase. Declarant shall be under no obligation to develop or annex said additional phases and real Property and Declarant makes no representation with respect to whether or not such additional real Property will ever be developed or annexed. This Section shall not be amended without the written approval of Declarant.

(2) No Unreasonable Burden. Any annexation pursuant to this Section shall not result in an unreasonable diminution of the benefits to, or an unreasonable increase in the burdens upon, existing Owners in the Project and shall be consistent with the phasing plan presented to the California Department of Real Estate at the time of application for the original Final Public Report for the sale of Lots in the Project.

(3) Declaration of Annexation: A Declaration of Annexation shall be recorded covering the applicable portion of the Property to be annexed. Said Declaration may contain such complementary additions and modifications of the covenants and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added Property, as are consistent with the scheme of this Declaration. Said Declaration shall include designation of Lots and/or Common Areas for the purpose of this Declaration.

b. Annexation Pursuant to Approval: Upon approval in writing of the Association, pursuant to vote or written consent of 66-2/3% of the total votes residing in Members other than the Declarant, the Association and the owner of any Property who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association, may file of record a Declaration of Annexation. Said Declaration may contain such complementary additions and modifications of the covenants and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added Property, as are consistent with the scheme of this Declaration. Said Declaration shall include designation of Lots and/or Common Areas for the purpose of this Declaration.

c. Effect of Annexation: Assessments collected from Owners in the Property may be expended by the Association without regard to the particular phase from which such assessments came. All Owners shall have ingress and egress to all portions of the Common Area throughout the Property, subject to the provisions of this Declaration, the Bylaws of the Association and the Rules and Regulations of the Association in effect from time to time.

d. Quality of Construction: Future improvements to the Project will be consistent with initial improvements in terms of quality of construction.

3.04. Reserves for Rental Program in Annexed Phase. Declarant shall pay to the Association, concurrently with the closing of the escrow for the first sale of a Lot in an annexed phase, appropriate amounts for reserves for replacement or deferred maintenance of Common Area improvements in the annexed phase necessitated by or arising out of the use and occupancy of residential units under a rental program conducted by Declarant which has been in effect for a period of at least one year as of the date of closing of the escrow for the first sale of a lot in the annexed phase.

3.05. Easements. In addition to any and all other easements contained in this Declaration, the Properties shall be subject to the following easements:

a. Owners' Easements. Every Owner shall have a right and nonexclusive easement of enjoyment in and to the Common Area, including ingress and egress to and from his Lot. Each such nonexclusive easement shall be appurtenant to and shall pass with the title to the Lot, subject to the following provisions:

(1) Section 9 of this Declaration authorizes the Board to impose monetary penalties, temporary suspensions of an Owner's rights as a Member of the Association or other appropriate

discipline for failure to comply with the governing instruments provided that the established procedures are followed for notice and hearing which satisfy the minimum requirements of Corporations Code Section 7341 with respect to the accused Member before a decision to impose discipline is reached. These procedures are set out in Section 12 of the Bylaws.

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

b. Easements for Utilities and Maintenance. Easements over and under the Project for the installation, repair and maintenance of electric, telephone, water, gas and sanitary sewer lines and facilities, heating facilities, cable or master television antenna lines, drainage facilities, walkways and landscaping as shown on the recorded map of the Property, and as may be hereafter required or needed to service the Project, are hereby reserved by Declarant and its successors and assigns, including the Association, together with the right to grant and transfer the same.

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

d. Entry for Repairs. The Board may authorize its agents and employees to enter upon any Lot when necessary in connection with any maintenance, landscaping or construction for which the Association is responsible, to effect emergency repairs or to effect necessary repairs which the Lot Owner has failed to perform as required by this Declaration. Such entry shall be made with as little inconvenience to the Owner as practicable and any damage caused thereby shall be repaired by the Board at the expense of the Association. Except in case of an emergency, 24 hour advance notice shall be given to the Owner or occupant.

e. Declarant's Reservation of Easements. Declarant hereby reserves easements over the Common Area for common driveway purposes, for drainage and encroachment purposes, and for ingress and egress from the Common Areas for the purpose of completing improvements thereon or for the performance of necessary repair work. Said easement shall automatically terminate four years after the recordation of this Declaration.

3.06. Provisions Restricting Delegation of Use. Any Owner may delegate their rights of use and enjoyment of the Project, including any recreational facilities, to the Members of their family, their guests, tenants, employees, and invitees, and to such other persons as may be permitted by the Bylaws and the Association Rules, subject however, to this Declaration. However, if an Owner has sold their Lot to a contract purchaser or has leased or rented it, the Owner, Members of the

Owner's family, guests, tenants, employees, and invitees shall not be entitled to use and enjoy any of such rights in the Project, including the recreational facilities, while the Owner's Lot is sold to the contract purchaser or rented to tenants. Instead, the contract purchaser, or tenants, while occupying such Lot, shall be entitled to use and enjoy such rights, including the recreational facilities, and can delegate the rights of use and enjoyment in the same manner as if such contract purchaser or tenants were an Owner during the period of their occupancy. Each Owner shall notify the secretary of the Association of the names of any contract purchasers of such Owner's Lot or tenants of such Owner's Lot. Each Owner, contract purchaser, or tenant also shall notify the Secretary of the Association of the names of all persons to whom such Owner, contract purchaser, or tenant has delegated any rights of use and enjoyment and the relationship that each such persons bears to the Owner, contract purchaser, or tenant. Any delegated rights of use and enjoyment are subject to suspension to the same extent as are the rights of Owners. No such delegation shall relieve an Owner from liability to the Association or to other Owners for payment of assessments or performance of the covenants, conditions and restrictions contained in this Declaration. Any lease, rental agreement or contract of sale entered into between an Owner and a tenant or contract purchaser of a Lot shall require compliance by the tenant or contract purchaser with all of the covenants, conditions and restrictions contained in this Declaration, which provision shall be for the express benefit of the Association and each Owner. The Association and each Owner shall have a right to action directly against any tenant or contract purchaser of an Owner, as well as against the Owner, for nonperformance of any of the provisions of this Declaration to the same extent that such right of action exists against such Owner.

SECTION 4: USE RESTRICTIONS

4.01. Use of Lots. No Lot, or any portion thereof, shall be occupied and used except for single family residential purposes by the Owners, their contract purchasers, lessees, tenants, or social guests. No trade or business or commercial activity shall be carried on or conducted upon any Lot, except that Declarant, its successors or assigns, may use any Lot in the Project owned by Declarant for a model home site and display and sales office during construction and until the last Lot is sold by Declarant, or until 3 years from the date of closing of the first sale of a Lot in the Project, whichever occurs first. The provisions of this section shall not prohibit home occupations so long as they are merely incidental to the use of the Lot as a dwelling, are permitted by local law, are conducted in such a manner as to not adversely affect other owner's use and enjoyment of the Project, and have received prior written approval of the Board.

4.02. Garages. Each Owner shall keep his garage area in a neat and orderly condition with any storage areas completely enclosed. Garage doors shall be kept closed when not in use. With the exception of Lot Owners with joint access driveways, each Owner shall be entitled to the exclusive use of the driveway serving his garage. All Owners shall keep said driveways clean and free to debris.

4.03. Parking. Unless otherwise permitted by the Board, no motor vehicles shall be parked or left on any other portion of the Project other than within a Lot's driveway, garage, designated Common Area parking place or other portion of the Project specifically designated for parking.

4.04. Vehicle Restrictions. No trailer, camper, recreational vehicle, motor home, commercial vehicle, camper, truck (other than a standard size pickup truck), inoperable automobile, or similar equipment shall be permitted within the Property, except to the side or rear of a residence and completely screened from street view. Commercial vehicles shall not include sedans or standard size pickup trucks which are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board. Boats shall not be allowed on the Property except within an Owner's enclosed garage. No noisy or smokey vehicles shall be operated on the Property. No off-road unlicensed motor vehicles shall be operated upon the Property.

4.05. Signs. No sign of any kind shall be displayed to the public view on or from any Lot or any portion of the Project without the approval of the Association, except as follows:

a. One sign of customary and reasonable dimensions advertising a Lot for sale, lease, rent or exchange displayed from a Lot; and

b. Such signs as may be used by Declarant or its assignees in connection with the development of the Project and sale of Lots; and

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

4.06. Animals. No animals, reptiles, rodents, birds, fish, livestock, or poultry shall be raised, bred, or kept on any Lot or portion of the Project; except that no more than two usual and ordinary household pets such as dogs, cats, fish or birds may be kept, provided that they are not kept, bred, or maintained for any commercial purposes, and they are kept under reasonable control at all times. This provision shall not apply to aquarium type fish. Notwithstanding the foregoing, no pets

may be kept on the Project which result in an annoyance or nuisance to other Owners. No pets shall be allowed on the Common Area except as may be permitted by rules of the Board. No dog shall enter the Common Area except while on a leash which is held by a person capable of controlling it. Owners shall prevent their pets from soiling any portions of the Common Area. The Association can prohibit the keeping of any animal that in the sole and exclusive opinion of the Board constitutes a nuisance to any other owner.

4.07. Trash; Storage of Materials. All Lots in the project shall contract for weekly solid waste collection by a refuse collection franchise holder. The Association shall contract for such weekly solid waste collection with respect to non-residential structures located in the project, if any. All garbage and trash shall be regularly removed from the Project, and shall not be allowed to accumulate thereon. It shall be placed and kept in covered sanitary containers where it is not visible from any neighboring lot except for a reasonable time prior to or after collection. All woodpiles or storage piles shall be kept screened and concealed from view of other Lots, streets and Common Areas. Garbage and trash shall be placed for pick up as required by the disposal service and any rules adopted by the Association.

4.08. Antennae; Roof Projections. Except for any antennae, chimneys, vent stacks or other items or equipment upon or projecting from the roof which are installed by Declarant as part of the initial improvements, no such item or equipment shall be erected or maintained upon the outside of any building on the properties unless the same has been approved by the Board. No alteration to or modification of a central television antenna system or cable television system, whichever is applicable, as developed by Declarant and as maintained by the Association, shall be permitted, without the written consent of the Board.

4.09. Right to Lease. No Owner shall be permitted to lease or rent his Lot for transient or hotel purposes, which shall include, but not be limited to rental for any period less than 30 days. All leases must be in writing and be expressly subject to the Project Documents and the breach of any provision shall be a default under the Lease or Rental Agreement. Subject to the foregoing restrictions, the Owners of Lots shall have the right to lease the same, provided that the Board is notified of the name of the tenant and the duration of the lease. The Owner shall provide the Lessee with a copy of the Articles, Bylaws, Declaration and any Rules and Regulations of the Association.

4.10. Architectural Approval. An Architectural Control Committee ("Committee") shall be formed and shall consist of five Members. Declarant may appoint all of the original Members of the Committee and all replacements until the first anniversary of the issuance of the original Public Report for the first (or only) phase of the Project. The Declarant reserves to itself the power to appoint a majority of the Members of the Committee until 90% of all the Lots in the Project (including subsequent phases) have been sold or until the fifth anniversary of the original issuance of the Final Public Report for the first (or only) phase of the Project, whichever occurs first.

After one year from the date of the issuance of the original Public Report for the first (or only) phase, the Board shall have the power to appoint one Member to the Committee until 90% of all the Lots in the overall Project have been sold or until the fifth anniversary date of the original issuance of the Final Public Report for the first (or only) phase of the Project, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the Members of the Committee. Members appointed to the Committee by the Board shall be from the membership of each phase of the Project. Members appointed to the Committee by the Declarant need not be Members of the Association. In the event of death or resignation of any Member of the

Committee, the successor shall be appointed by the person, entity or group which appointed such Member until Declarant no longer has the right to appoint any Members to the Committee, and thereafter the Board shall have the full authority to designate such a successor. The Members of the Committee shall not be entitled to any compensation for services performed pursuant hereto.

No building, fence, wall, obstruction, screen, awning, or structure of any kind shall be commenced, erected or maintained upon the Project, nor shall any alteration or improvement of any kind be made thereto until the same has been approved in writing by the Committee. Plan and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the Committee for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topography, and finish grade elevation.

No landscaping on a Lot visible from the street or from the Common Area shall be undertaken by any Owner until plans and specifications showing the nature, kind, shape and location of the materials have been submitted to and approved in writing by the Committee.

Failure of the Committee to act within 30 days after the plans have been submitted to it shall constitute approval. Actions of the Committee may be appealed to the Board.

In the event of the failure of any individual lot owner to comply with a written directive or order from the Committee, then in such event the Board shall have the right and authority to perform the subject matter of such directive or order and the cost of such performance shall be charged to the owner of the lot in question and may be recovered by the Board in an action of law against such individual lot owner.

4.11. Notices to Owners. As required by the County, the following notifications are hereby given:

(a) Owners must submit all building plans to the Homeowners' Association Architectural Review Committee prior to submittal to Placer County for building permits. Building plans shall comply with the architectural guidelines provided in the development notebook.

(b) An annual monitoring report is required for a period of five (5) years for the protection of wetlands, trees, and other native vegetation to be replaced within the project area. Any required corrective action will be the responsibility of the Association.

(c) No Owner shall remove or alter the permanent protective split-rail fencing located on Lots B and C; nor fencing located along WP/DE's on residential Lots. Maintenance of the fencing shall be by the Association.

(d) Grading permits are required on Lots 14, 15, 17, 18, 19, 25, 26, 30, and 31 prior to the start of any construction or the issuance of building permits. No concrete slab foundations are permitted on these specific Lots except for garages and basements. Temporary protective fencing a minimum 5' high, with warning signs shall be installed around all driplines of trees, and/or other protected areas identified to be saved. Such fencing shall be in place prior to, and during any on-site construction activities.

(e) Owners of residential lots that are located adjacent to affected common area lots, are hereby notified regarding the provision of an access easement to the Association for maintaining fencing around the perimeter of Lots B and C and along WP/DE's on residential lots. A minimum 24 hour notification to affected Owners shall be provided prior to any work by the Association.

(f) Minimum setbacks for all structures including accessory structures (ie. pools, spas, etc.) shall be as follows, unless a greater setback is indicated within the Development Notebook as described in Section 2 herein: a) front - 25'; b) rear - 20'; c) side - 10'. Garages, carports, and parking areas shall have a minimum 40' setback unless adequate parking area on-site (minimum 4 spaces) can be demonstrated to the satisfaction of the Design Review Committee of Placer County (DRC), in which case the minimum setbacks defined above shall apply.

(g) The County has a listing of drought-tolerant plant materials and information regarding irrigation systems designed to conserve water.

(h) Construction noise emanating from any construction activities for which a Building Permit is required is prohibited on Sundays and Federal Holidays, and shall only occur:

(1) Monday through Friday, 6:00 a.m. to 8:00 p.m.:

(2) Saturdays, 8:00 a.m. to 6:00 p.m.

ADVISORY COMMENT: Essentially, quiet activities which do not involve heavy equipment or machinery may occur at other times. Work occurring within an enclosed building such as a house under construction with the roof and siding on, can occur at other times as well.

The Planning Director is authorized to waive the time frames based on special circumstances, such as adverse weather conditions.

(i) All trees identified to be saved that are located within 50' of any construction activity must be fenced at their driplines. Fencing shall consist of 4' high, brightly-colored, synthetic mesh material, or equivalent acceptable to the DRC, and 1' x 2' sign attached to the fence stating "This tree to be saved." No development on the site, including grading, will be allowed until this condition is satisfied. Any encroachment into the driplines of trees to be saved must first be approved by the DRC. A provision for the enforcement of this restriction by the Association shall be provided.

(j) Any outdoor lighting shall be shielded such that direct rays from the lamp are directed downward and do not cross property lines.

(k) Any night lighting within any Common Area Lot is prohibited.

(l) No owner shall place any fill materials, lawn clippings, oil, chemicals, or trash of any kind within any Common Area Lot nor WP/DE areas, nor shall any grading, vegetation removal or alteration be permitted within these areas nor fencing or domestic landscaping except as approved herein. Trimming or other maintenance activities is allowed only for the benefit of fish, wildlife, and water quality resources and for the elimination of diseased growth, or thinning as necessary for the maintenance of the natural vegetation, and only with the written consent of DRC. and is enforceable by the Association.

(m) Maintenance of the common driveway serving Lots 53 & 56 shall be solely by the Owners of those Lots, and not by the Association.

(n) Maintenance of on-lot drainage channel(s) by each Owner, as appropriate, to reduce potential or actual mosquito breeding habitat.

(o) Back flow prevention devices shall be provided on domestic water service lines as required by the water supplying entity.

(p) Lot Owners are notified of the presence of a Equestrian and Pedestrian Easement appertinant to Lot B, Lots 3 through 10, inclusive, and Lots 12 and 13, with interim maintenance by the Association and future maintenance by a County CSA District. No structures, trash, or other obstructions of any kind is permitted within said easement.

(q) The use of pervious surfaces for driveways and parking areas, in lieu of traditional asphalt and concrete, is encouraged.

(r) There are annual drainage fee assessments pursuant to the "Dry Creek Watershed Interim Drainage Improvement Ordinance", including any revisions thereof.

(s) All building plans shall be submitted to the Association's Architectural Review Committee prior to submittal to Placer County for building permits. Building plans shall comply with the architectural guidelines provided in the Development Notebook.

(t) The Association designate a Trip Coordinator to be responsible for implementation of TSM and rideshare programs within the Project. In Addition, to function as the principal contact within the development, this person will be responsible for working with Trip Coordinators of neighboring developments. The Trip Coordinator shall distribute such educational materials made available by Placer County relating to ridesharing, vanpooling, and available mass transit.

(u) Wetlands Preservation/Drainage Easements (WP/DE) depicted on the Tentative Map shall be dedicated to the Association, with an irrevocable offer of dedication to Placer County.

(v) If a required soils report indicates the presence of critically expansive or other soils problems which, if not corrected, would lead to structural defects, additional investigations, prior to issuance of Building Permits, may be required.

(w) Owners shall conform to all Placer County Air Pollution Control District rules and regulations.

(x) All woodburning devices shall be EPA-certified devices. Educational materials regarding wood burning for residential heating, made available by the Placer County Air Pollution Control District will be provided to original Lot Owners by the Declarant. Subsequent Lot Owners may acquire such materials directly from the District.

4.12. Window Coverings. Windows shall be covered by drapes, shades or shutters and shall not be painted or covered by foil, cardboard or similar materials. All window coverings visible from the Common Area shall be of a material, design and color which, in the opinion of the Board, is compatible with the exterior design and coloration of adjacent portions of the Project.

4.13. Clotheslines. No exterior clotheslines or other outside clothes drying or airing facility shall be erected or maintained on the properties in any location where the same would be visible from any street or neighboring lot. Further, no clothes washers, clothes dryers, refrigerators or freezers may be kept, stored or operated on any balcony, patio, porch or other exterior area.

4.14. Power Equipment and Car Maintenance. No power equipment, work shops or car maintenance of any nature shall be permitted on the Project without the prior written approval of the Board. In deciding to grant approval, the Board shall consider the effects of noise, air pollution, dirt or grease, fire hazard, interference with radio or television reception and similar objections.

4.15. Drainage. No Owner shall do any act or construct any improvement which would interfere with the natural or established drainage systems or patterns within the Project without the approval of the Board.

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

4.17. Recreational Facilities.

a. Every Member of the Association shall have a right to use the recreational facilities situated on the Common Area, subject to the following provisions:

(1) The right of the Association to charge reasonable fees for the use of any recreational facility by non-members; and

(2) The right of the Association to deny use after hearing for infringement of rules and nonpayment of dues.

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

4.18. Nuisances. No noxious, illegal, or seriously offensive activities shall be carried on within any Lot, or in any part of the Project, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each Owner's Lot or Common Area, or which shall in any way increase the rate of insurance for the Project or for any other Lot, or cause any insurance policy to be cancelled or to cause a refusal to renew the same, or which will impair the structural integrity of any building.

4.19. Re-subdividing Prohibited. No Lots in this project shall be further divided for any purpose including but not limited to gift, sale, lease, or finance.

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

SECTION 5: MAINTENANCE OBLIGATIONS

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

a. Common Area Improvements. The Association shall maintain or provide for the maintenance of all Common Area Lots and improvements, including but not limited to, all recreational facilities, private streets, emergency access road, street lighting, landscaping, storm drainage, stormwater enhancement facilities, wetlands/tree compensation plantings, the perimeter of Common Area Lots, fencing along all Wp/DE on residential Lots, and fencing along the equestrian trail along the south Project boundary, utility buildings and utility laterals located within the Common Area. The Association shall have the right to remove any unauthorized debris.

Location, design, and improvements of the Common Area facilities shall be subject to the review and approval of the DRC and Division of Parks. The DRC shall consider locating the lot lot further away from the entrance to the road to the extent possible.

The purpose of said Common Area Lots as shown on the Map is to: 1) provide native appearing, drought tolerant, landscape screening; (Lots A and D) 2) protect on-site wetland habitats; (Lots A, B, C) 3) preserve the Linda Creek stream corridor; (Lots B & C) and 4) provide for project recreation facilities (Lot A). There shall be a prohibition against any disturbances within any Common Area Lot (excepting for the existing sewer line maintenance easement and lift station, proposed creek crossing/bridge, and any entry features, open field fencing and pedestrian trails, approved by DRC), including placement of fill materials, lawn clippings, trash, oil, chemicals, nor any grading or clearing activities, animal grazing, vegetation removal, domestic landscaping, or fencing as authorized herein. Trimming or other maintenance activities are allowed only for the benefit of fish, wildlife, and water quality resources, and for the elimination of diseased growth, or thinning as necessary for the maintenance of the natural vegetation, and only with the written consent of the Placer County DRC.

In addition, no night lighting is permitted within any Common Area Lot. Solid fencing is not allowed within Lots A & D along Barton Road frontages. Open fencing (max 6' height) is permitted at a minimum 55' setback from the centerline of ultimate right-of-way.

The Association shall be responsible for the maintenance of landscaping and irrigation systems within all Common Area Lots and within any public road rights-of-way located adjacent to the project. An encroachment permit shall be obtained from the Department of Public Works prior to the installation of any landscaping within the public right-of-way for each phase.

A Master Tree Replacement Plan, prepared by an ISA certified arborist, shall be submitted in conjunction with the Project's improvement plans for each phase, for review and approval by the DRC.

An annual monitoring report for a minimum period of five years from the date of installation, prepared by an ISA certified arborist, shall be submitted to the DRC for review and approval. Any corrective action shall be the responsibility of the Association.

A Mitigation Monitoring Program (MMP) for the replacement of wetlands vegetation which resembles the density and species composition of the Linda Creek Corridor (Lots B and C).

shall be prepared by a qualified wetlands biologist. Said MMP shall be submitted in conjunction with the Project's improvement plans for each phase. Project construction and project monitoring shall comply with the criteria defined in the Addendum EIR's Mitigation Monitoring Plan, and the requirements of the Department of Fish and Game.

An annual monitoring report for a minimum period of five years from the date of installation and prepared by a qualified wetlands biologist, shall be submitted to the DRC and Department of Fish and Game for their respective review and approval. Any corrective action shall be the responsibility of the Association.

Equestrian/pedestrian trails shall be provided in conjunction with Phase I of the Project as follows: Maintenance of the trails shall be by the Association until accepted by the County through the CSA.

A. A 14' wide public equestrian/pedestrian trail easement along the southerly project boundary over the existing waterline easement and within Lot D adjacent to Barton Road right-of-way, with crossing at Oak Hills Drive all as approved by DRC and Division of Parks.

Fencing (non-solid) shall be installed along the northerly easement line to the satisfaction of the DRC and Division of Parks. Landscaping with drip irrigation system shall be installed adjacent to existing residential structures located in Sacramento County to provide for effective privacy screening to the satisfaction of DRC and Division of Parks. Said fencing and landscaping shall be maintained by the CSA referenced in Subsection 5.03.

B. Improvements within the existing 20' County easement located across from the project site along the east side of Barton Road. The trail shall extend across the site's frontage along Barton Road from the Sacramento County line to connect to the existing Wedgewood trail to the north. Improvements shall include no more than 20' of rough grading with a width varying from 6' to 10' of decomposed granite, and any necessary drainage provisions as required and approved by the DRC and Division of Parks.

b. Mosquito Abatement. The Association shall provide mosquito abatement using biota-oriented management techniques for any on-site drainage channels and easements.

If any of the maintenance or repair work referred to above is necessitated by the willful or negligent acts of the Owner, his family, guests or invitees, the costs of such special restoration or repairs shall be chargeable to the Owner as provided in Section 8.

5.02. Owners' Maintenance Obligations. Each Owner shall be responsible for maintaining in good condition and repair his Unit and Lot, including all improvements and landscaping thereon. Owners with joint driveways shall contribute equally to the costs of repairing and maintaining the driveway, in a good, safe and usable conditions, in good repair, and in compliance with all applicable state, county and local ordinances. Notwithstanding the preceding sentence, any repair or maintenance work which is required as a result of the willful or negligent act of any Owner, or its family, contract purchasers, lessees, or tenants, or their licensees, guests, or invitees shall be the responsibility of the Owner to whom the willful or negligent act is attributed. Neither Owner shall perform any maintenance or repair work in or upon the joint driveway area without first obtaining the written consent of the other Owner. Such consent shall not be unreasonably withheld. If a dispute should arise between the Owners with respect to the necessity for or standard of maintenance of the driveway, the contractors to be engaged to perform any repair or maintenance

work, or any other matters pertaining to the use or maintenance of the joint driveway, the dispute shall be submitted to the Board of the Association for arbitration and the decision of the Board shall be final. If any Owner refuses to comply with the decision of the Board, the other Owner may proceed to enforce the decision in accordance with Section 845 of the California Civil Code.

If an Owner fails to maintain his Lot as provided herein in a manner which the Board reasonably deems necessary to preserve the safety, appearance and/or value of the Project, the Board may notify the Owner of the work required and request that it be done within a reasonable and specific period. If the Owner fails to perform such maintenance and/or repairs within said period, the Board shall, subject to the notice and hearing requirements set forth in the Bylaws, have the right to enter upon the Lot to cause such maintenance and/or repair work to be performed. Cost of any such repair or maintenance shall be charged to the Owner through an Individual Charge as provided in Section 8 hereof.

Notwithstanding the foregoing, in the event of an emergency arising out of the failure of an Owner to maintain his Lot, the Board shall have the right, through its agents and employees, to immediately enter the Lot to abate the emergency and individually charge the cost thereof to such Owner.

5.03. County Service Area Zone of Benefit (CSA). Each Owner in accepting title to his Lot acknowledges and consents to those rights and obligations created by the prior formation of the Placer County Service Area (CSA). The CSA will be established concurrent with and on the Final Maps but shall remain dormant with respect to items A & B below until such time as facilities are accepted by the County for maintenance and/or maintenance programs are implemented. In the event that the CSA is abolished by the County Board of Supervisors or the CSA is other wise not able to function, the Association shall be responsible for all services previously provided by the CSA. The CSA shall provide the following services:

A. Public equestrian trail maintenance (on-site and off-site).

B. The collection of fees for maintenance of public recreational facilities within the Granite Bay area.

C. Collection of fees for regional storm drainage maintenance facilities and pursuant to the "Dry Creek Watershed Interim Drainage Improvement Ordinance", including any future revisions thereof.

Each Lot is and shall be subject to CSA assessments and charges for the purpose of providing the necessary funds to accomplish the purpose(s) of the CSA. Owners delinquent in the payment of such assessment(s) and charge(s) may be subject to penalties and surcharges validly imposed by the CSA.

a. CSA Advisory Board.

(1). Purpose of CSA Advisory Board. There shall be a CSA Advisory Board which shall be composed of three Lot Owners. The purpose of the CSA Advisory Board shall be to facilitate liaison with the Board of Directors of the CSA on matters related to the duties of that public organization, and to disseminate information on such matters to Owners. Nothing herein shall be interpreted in any way to restrict or limit the rights of any Owner with respect to road related matters.

(2) Election of CSA Advisory Board. For the purpose of electing the CSA Advisory Board, the Declarant, or its successors or assigns, shall schedule the first election of the CSA Advisory Board at a convenient location within the Project or as close thereto as possible, but in any event within the County. Said election shall be held within 45 days after the closing of the sale of the project interest which represents the fifty-first (51st) percentile interest authorized for sale under the first Public Report for the Project, but in no event later than six months after the close of escrow on the sale of the first Lot in the Project.

Voting for the CSA Advisory Board shall be by secret written ballot. Cumulative voting in the election of CSA Advisory Board members shall be prescribed for all elections in which more than two positions on the CSA Advisory Board are to be filled.

From the first election of the CSA Advisory Board and thereafter for so long as a majority of the voting power of the Association resides in the Declarant, not less than one-third (1/3) of the incumbents on the CSA Advisory Board shall be elected solely by the votes of Owners other than the Declarant, in accordance with the following procedure: The collected ballots shall be segregated between ballots cast by Declarant, and ballots cast by other Owners. The ballots received from other Owners shall be counted first, and the person receiving the greatest number of votes from such Owners shall be elected to the CSA Advisory Board.

The votes of the Declarant shall then be added to the totals and the persons receiving the two highest number of votes (other than the person already elected) shall be elected to the remaining positions on the CSA Advisory Board.

A CSA Advisory Board member who has been elected to office solely by the votes of Owners other than the Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Owners other than the Declarant.

(3) Quorum. The presence either in person or by proxy, at said election, of Owners entitled to cast at least a majority of the votes of Owners, shall constitute a quorum for the purpose of electing members of CSA Advisory Board. The Owners present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

(4) Vacancies by Death, Resignation or Removal. In the event of the death or resignation of a member of the CSA Advisory Board, a successor director shall be selected by a majority of the remaining members of the CSA Advisory Board or by a sole remaining director, and shall serve for the unexpired term of his predecessor; provided that the successor of a director who was elected by Lot Owners other than the Declarant shall be elected by a vote of Owners other than the Declarant. In the event of the removal of a director, a successor director shall be elected as prescribed in Section 5.01a(2).

(5) Adjourned Meetings. If a quorum shall not be present or represented at any meeting, a majority of the Owners entitled to vote thereat may, unless otherwise provided by law, adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the original meeting date, at which meeting the quorum requirements shall be at least 33-1/3% of the

total voting power of the Owners. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to the Owners as set forth in the Section below entitled "Notices".

(6) Proxies. At all meetings of Owners, each Owner may vote in person or by proxy. All proxies shall be in writing and filed with the CSA Advisory Board before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Owner of his Lot, or upon receipt of notice by the CSA Advisory Board of the death or judicially declared incompetence of such member prior to the counting of the vote. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three years from the date of execution.

Any form of proxy or written ballot distributed by any person to the Owners shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the CSA Advisory Board be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Owner specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

b. Termination of CSA. In the event the CSA is terminated by any means, the Advisory Board shall schedule a meeting of all Owners for the purpose of having the Association assume the duties and responsibilities of the CSA as is required by the County of Placer, and that, upon termination of the CSA, the Association and all of the Owners of Lots subject to this Declaration agree that the Association will assume the duties and responsibilities of the CSA. They may not reject the assumption of the duties of the CSA. The meeting shall be for the purpose of determining the nature of needed repair, maintenance, work, etc., methods of contracting for said work and to provide for the collection of funds from the Owners for the purpose of defraying the cost of said maintenance or work. Thereafter, regularly scheduled meetings shall be conducted at not less than twelve (12) month intervals, or more frequently if required by the Bylaws. A determination shall be approved by a majority of Owners present of the nature of existing or projected required maintenance. The method whereby such maintenance or work may be procured from a duly licensed General Contractor, and the amount, time and manner of collecting funds to defray the cost of such maintenance or work shall be binding upon all Owners.

c. Notices. All meeting notices required pursuant to this Article must be in writing and delivered to each Owner not less than twenty days before the meeting date. Delivery of all notices shall be made by depositing said notice at the location each Owner receives mail from the U.S. Postal Service within the Subdivision.

d. Nonliability of Advisory Board Members. Nothing herein shall be interpreted to create liability on the part of said Advisory Board Members to other Owners for any misconduct related to the performance of their duties on said Advisory Board.

e. Enforcement. In addition to other rights and remedies arising from this Declaration and provided for elsewhere herein, and without limiting the same, any Owner or the County of Placer may commence an action in court of competent jurisdiction to specifically enforce the affirmative obligations created by this Section, seek monetary damages for a violation hereof and/or to secure restitution. In the event the Owners are unable or unwilling to perform their obligations

06/09/95

pursuant to this Section, and in the sole discretion of the County of Placer, if said County determines that immediate road repairs and maintenance are necessary to render subdivision roads in a safe and passable condition, said County may undertake said work and exercise its remedies hereunder upon giving ten (10) days written notice thereof to Owners, except in the case of an emergency, in which event said notice shall not be necessary.

f. Association Maintenance Obligations. The Association shall have no maintenance responsibilities as to the Common Maintenance Area(s) until such time as the County Service Area ("CSA"), as such CSA is described in Sections 2.11 and 5.03 of this Declaration, is legally terminated. At such time as the CSA is terminated, the Association shall accept the responsibilities of and assume the duties previously performed by the CSA which are more particularly described above. If any of the maintenance or repair work referred to above is necessitated by the willful or negligent acts of the Owner, his family, guests or invitees, the costs of such special restoration or repairs shall be chargeable to the Owner as provided in Section 8.

SECTION 6: ASSOCIATION ADMINISTRATION, MEMBERSHIP AND VOTING

6.01. Association to Manage Project. The management of the Project shall be vested in the Association in accordance with the Project Documents, and all applicable laws, regulations and ordinances of any governmental or quasi-governmental body or agency having jurisdiction over the Project.

6.02. Membership. Each Owner shall be a Member of the Association, and shall remain a Member thereof until such time as ownership ceases for any reason, at which time such membership in the Association shall automatically cease.

6.03. Transferred Membership. Membership in the Association shall not be transferred, pledged, or alienated in any way, except upon the sale or encumbrance of the Lot to which it is appurtenant, and then only to the purchaser, in the case of a sale, or Mortgagee, in the case of an encumbrance of such Lot. A Mortgagee does not have membership rights until it becomes an Owner by foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer is void. Any person or entity acquiring fee title or equitable title to a Lot, whether by reason of a deed from the Owner or through a foreclosure, shall within 15 days of acquiring such title inform the Association in writing of the date such title transferred and the name or names in which title is held.

6.04. Classes of Membership and Voting. The Association shall have two classes of voting Members:

Class A. Class A Members shall be all Owners except Declarant and shall be entitled to one vote for each Lot owned. When more than one person or entity owns a Lot, all such persons and entities shall be Members and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Declarant, who shall be entitled to three votes for each Lot owned.

6.05. Termination of Class B Membership. The Class B membership shall be irreversibly converted to Class A membership on the occurrence of whichever of the following is first in time:

(a) Not later than the second anniversary of the first conveyance of a Lot in the most recently annexed phase of the Project pursuant to a Final Public Report; or

(b) Not later than the fourth anniversary of the first conveyance of a Lot in the first phase of the Project pursuant to a Final Public Report.

6.06. Approval of Members Other Than Declarant. With the exception of actions authorized for the Enforcement of Bonded Obligations, no action which requires the approval of a prescribed majority of the voting power of Members of the Association other than the Declarant shall preclude the Declarant from casting votes attributable to subdivision interests which he owns.

Where a two class voting structure is still in effect, any action requiring the approval by the vote or written assent of a prescribed majority of the Class A voting power shall also require the vote or written assent of a bare majority of the Class B voting power.

Where a single class voting structure exists, after the conversion of Class B to Class A membership, approval of any action by the vote or written assent of a prescribed majority of the

total voting power of Owners other than the Declarant shall also require the approval by vote or written assent of a bare majority of the total voting power of the Association.

6.07. Inspection of Books. All Members shall have reasonable access to inspect the books, records and financial statements of the Association, including annual audited financial statements when such are prepared, pursuant to this Declaration and subject to the same.

6.08. Commencement of Voting Rights. Voting rights attributable to Lots shall not vest until assessments against those Lots have been levied by the Association.

6.09. Co-Owner Votes. The vote for each Lot may not be cast on a fractional basis. If the Co-Owners of a Lot are unable to agree among themselves as to how their vote shall be cast, they shall forfeit the vote on the matter in question. If only one Owner exercises the vote of a particular Lot, it shall be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot. If more than one Co-Owner exercises the vote for a particular Lot, their votes shall not be counted and shall be deemed void.

6.10. Membership Meetings. Regular and special meetings of Members and of the Board shall be held with the frequency at the time and place and in accordance with the provisions of the Bylaws.

6.11. Notice and Place of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least 10 days but not more than 90 days before such meeting to each first mortgagee requesting notice and to each Member, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Meetings shall be held within the Project or at a meeting place as close thereto as possible.

6.12. Board of Directors. The affairs of the Association shall be managed by a Board of Directors, which shall be established, and which shall conduct regular and special meetings according to the provisions of the Bylaws.

SECTION 7: POWERS, DUTIES AND LIMITATIONS OF THE ASSOCIATION

7.01. Powers and Duties of Association. In addition to the powers and duties enumerated in its Articles and Bylaws or elsewhere provided for herein, and without limiting the generality thereof, the Association shall have the following powers and duties:

a. Delegation of Powers. To delegate all powers to committees, officers or employees of the Association as expressly authorized by the Project Documents.

b. Management Agent. To employ a management agent and to contract with independent contractors to perform all or any part of the duties and responsibilities of the Association, provided that any contract with a firm or person appointed as a managing agent or any other contract providing for services of the developer, sponsor or builder shall not exceed a 1 year term renewable by the parties for successive one year periods and shall provide for the right of the Association to terminate the same at the first annual meeting of the Members of the Association, to terminate the same for cause on 30 days written notice, and either party may terminate without cause and without payment of a termination fee on 60 days written notice.

c. Maintenance. To maintain the Project as required by the provisions of this Declaration.

d. Supervision. To supervise all officers, agents and employees of the Association and see that their duties are properly performed.

e. Assessments, Liens, and Fines. To levy and collect assessments and as provided in the Project Documents, impose fines or take disciplinary action against Owner for failure to pay assessments or for violation of any provision of the Project Documents. Penalties may include, but are not limited to: fines, temporary suspension of voting rights, rights to use of the facilities on the Common Area, or other appropriate discipline for failure to comply with the governing instruments, provided that the accused Member is given notice and the opportunity to be heard by the Board with respect to the alleged violations before a decision to impose discipline is reached. Such notice and hearing procedures shall satisfy the minimum requirements of Corporations Code Section 7341, which are set forth in Section 12 of the Bylaws.

f. Enforcement of Project Documents. To enforce applicable provisions of the Project Documents for the ownership, management and control of the Project.

g. Adoption of Rules. To adopt, amend and repeal reasonable rules consistent with this Declaration relating to the use of the Common Area and all facilities thereon, and the conduct of Owners and their tenants and guests with respect to the Project and other Owners. A copy of the Association Rules as adopted, amended or repealed shall be mailed or otherwise delivered to each Owner and a copy shall be posted in a conspicuous place within the Common Area.

h. Records. Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by 5% or more of the total voting power of the Association; keep adequate and correct books and records of account, minutes of proceedings of its Members, Board and committees, and a record of its Members giving their names and addresses and classes of membership.

i. Water and Other Utilities. To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other utility services as

necessary for the Common Area.

j. Granting of Easements. To grant easements where necessary for utilities and sewer facilities over the Common Area to serve the Common Area and the Lots.

k. Exercise of Easements. To exercise all easement rights as granted to it in this Declaration for the purpose of performing the maintenance authorized herein or for any other purpose reasonably related to the performance by the Association or the Board of their responsibilities, the Association's agents or employees.

l. Contracts. To contract for goods and/or services for the Common Area facilities and interests or for the Association, subject to limitations elsewhere set forth in the Project Documents.

m. Limit Number of Guests. To limit the number of an Owner's guests who may use any facilities on the Common Area.

n. Title to Common Area. To accept title to the Common Area conveyed to it by Declarant.

o. Acquisition of Property. To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association.

p. Budgets. To prepare budgets and financial statements for the Association as prescribed in this Declaration.

q. Legal and Accounting. To obtain and pay the cost of legal, accounting and other professional services necessary or proper for the maintenance and operation of the Project and the enforcement of the Project Documents.

r. Emergency Repair. To enter upon any privately owned Lot as necessary in connection with construction, maintenance or emergency repair for the benefit of the Common Area or the Owners in common.

s. Election of the Board of Directors. To elect the Members of the Board.

t. Filling Vacancies. To fill vacancies on the Board created by the removal of a Board Member.

7.02. Property Taxes and Assessments. Each Owner shall be obligated to pay any taxes or assessments levied by the County Assessor against his Lot and personal property. To the extent not assessed to or paid directly by the Owners, the Association shall pay all real and personal property taxes and assessments levied upon any portion of the Common Area or other Property owned by the Association.

The Association shall prepare and file annual tax returns with the federal government and the State of California and make such elections as may be necessary to reduce or eliminate the tax liability of the Association.

7.03. Insurance. The Association shall maintain casualty, liability and other insurance on behalf of the Association as required by the provisions of this Declaration.

7.04. Discharge of Liens. The Association shall discharge by payment, if necessary, any lien against the Common Area, and assess the cost thereof to the Owners responsible for the existence of said lien.

7.05. Payment of Expenses. The Association shall pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes or governmental charges levied or imposed against the Property of the Association.

7.06. Prohibited Acts. The Association, through its Board, shall be prohibited from taking any of the following actions, except with the vote or written assent, by vote at a meeting of the Association or by written ballot without a meeting pursuant to Corporations Code Section 7513, of a simple majority of the voting power of the Association residing in Members other than the Declarant, constituting a quorum consisting of more than fifty (50) percent of the voting power of the Association residing in Members other than the Declarant:

a. Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one year with the following exceptions:

(i) A management contract, the terms of which have been approved in writing by the Federal Housing Administration or the Veterans Affairs.

(ii) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(iii) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits short rate cancellation by the insured.

(iv) Lease agreements for laundry room fixtures and equipment of not to exceed five years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of 10% or more.

(v) Agreements for cable television services and equipment or satellite dish telephone services and equipment of not to exceed five years duration provided that the supplier is not an entity in which the subdivider has a direct or indirect ownership interest of 10% or more.

(vi) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five years duration provided that the supplier or suppliers are not entities in which the subdivider has a direct or indirect ownership interest of 10% or more.

(vii) A contract for a term not to exceed three years that is terminable by the Association after no longer than one year without cause, penalty or other obligation upon ninety (90) days written notice of termination to the other party.

b. Incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of 5% of the budgeted gross expenses of the Association for that fiscal year;

c. Selling during any fiscal year Property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Association for that fiscal year;

d. Paying compensation to Members of the Board or to officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a Member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

e. Filling of a vacancy on the Board created by the removal of a Director.

7.07. Action Requiring Consent. The Board shall take the following actions only upon obtaining consents of Members as follows:

(1) The Consent of three-fourths of the voting power of the Association residing in Members other than the Declarant so long as the Declarant holds or directly controls at least 25% of the voting power of the Association, and after the Declarant no longer controls 25% or more, the consent of two-thirds of the voting power of all Members shall be necessary to do the following:

(i) Borrow money, and only with the assent (by vote or written consent) of three-fourths (3/4) of Members, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(ii) Dedicate, sell or transfer all of or any part of any interest it may have in the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members; provided that no such dedication or transfer shall be effective unless an instrument has been signed by two-thirds of the Members agreeing to such dedication, sale or transfer, and any sale of all or substantially all of the corporation's assets-- must be in compliance with Section 7.07(2)(i) below.

(iii) Participate in mergers and consolidations with other nonprofit corporations organized for the same purpose or annex additional residential Property, provided that any merger, consolidation or such annexation shall have the assent by vote of three-fourths (3/4) of Members or by the written consent of such Members, excluding Declarant.

(2) The consent of 100% of the Members shall be required so long as there is any lot, parcel, area, apartment or unit for which the Association is obligated to provide management, maintenance, preservation or control for the Association to do the following:

(i) Transfer all or substantially all of its assets; or

(ii) File a certificate of dissolution.

7.08. Alternative Dispute Resolution. In any dispute in which the Association is a party, the Association may perform any act reasonably necessary to resolve any such civil claim or action through alternative dispute resolution proceedings such as mediation, binding arbitration, or non-binding arbitration proceedings. The Association may perform the following acts:

(a) Providing, or in good faith attempting to provide, one hundred twenty (120) days advance notice of the Board's intent to initiate the prosecution of any civil action and of the nature and basis of the claim to every member of the Association and every entity or person who is a

prospective party to the civil action, provided that notice can be given (A) more than one hundred twenty (120) days prior to the expiration of any pertinent statute of limitations, and (B) without

prejudice to the Association's rights to enforce the project documents, 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 project documents, or for declaratory relief or injunctive relief to enforce the project documents, or for declaratory relief or injunctive relief to enforce the project documents 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 1354(b) of the California 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 processes for resolving the civil action, including available 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 bases 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) Considering diversion of the prosecution or defense of any civil action to a alternative dispute resolution proceedings such as mediation, non-binding arbitration, or binding arbitration.

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

SECTION 8: ASSESSMENTS

8.01. Agreement to Pay: Personal Obligation. Declarant, and his successor in interest, if any, for each Lot owned by it, and each Owner, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association: (1) Regular Annual Assessments and (2) Special Assessments for capital improvements or unusual expenses to be established and collected as hereinafter provided (collectively "Assessments"), and (3) Individual Charges levied against an individual Owner, to be established and collected as provided in this Declaration and in the other Project Documents.

All Assessments and Individual Charges, together with any late charges, interest, collection costs and reasonable attorney's fees incurred in collecting delinquent Assessments and Individual Charges, shall be the personal obligation of the Owner of such Lot at the time when the Assessments or Individual Charges fell due. If more than one person or entity was the Owner of a Lot at the time the Assessments or Individual Charges fell due, the personal obligation to pay each Assessment and Individual Charge shall be joint and several. The personal obligation for delinquent Assessments and Individual Charges shall not pass to any transferee unless expressly assumed by him. No Owner may exempt himself from liability for his Assessments or Individual Charges obligation by waiver of the use or enjoyment of any of the Project.

8.02. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for paying the costs of and creating reserves for the costs of all obligations which the Association is authorized or obligated to perform as described in this Declaration.

8.03. Common Facility Assessment Exemption. The Declarant and any other Owner of a Lot may be exempted from the payment of that portion of any assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of a common facility that is not complete at the time assessments commence. Any exemption from the payment of assessments shall be in effect only until the earliest of the following events:

- a. A Notice of Completion of the common facility has been recorded; or
- b. The common facility has been placed into use.

8.04. Regular Annual Assessments. The purpose of Regular Annual Assessments is to defray expenses attributable to the ownership, operation and furnishing of common services by the Association.

Until January 1 of the year immediately following the first conveyance of a Lot to an Owner, the Regular Annual Assessment for each Lot shall be prescribed by the Board. Thereafter, the Board may not, without the vote or written assent of Members constituting a quorum, casting a majority of the votes at a meeting or election of the Association, impose a Regular Annual Assessment per Lot which is more than 20% greater than the Regular Annual Assessment for the immediately preceding fiscal year; provided, however, that the power of the Board shall not be limited with respect to Regular Assessment increases for the following purposes:

- a. Addressing emergency situations. For purposes of this section, an emergency situation is any one of the following:

- (1) An extraordinary expense required by an order of a court.
- (2) An extraordinary expense necessary to repair or maintain the Subdivided Property or any part of it for which the Association is responsible where a threat to personal safety on the Property is discovered.
- (3) An extraordinary expense necessary to repair or maintain the Subdivided Property or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro forma operating budget. However, prior to the imposition or collection of an assessment pursuant to this paragraph, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Members with the notice of assessment.

If the Board fails to distribute the pro forma operating statement as required by the Subsection entitled "Budgets, Financial Statements (in Section 10) for any fiscal year, the Association may not increase its regular annual assessment for that fiscal year, as authorized by Civil Code Section 1366(b), unless the Board has obtained the approval of a majority of the votes at a meeting of the Members at which a quorum was present. For the foregoing purposes, a quorum means more than 50% of the Owners of the Association; and the meeting must be conducted in accordance with Corporations Code Sections 7510 - 7527 - 7613 or any successor statute thereto.

The Association shall provide notice by first-class mail to the Owners of the Lots of any increase in the regular or special Assessments of the Association, not less than 30 nor more than 60 days prior to the increased Assessment becoming due.

The provisions of this Subsection entitled "Regular Annual Assessments" are intended to comply with Civil Code Section 1366(a) and (b). If these sections are amended in any manner, the provisions of this Subsection automatically shall be amended in the same manner, provided that if Section 1366(b) is repealed and no successor statute is enacted with respect to restrictions on assessments, the provisions of the Subsection shall remain in full force and effect.

Regular assessments shall be payable in equal monthly installments, due on the first day of each month, unless the Board adopts some other basis for collection.

8.05. Special Assessments. The Board may levy, in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or for extraordinary expenses incurred by the Association. If the special assessment exceeds in the aggregate 5% of the budgeted gross expenses of the Association for that fiscal year, the vote or written consent of Members constituting a quorum, casting a majority of the votes at a meeting or election shall be required to approve such assessment. In addition, the Board may not impose, without the vote or written assent of a majority of Members constituting a quorum, casting a majority of the votes at a duly held meeting or election, a Special Assessment which in the aggregate exceeds 5% of the budgeted gross expenses of the Association for that fiscal year; provided, however, the power of the Board shall not be limited with respect to Special Assessments imposed for emergency situations set forth above.

8.06. Quorum. For the purposes of establishing "Assessments" above, a quorum means more than 50% of the Members of the Association. In addition, any meeting or election of the Association for purposes of complying with this Section and the Subsection above entitled "Regular Annual Assessments" shall be conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code.

8.07. Individual Charges. Individual Charges may be levied against a Member as follows:

a. As a monetary penalty imposed by the Association as a disciplinary measure for the failure of a Member to comply with the Project Documents, or;

b. As a means of reimbursing the Association for costs incurred by the Association for the repair of damage to Common Areas and facilities for which the Member was responsible, or to otherwise bring the Member and his Lot into compliance with the Project Documents. Such Individual Charges (other than reasonable late charges, interest, costs of collection and reasonable attorneys' fees related to the collection of Assessments) are not enforceable through the lien provisions of the Project Documents. All Individual Charges shall comply with California Civil Code Section 1366(d) to the extent that it is applicable.

8.08. Equal Division of Regular and Special Assessments. Regular and Special Assessments shall be levied against each Lot (and its Owner) equally, based on a fraction, the numerator of which is one and the denominator of which is the total number of Lots in the Project.

8.09. Delinquent Assessments. Regular and Special Assessments levied pursuant to this Declaration are delinquent 15 days after the date they become due. If an assessment is delinquent, the association may recover all of the following:

a. Reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees.

b. A late charge not exceeding 10 percent of the delinquent assessment or ten dollars (\$10), whichever is greater.

c. Interest on all sums imposed in accordance with this section, including the delinquent assessment, reasonable costs of collection, and late charges, at an annual percentage rate not to exceed 12 percent interest, commencing 30 days after the assessment becomes due.

8.10. Commencement of Assessments and Individual Charges. The right to levy Assessments and Individual Charges shall commence as to all Lots in a Phase of the Project on the close of escrow for the first conveyance of a Lot in that Phase of the Project. Regular Assessments shall commence as to all Lots in a Phase of the Project on the first day of the month following the first conveyance of a Lot in that Phase under authority of a Public Report. Thereafter, Regular Assessments shall be levied on the first day of each month.

8.11. Creation of the Assessment Lien. Each Assessment or installment, together with any late charge, interest, collection costs and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each Assessment is made, the lien to become effective upon recordation of a Notice of Delinquent Assessment. All late charges, interest charges and costs of collection shall comply with California Civil Code Section 1366(d) to the extent that it is applicable.

SECTION 9: ENFORCEMENT OF RESTRICTIONS

9.01. General. The Association or any Owner shall have the right to enforce compliance with the Project Documents in any manner provided by law or in bringing an action for damages, an action to enjoin the violation or to specifically enforce the provisions of the Project Documents, to enforce the liens provided for herein (except that no Owner shall have the right to enforce independently of the Association any Assessment, Individual Charge or Assessment lien created herein) and any statutory lien provided by law, including the foreclosure of any such lien and the appointment of a receiver for an Owner and the right to take possession of the Lot in the manner provided by law. In the event the Association or any Owner shall employ an attorney to enforce the provisions of the Project Documents against any Owner, the prevailing party shall be entitled to reasonable attorneys' fees and costs in addition to any other amounts due as provided for herein. All sums payable hereunder by an Owner shall bear interest at the maximum rate permitted by law from the due date, or if advanced or incurred by the Association or any other Owner pursuant to authorization contained in the Project Documents, commencing 15 days after repayment is demanded. All enforcement powers of the Association shall be cumulative. Failure by the Association or any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

9.02. Specific Enforcement Rights. In amplification of, and not in limitation of, the general rights specified in Section 9.01 above, the Association, or its authorized representative, shall have the following rights:

a. Enforcement by Sanctions.

(1) Limitation. The Association shall have no power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his Lot on account of a failure by the Owner to comply with provisions of the Project Documents except where the loss or forfeiture is the result of the judgement of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association.

(2) Disciplinary Action. The Association may impose monetary penalties, temporary suspensions of a reasonable duration (not to exceed 30 days per violation) of an Owner's rights as a Member of the Association or other appropriate discipline for failure to comply with the Project Documents. Notwithstanding the foregoing, the Association shall have no right to interfere with an Owner's right of ingress to or egress from his Lot.

Before disciplinary action authorized under this Section may be imposed by the Association, the Owner against whom such action is proposed to be taken shall be given notice and the opportunity to be heard in accordance with Section 7341 of the Corporations Code, as set forth in Section 12 of the Bylaws.

b. Suit to Collect Delinquent Assessments or Individual Charges. A suit to recover a money judgement for unpaid Assessments or unpaid Individual Charges, together with late charges, interest, costs and reasonable attorneys' fees shall be maintainable by the Association. In the case of unpaid Assessments, such suit shall be maintainable without foreclosing or waiving the lien securing such unpaid Assessments.

c. Enforcement of Lien. If there is a delinquency in the payment of any Assessment or Assessment installment on a Lot, any amounts that are delinquent, together with the late charges, costs of collection, reasonable attorneys' fees, and interest on all of the foregoing sums (at the maximum rate permitted by law) shall be a lien against that Lot upon the recordation in the office of the County Recorder of a Notice of Delinquent Assessment as provided in California Civil Code Section 1367. Each Owner, including Declarant, hereby appoints the person or entity designated by the Association as the "trustee" in the Notice of Delinquent Assessment, or such substitute trustee as is designated pursuant to California Civil Code Section 2934(a), as his trustee, and each Owner empowers such trustee to enforce the lien and to foreclose the lien by the private power of sale provided in Section 1367(d) of the California Civil Code, as that statute may be revised, amended or altered from time to time, or by judicial foreclosure. Each Owner further grants to such trustee the power and authority to sell the Lot of any defaulting Owner to the highest bidder to satisfy such lien. The Notice of Delinquent Assessment shall be signed by an authorized representative of the Association and shall state the amount of the delinquent Assessment and other sums imposed in accordance with California Civil Code Section 1367, a description of the Lot assessed, the name of the record Owner(s), and the name and address of the trustee authorized by the Association to enforce the lien.

The Notice of Delinquent Assessment shall not be recorded unless and until the Board or its authorized representative has delivered to the delinquent Owner, not less than 15 days before the recordation of the Notice of Delinquent Assessment, a written demand for payment, and unless the delinquency has not been cured within said 15 day period.

Not more than one year (two years if extended) nor less than 15 days after the recording of the Notice of Delinquent Assessment, the Board or its authorized representative may record a notice of default and may cause the Lot with respect to which a notice of default has been recorded to be sold in the same manner as a sale is conducted under California Civil Code Sections 2924-2924h, or through judicial foreclosure. However, as a condition precedent to the holding of any such sale under Section 2924-2924h appropriate publication shall be made. In connection with any sale under Section 2924-2924h, the Board is authorized to appoint its attorney, any officer or director, or any title insurance company authorized to do business in California as trustee for purposes of conducting the sale. If a delinquency including Assessments and other proper charges is cured after recordation of the Notice of Delinquent Assessment but before sale, or before completing a judicial foreclosure, the Board or its authorized representative shall cause to be recorded in the office of the County Recorder a certificate setting forth the satisfaction of such claim and release of such lien. The Association, acting on behalf of the Owner, shall have the power to bid upon the Lot at foreclosure sale and to acquire, hold, lease, mortgage and convey the Lot.

d. Transfer by Sale or Foreclosure. In a sale or transfer of a Lot, the personal obligation for delinquent Assessments or Individual Charges shall not pass to the Transferee unless expressly assumed by him. The sale or transfer of any Lot shall not affect the Assessment lien, nor the right of the Association to impose a lien for Assessments which became due prior to such sale or transfer. However, the sale or transfer of any Lot pursuant to the exercise of a power of sale or judicial foreclosure involving a default under a First Mortgage shall extinguish the lien and right to lien for Assessments which became due prior to such sale or transfer. No transfer of the Lot as the result of a foreclosure or exercise of a power of sale shall relieve the new Owner, whether it be the former beneficiary of the First Mortgage or another person, from liability for any Assessments or Individual Charges thereafter becoming due or from the lien thereof.

e. Waiver of Homestead Benefits. Each Owner to the extent permitted by law, waives, to the extent of any liens created pursuant to the Project Documents, the benefit of any homestead or exemption laws of California in effect at the time any Assessment becomes due.

SECTION 10: BUDGETS, FINANCIAL STATEMENTS AND BANK ACCOUNTS

10.01. Proposed Budget. Not less than 75 days before the beginning of each fiscal year, the Board shall prepare or cause to be prepared, a proposed pro forma budget for the forthcoming fiscal year. Any Owner or Mortgagee may make written comments to the Board with respect to said pro forma operating statement. The pro forma operating statement shall be prepared consistently with the prior fiscal year's operating statement and shall include adequate reserves for contingencies and for maintenance, repair and replacement of the Common Area improvements and Association personal property likely to need maintenance, repair or replacement in the future.

10.02. Adopt Budget. Not more than 75 days nor less than 60 days before the beginning of each fiscal year, the Board shall meet to review the proposed pro forma budget, any written comments received and any other information available to it and, after making any adjustments that the Board deems appropriate, shall adopt the budget and establish the Regular Assessment for the forthcoming fiscal year.

10.03. Budgets, Financial Statements. The following financial and related information shall be regularly prepared and distributed by the Board to all Members of the Association:

a. Budget. A pro forma budget for the immediately ensuing fiscal year consisting of at least the following information shall be distributed not less than 45 days and not more than 60 days prior to the beginning of the fiscal year:

(1) Estimated revenue and expenses of the Association on an accrual basis;

(2) A summary of the Association's reserves based on the most recent reserves review or study conducted pursuant to Subsection 10.04 (entitled "Reserves and Reserves Study"), which shall be printed in bold type and shall include the following:

(i) The current estimated replacement cost, estimated remaining life and estimated useful life of each major component which the Association is obligated to maintain (collectively the "Major Components");

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

(a) The current estimate of cash reserves necessary to repair, replace, restore or maintain the Major Components; and

(b) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain the Major Components; and

(iii) The percentage that the amount in (ii)(b) is to the amount in (ii)(a);

(3) A statement as to whether the Board 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; and

(4) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement, or additions to those major components of the Common Areas and facilities for which the Association is responsible.

b. Balance Sheet. A balance sheet as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of a Lot in the Project, and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the Lot number and the name of the entity assessed;

c. Report. A report consisting of the following shall be distributed within 120 days after the close of the fiscal year:

- (1) A balance sheet as of the end of the fiscal year.
- (2) An operating (income) statement for the fiscal year.
- (3) A statement of changes in financial position for the fiscal year.

(4) For any fiscal year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

If the report referred to in paragraph "c" above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

In lieu of the pro forma operating budget referred to in the subsection above entitled "Budget", the Board of Directors may elect to distribute a summary of the items described in Section a(1), a(2), a(3) and a(4) to all Members of the Association with a written notice (in at least 10-point bold type on the front page) that the budget is available at a location within the Project's boundaries and that copies will be provided upon request and at the expense of the Association. The Association must mail such copies of the pro forma operating budget, including the items described in Section a(1), a(2), a(3), and a(4), by first-class United States mail to any Member requesting same at the expense of the Association which copies shall be mailed within five days from receipt of such request.

d. Statement of Enforcement Policies. In addition to financial statements, the Board shall annually distribute within 60 days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against Members' Lots.

10.04. Reserves and Reserves Study.

a. Reserves. Each annual regular assessment shall include a portion for reserves in such amount as the Board in its discretion considers appropriate to meet the cost of the future repair.

replacement or additions to the major components that the Association is obligated to maintain and repair. Reserve funds may not be expended for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to maintain.

b. Transfer of Reserves. Notwithstanding the foregoing, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses, 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. The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Project, temporarily delay the restoration until the time which the Board reasonably determines it to be necessary. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required herein. The special assessment shall not be subject to the assessment increase restrictions set forth in Subsection 8.4 (entitled "Regular Annual Assessments") and Civil Code Section 1366(b), if the special assessment is to pay for legal costs associated with litigation involving the repair, restoration, replacement, or maintenance of, major components which the association is obligated to repair, restore, replace, or maintain. The Board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of the Association of that decision in the next available mailing to all Members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of those expenses. Unless the governing documents impose more stringent standards, the Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members of the Association at the association's office.

c. Reserve Study. At least once every three years, the Board shall cause a study of the reserve account requirements to be conducted 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 one-half of the gross budget of the Association for any fiscal year. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

The study shall, at a minimum, include:

(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 subparagraph (1) 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 subparagraph (1) during and at the end of its useful life; and

(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.

As used herein, "reserve accounts" means moneys that the Board has identified for use to defray the future repair or replacement of, or additions to those major components which the Association is obligated to maintain; and "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.

The provisions of the Subsection entitled "Reserves and Reserves study" are intended to comply with the requirements of Civil Code Section 1365.5(c) and (d). If these Civil Code sections are rescinded or amended in any manner, the provisions of the Subsection automatically shall be rescinded or amended in the same manner.

10.05. Bank Accounts. The Association shall deposit all funds collected from Owners pursuant to the Section herein entitled "Assessments" and all other amounts collected by the Association as follows:

a. General. All funds shall be deposited in a separate bank account ("General Account") with a bank located in California. The Association shall keep accurate books and records regarding such account. Funds deposited in such account may be used by the Association only for the purposes for which such funds have been collected.

b. Reserve. Funds which the Association shall collect for reserves for capital expenditures relating to the repair and maintenance of the Units and Common Area, and for such other contingencies as are required for good business practice shall, within 10 days after deposit in the General Account, be deposited into an interest bearing account with a bank or savings and loan association selected by the Association, or invested in Treasury Bills or Certificates of Deposit or otherwise prudently invested, which shall collectively be referred to as the "Reserve Account". Funds deposited into the Reserve Account shall be held in trust and may be used by the Association only for the purposes for which such amounts have been collected.

SECTION 11: INSPECTION OF BOOKS AND RECORDS

11.01. Inspection by Members. (a) Commencing not later than 90 days after the close of escrow of the first interest in the Project, copies of the documents listed below, as soon as readily obtainable, shall be delivered by the Declarant to the Board of the Association at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the documents listed below shall apply to any documents obtained by the Declarant no matter when obtained, provided, however, such obligation shall terminate upon the earlier of (1) the conveyance of the last subdivision interest covered by a Final Public Report or (2) three years after the expiration of the most recent Public Report for the Project:

- (1) The recorded subdivision Map or Maps for the Project.
- (2) The deeds and easements executed by the Declarant conveying the Common Area or other interest to the Association, to the extent applicable.
- (3) The recorded Declaration for the Project, including all amendments and annexations thereto.
- (4) The Association's filed Articles of Incorporation, if any, and all amendments thereto.
- (5) The Association's Bylaws and all amendments thereto.
- (6) All architectural guidelines and all other rules regulating the use of an Owner's interest in the Project or use of the Common Area which have been promulgated by the Association.
- (7) The plans approved by the local agency or county where the Project is located for the construction or improvement of facilities that the Association is obligated to maintain or repair; provided, however, that the plans need not be as-built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.
- (8) All Notice of Completion certificates issued for Common Area improvements (other than residential structures).
- (9) Any bond or other security device in which the Association is the beneficiary.
- (10) Any written warranty being transferred to the Association for Common Area equipment, fixtures or improvements.
- (11) Any insurance policy procured for the benefit of the Association, its Board, or the Common Area.
- (12) Any lease or contract to which the Association is a party.
- (13) The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the members, of the Board and of committees of the Board.

(14) Any other instrument which establishes or defines the common, mutual or reciprocal rights or responsibilities of Owners or Members of the Association.

(b) If the Project is phased, commencing not later than 90 days after the annexation of additional phases to the Project, copies of those documents listed under subdivision (a) which are applicable to that phase, shall as soon as readily obtainable, be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the documents listed in subsection (a) shall apply to any documents obtained by the Declarant no matter when obtained, provided, however, such obligation shall terminate upon the earlier of (1) the conveyance of the last subdivision interest covered by a Final Public Report or (2) three years after the expiration of the most recent Final Public Report for the Project.

(c) The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members, the Board, and of committees of the Board shall be made available for inspection and copying by any Member of the Association or by his duly-appointed representative at any reasonable time and for a purpose reasonably related to his interest as a Member at the office of the Association or at such other place within the Project as the Board shall prescribe.

(d) (1) In the case of the minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than an executive session, shall be available to Members within 30 days of the meeting and shall be distributed to only Members upon request and payment of the fee prescribed in Section 11.02(c) below.

(d) (2) At the time the pro forma operating budget is distributed as required by Section 10 or at the time of any general mailing, Members of the Association shall be notified in writing of their right to have copies of the minutes of meetings of the Board and as to how and where those minutes may be obtained and the cost of obtaining such copies.

11.02. Rules for Inspection by Members. The Board shall establish reasonable rules with respect to:

a. Notice to be given to the custodian of the records by the Member desiring to make the inspection;

b. Hours and days of the week when such an inspection may be made;

c. Payment of the costs of reproducing copies of documents requested by a Member.

11.03. Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

11.04. Review of Financial Records. The Board shall review on at least a quarterly basis a current reconciliation of the Association's operating and reserve accounts, the current year's actual reserve revenues and expenses compared to the current year's budget and an income and expense statement for the Association's operating and reserve accounts. In addition, the Board shall review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts. For purposes herein, "reserve accounts" shall mean monies that

the Association's Board has identified from its annual budget for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

11.05. Reserve Account Withdrawal Restrictions. The Board shall require that at least two (2) signatures be needed for the withdrawal of monies from the Association's reserve accounts, who either shall be Members of the Board or one (1) Member of the Board and one (1) officer who is not a Member of the Board.

SECTION 12: INSURANCE, DESTRUCTION, CONDEMNATION

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

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

b. Fire, Casualty and Extended Coverage Insurance. The Association shall also obtain and maintain a policy of fire, casualty and extended coverage insurance for the full insurable replacement value (without deduction for depreciation) of all of the Common Area improvements within the Project. Such policy may provide for a reasonable deductible. The form, content, term of policy, its endorsements and the issuing company shall meet the reasonable standards of all First Mortgagees and shall be consistent with good sound insurance coverage for properties similar in construction, location and use. The policy shall name as insured the Association for the benefit of the Owners and Declarant, as long as Declarant is the Owner of any Lot, and all Mortgagees as their respective interests shall appear, and may contain a loss payable endorsement in favor of any trustee described below.

c. Trustee. All fire, casualty and extended coverage insurance proceeds payable under Section 12.01(b) above for losses to real Property and improvements may be paid to a trustee, to be held and expended for the benefit of the Owners, Mortgagees, and others, as their respective interests shall appear. Said trustee shall be a commercial bank, savings and loan or trust company in the county in which the Project is located that agrees in writing to accept such trust.

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

e. Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Sections 12.01(a)(b) and (e). The Board is granted full right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

f. Officer and Director Insurance. The Association may purchase and maintain insurance on behalf of any Director, Officer, or Member of a committee of the Association (collectively the "agents") against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under applicable law.

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

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

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

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

12.02. Individual Fire Insurance. Each Owner shall obtain and maintain, at his expense, fire and casualty coverage as may be required by the Owner's individual Mortgagee, or if no Mortgagee encumbers a Lot, fire and casualty coverage as may be determined by the Board, with respect to damage or destruction to improvements on the Owner's Lot. All such individually carried insurance shall also contain a waiver of subrogation rights by the carrier as to other Owners, the Association, Declarant, and First Mortgagee of such Lot.

12.03. Destruction.

a. Minor Destruction Affecting Common Area. Notwithstanding Section 12.03(b), the Board shall have the duty to repair and reconstruct the Common Area without the consent of Members and irrespective of the amount of available insurance proceeds or other funds, in all instances of partial destruction where the estimated cost of repair and reconstruction does not exceed 5% of the budgeted gross expenses of the Association for that fiscal year. The Board may levy a Special Assessment for the cost of such repair and reconstruction to the extent insurance proceeds or other funds are unavailable.

b. Major Destruction Affecting Common Area.

(i) Destruction: Proceeds Exceed 85% of Reconstruction Costs. If there is a total or partial destruction of the Common Area, and if the available proceeds of the insurance carried pursuant to Section 12.01 or other available funds are sufficient to cover not less than 85% of the costs of repair and reconstruction, the Common Area shall be promptly rebuilt unless, within 90 days from the date of destruction, Members then holding at least 75% of the voting power of each class determine that repair and reconstruction shall not take place.

(ii) Destruction: Proceeds Less than 85% of Reconstruction Costs. If the proceeds of insurance carried pursuant to Section 12.01 or other available funds are less than 85% of the costs of repair and reconstruction, repair and reconstruction shall not take place unless, within 90 days from the date of destruction, Members then holding at least a majority of the voting power of Members of each class determine that repair and reconstruction shall take place. If repair and

reconstruction is to take place, the Board shall execute, acknowledge and record in the office of the County Recorder not later than 120 days from the date of destruction a certificate declaring the intention of the Members to rebuild.

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

(iv) Rebuilding Contract. If the determination is made to rebuild, the Board shall obtain bids from at least 3 reputable contractors, and shall award the repair and reconstruction work to the most reasonable bidder. The Board shall have the authority to enter into a written contract with the contractor for the repair and reconstruction, and the insurance proceeds shall be disbursed to said contractor according to the terms of the contract. It shall be the obligation of the Board to take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

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

12.04. Condemnation.

a. Condemnation Affecting Common Area

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

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

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

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

SECTION 13: MORTGAGEE PROTECTIONS

13.01. Mortgages Permitted. Any Owner may encumber his Lot with Mortgages.

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

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

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

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

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

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

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

In addition, if the Project contains 50 or more Lots, the Association must provide an audited financial statement for the immediately preceding fiscal year if the First Mortgagee submits a written request for it. Said financial statement shall be furnished by the Association within a reasonable time following such request. If the Project contains fewer than 50 Lots and there is no audited financial statement available, any First Mortgagee should be allowed to have an audited financial statement prepared at its own expense.

13.06. No Restriction on Owner's Right to Ingress and Egress. There shall be no restriction

upon any Owner's right to ingress and egress to his Lot, which right shall be perpetual and appurtenant to his Lot ownership.

13.07. Notices of Mortgagees. Upon written request to the Association, any First Mortgagee shall be entitled to timely written notice of the following:

- a. Any proposed amendment to the Project Documents effecting a change in:
 - (i) The boundaries of any Lot or the exclusive use rights appurtenant thereto, if any;
 - (ii) The interests in the general or exclusive use Common Areas, if any, appurtenant to any Lot or the liability for common expenses appurtenant thereto;
 - (iii) The number of votes in the Association appurtenant to any Lot; or
 - (iv) The purposes to which any Lot or the Common Area are restricted.
- b. Any proposed termination of the legal status of the Project as a planned development.
- c. Any condemnation or casualty loss which affects either a material portion of the Project or any Lot on which there is a First Mortgage held, insured or guaranteed by such requesting party.
- d. Any 60-day delinquency in the payment of Assessments or Individual Charges owed by an Owner subject to a First Mortgage held, insured or guaranteed by such requesting party.
- e. Any default in the performance by the affected Owner of any obligation under the Project Documents which is not cured within 60 days.
- f. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.
- g. Any proposed action which requires the consent of a specified percentage of First Mortgagees as specified in Section 13.08.

13.08. FNMA, FHLMC, FHA, VA Mortgages.

a. Conditions When This Section Applicable. The provisions of this Section 13.08 shall apply if any of the following conditions exist pertaining to First Mortgages on any of the Lots:

- (1) Any First Mortgage is sold or transferred to FNMA;
- (2) Any First Mortgage is sold or transferred to FHLMC; or
- (3) Any First Mortgage is FHA insured or a Veterans Affairs ("VA") mortgage.

b. Approval of Material Amendments. The approval of 67% of the total voting power of the Association and 51% or more of the Eligible First Mortgagees (based upon one vote for each first mortgage owned) must be obtained for amendments of a material nature to the Project Documents. A change to any of the following would be considered as material:

- (1) Voting rights;

- (2) Assessments, assessment liens, or subordination of assessment liens;
- (3) Reserves for maintenance, repair and replacement of Common Areas or any other portions of the Project which the Association has a duty to maintain, repair and replace.
- (4) Responsibility for maintenance and repairs;
- (5) Reallocation of interests in the general or exclusive use Common Areas, if any, or rights to their use;
- (6) Boundaries of any Lot;
- (7) Convertibility of Lots into Common Areas or vice-versa;
- (8) Expansion or contraction of the Project or the addition, annexation or withdrawal of Property to or from the Project;
- (9) Insurance or fidelity bonds;
- (10) Leasing of Lots;
- (11) Imposition of any right of first refusal or similar restriction on a Lot Owner's right to sell, transfer or convey his Lot;
- (12) A decision by the Owner's Association to establish self management when professional management has been required previously by a First Mortgagee;
- (13) Restoration or repair of the Project (after a hazard damage or partial condemnation) in a manner other than that specified in the Project Documents;
- (14) Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs; or
- (15) Any provisions that expressly benefit First Mortgagees, insurers or guarantors.

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

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

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

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

e. Restriction on Certain Changes. Unless at least 66-2/3% of the First Mortgagees (based on one vote for each First Mortgage owned) and 66-2/3% of the Owners other than Declarant have given their prior written approval, the Association shall not:

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

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

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

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

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

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

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

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

i. Leasing Restrictions. No Owner shall be permitted to lease his Lot for transient or hotel purposes. No Owner may lease less than the entire Lot. Any lease or rental agreement must be in writing and be subject to the provisions of the Project Documents. No Lot may be leased or rented for less than 30 days.

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

13.09. FHA/VA Approval. During any period of time that a mortgage on any portion of the Project is held, insured or guaranteed by FHA or VA, and as long as there is a Class B Membership, the following actions shall require the prior approval of FHA or VA: amendment of the Project Documents, annexation of additional Property, dedication or mortgaging of the Common Area, merger or consolidation of the Association with another corporation.

13.10. Additional FHA Provisions. Declarant desires that loans secured by mortgages encumbering Lots within the development qualify for mortgage insurance by FHA.

All Owners, tenants and occupants of Lots in the development covenant and agree that the administration of the development shall be in accordance with the terms and provisions of the Regulatory Agreement (FHA Form No. 3278) executed by FHA and the Association and that such terms and provisions of said Regulatory Agreement shall be fully complied with.

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

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

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

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

13.11. Compliance with FHA/VA, FHLMC or FNMA Requirements. Declarant intends that the Project shall comply with all of the requirements of the Federal Housing Administration ("FHA"), the Veterans Affairs ("VA"), the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA"). All casualty and liability insurance covering any portion of the Project encumbered by a Mortgage insured by FHA, guaranteed by VA, or held by FHLMC or FNMA, shall therefore conform to the applicable FHA/VA, FHLMC or FNMA requirements. Declarant and all Lot Owners also agree that in the event the Project or the Project Documents do not comply with the applicable FHA/VA, FHLMC or FNMA requirements, the Board and each Owner shall take any action or adopt any resolutions required by Declarant or any First Mortgagee to conform such Project Documents, or the Project, to the FHA/VA, FHLMC or FNMA requirements, subject to the review and approval of the California Department of Real Estate, in accordance with applicable law, so long as the Department of Real Estate retains jurisdiction.

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

13.13. Conflicts. In the event of a conflict between any of the provisions of this Section 13 and any other provisions of this Declaration, the provisions of this Section 13 shall control.

SECTION 14: ENFORCEMENT OF BONDED OBLIGATIONS

If any Common Area improvements in the Project have not been completed prior to the issuance of the Final Public Report and the Association is obligee under a bond or other arrangement ("Bond") to secure performance of the commitment of Declarant to complete such improvements, the Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvement for which a Notice of Completion has not been filed within 60 days after the completion date specified for that improvement in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within 30 days after the expiration of the extension.

A special meeting of Members for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, shall be held not less than 35 days nor more than 45 days after receipt by the Board of a petition for such meeting signed by Members representing 5% or more of the total voting power of the Association. At such special meeting, a vote of a majority of the voting power of the Association residing in Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

SECTION 15: AMENDMENTS

15.01. Prior to First Conveyance. Prior to close of escrow on the conveyance of the first Lot, Declarant may amend or revoke this Declaration subject to the requirements of Business and Professions Code Section 11012 and 11013.7.

15.02. After First Conveyance. After conveyance of the first Lot, this Declaration may be amended or revoked only by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of the voting power of each class of Members of the Association. If only one class of membership exists at the time an amendment is proposed, then it must be approved by at least a bare majority of the total voting power of the Association, which shall include at least a bare majority of the votes of Members other than Declarant. The percentage of the voting power necessary to amend a specific clause or provision of this Declaration shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision.

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

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

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

15.05. FHA Requirements. Notwithstanding any provision of this Section to the contrary, all requirements of Section 13 entitled "FHA/VA Approval" must be met in order to effectuate any amendment or revocation pursuant to this Section.

15.06. County Requirements. The consent of the County of Placer shall be required for all amendments which affect the County's Conditions of Approval of the tentative map.

SECTION 16: GENERAL PROVISIONS

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

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

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

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

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

- (i) the Lot involved;
- (ii) the name and address of the transferee and transferor; and
- (iii) the date of sale.

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

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

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

16.07. Termination of any Responsibility of Declarant. If Declarant shall convey all of its right, title and interest in and to the Project to any partnership, individual or corporation, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or corporation shall be obligated to perform all such duties and obligations of the Declarant.

16.08. Mergers and Consolidations. To the extent permitted by law, the Association may participate in mergers and consolidations with other non-profit organizations organized for the same purposes as this Association, provided that any such merger or consolidation shall have the written consent of all of the Members or the assent by vote of two-thirds of the Members voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be given to all Members at least thirty days in advance, and must comply with the annexation provisions of Section 3.04, incorporated herein by reference.

16.09. Limitation of Restrictions on Declarant. Nothing in this Declaration shall be understood or construed to:

a. Prevent Declarant, its contractors, or subcontractors from doing on the Project or any Lot, whatever is reasonably necessary or advisable in connection with the completion of said work; or

b. Prevent Declarant or its representatives from erecting, constructing and maintaining on any part or parts of the Project, such structures as may be reasonable and necessary for the conduct of its business of completing said work and establishing said Project as a residential community and disposing of the same in parcels by sale, lease, or otherwise; or

c. Prevent Declarant from conducting on any part of the Project its business of completing said work and of establishing a plan of ownership and of disposing of said Project in Lots by sale, lease or otherwise; or

d. Prevent Declarant from maintaining such sign or signs on any of the Project as may be necessary for the sale, lease or disposition thereof, provided, however, that the maintenance of any such sign shall not unreasonably interfere with the use by any Owner of his Lot or the Common Area.

The foregoing limitations of the application of the restrictions to Declarant shall terminate upon the sale of Declarant's entire interest in the Project, or three years after the close of the first escrow, whichever occurs earlier.

Any action taken by Declarant pursuant to any provision of this Section will not unreasonably interfere with the Owners' rights and use of the Project.

16.10. Successor. The rights of Declarant in this Declaration may be assigned by Declarant to any successor to all or any part of any Declarant's interest in the Project, as developer, by an express assignment incorporated in a recorded deed that transfers any such interest to a successor or to a Mortgagee acquiring Declarant's interest in the Project by foreclosure or by deed in lieu of foreclosure.

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, Declarant has executed this Declaration.

DATED: 1-24-96, 1995

Mark L. Ures
MARK L. URES

Beulah M. Ures
BEULAH M. URES

State of California)

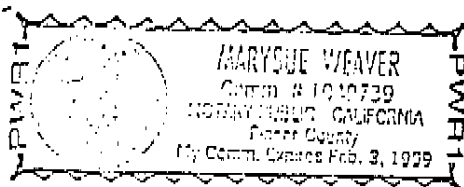
County of Placer)

On 1/24/96 before me, MarySue Weaver

personally appeared Mark L. Ures and Beulah M. Ures
NAME(S) OF SIGNER(S)

NAME(S) OF SIGNER(S)

~~xxx~~ personally known to me - OR - [] 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 signatures(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

MarySue Weaver
SIGNATURE OF NOTARY

CERTIFICATE OF APPROVAL

RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF GRANITE BAY HILLS

Approved as to form:

5
County of Placer

By: [Signature]

County Surveyor

Date: 1/31/96

Approved as to content:

County of Placer

By: [Signature]

County Surveyor

Date: 1/31/96

1/22/96
2371\DEC.CERT

603

EXHIBIT "A"

DESCRIPTION OF PROPERTY SUBJECT TO DECLARATION

All that certain real Property situated in the County of Placer, State of California, described as follows:

Lots 1 through 32, inclusive, and Common Area Lots "A", "B", and Common Area streets shown as Granite Hills Drive North, Granite Hills Drive, Granite Park Court, and Granite Woods Court, as shown on the Map entitled "Granite Bay Hills Unit No. 1", filed for record December 14, 1995, in Book "T" of Maps, Page 24, Placer County Records.

EXHIBIT "B"

DESCRIPTION OF ANNEXABLE PROPERTY

That certain real Property situated in the County of Placer, State of California, described as follows:

The "Remainder", as shown on the Map entitled "Granite Bay Hills
Unit No. 1", filed for record December 14, 1995, in Book
"T" of Maps, Page 24, Placer County Records.

EXHIBIT "B"

CONSENT OF LIEN HOLDER
AND SUBORDINATION OF LIEN

The undersigned beneficiary under that certain Deed of Trust recorded April 7, 1995, Instrument No. 95-018088, of Official Records of Placer County, California, consents to all of the provisions contained in the "Restated Declaration of Covenants, Conditions, and Restrictions of Granite Bay Hills" recorded concurrently herewith, and agrees that the lien of the Deed of Trust shall be junior and subordinate and subject to said Restated Declaration.

Dated: February 1, 1996

BENEFICIARIES:

Business and Professional Bank

By: Kathleen M. Thomas

Kathleen M. Thomas, Executive Vice President

ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of

Sacramento

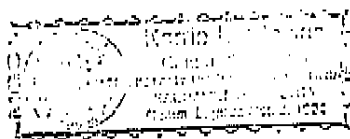
SS.

On January 29, 1996
personally appeared

before me, Harrie L. Blevins, Notary Public
Kathleen M. Thomas
SIGNER(S)

☒ personally known to me - OR -

☐ ~~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.~~



WITNESS my hand and official seal.

Harrie L. Blevins
NOTARY'S SIGNATURE

OPTIONAL INFORMATION

The information below is not required by law. However, it could prevent fraudulent attachment of this acknowledgment to an unauthorized document.

CAPACITY CLAIMED BY SIGNER (PRINCIPAL)

☐ INDIVIDUAL

☒ CORPORATE OFFICER

Executive Vice President
TITLE(S)

☐ PARTNER(S)

☐ ATTORNEY-IN-FACT

☐ TRUSTEE(S)

☐ GUARDIAN/CONSERVATOR

☐ OTHER:

DESCRIPTION OF ATTACHED DOCUMENT

Consent of Lien Holder
and Subordination of Lien
TITLE OR TYPE OF DOCUMENT

1
NUMBER OF PAGES

1-29-96
DATE OF DOCUMENT

SIGNER IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY(IES)

Business & Professional Bank

OTHER