

LAKE PILLSBURY PROPERTY OWNERS ASSOCIATION

ARTICLES OF INCORPORATION

BYLAWS

AMENDED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS

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ARTICLES OF INCORPORATION

OF

Lake Pillsbury Property Owners' Association

Patricia Gale and Miriam Mustain certify that:

1. They are the president and the secretary, respectively, of LAKE PILLSBURY PROPERTY OWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation.

2. The articles of incorporation of this corporation are amended and restated to read as follows:

ARTICLE I

NAME

The name of the corporation (hereinafter called the "Association") is Lake Pillsbury Property Owners Association.

ARTICLE II

NONPROFIT CORPORATION LAW OF 1980

This corporation elects to be governed by all of the provisions of the Nonprofit Corporation Law of 1980 not otherwise applicable to it under Part 5 thereof.

ARTICLE III

PURPOSES OF THE ASSOCIATION

This Association is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law.

This corporation is an association formed to manage a common interest subdivision under the Davis-Sterling Common Interest Development Act.

The purpose of this Association is to engage in any lawful act or activity for which a corporation may be organized under the Nonprofit Mutual Benefit Corporation Law of the State of California.

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific primary purposes for which it is formed are to provide for management, administration, maintenance, preservation and architectural control of the residential Lots and Common Area within a certain tract of property situated in the County of Lake, California; to own and/or control and maintain subdivision roads; to own and operate social and recreational facilities for the primary use and enjoyment of the members; and to promote the health, safety and welfare of all the residents within the

Property and any additions thereto as may hereafter be brought within the jurisdiction of this Association for this purpose, all according to that certain amended Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration" recorded or to be recorded with respect to said Property in the Office of the Recorder of Lake County.

Notwithstanding any of the above statement of purposes and powers, this Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this Association.

ARTICLE IV

CORPORATE OFFICES/MANAGING AGENT

The corporation does not maintain a specified corporate office. Its mailing address is: LPPOA, c/o Gatehouse, Lake Pillsbury Ranch, Potter Valley, CA, 95469. Its telephone number is: 707-743-1625. The corporation does not employ a managing agent as defined in California Civil Code § 1363.1.

ARTICLE V

DISSOLUTION

This Association is intended to qualify as a homeowners' association under the applicable provisions of the Internal Revenue Code, and of the Revenue and Taxation Code of California. No part of the net earnings of this organization shall inure to the benefit of any private individual, except as expressly provided in those sections with respect to the acquisition, construction, or provision for management, maintenance, and care of the Association property, and other than by a rebate of excess membership dues, fees, or assessments. So long as there is any Lot, or Parcel for which the Association is obligated to provide management, maintenance, preservation or control, the Association shall not transfer all or substantially all of its assets or file a certificate of dissolution without the approval of one hundred percent (100%) of the Members. In the event of the dissolution, liquidation, or winding-up of the Association, upon or after termination of the project, in accordance with provisions of the Declaration, its assets remaining after payment, or provision for payment, of all debts and liabilities of the Association, shall be divided among and distributed to the Members in accordance with their respective rights therein.

ARTICLE VI

AMENDMENTS

These Articles may be amended only by the affirmative vote of a majority of the Board, and by the affirmative vote (in person or by proxy) or written ballot of Members representing a majority of the total voting power of the Association.

3. The foregoing amendment and restatement of articles of incorporation has been duly approved by the Board of Directors.

4. The foregoing amendment and restatement of articles of incorporation has been duly approved by the required vote of members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true of our own knowledge.

Date: August 4, 1997

Patricia Gale, President

Miriam Mustain, Secretary

**BYLAWS OF
LAKE PILLSBURY PROPERTY OWNERS' ASSOCIATION**

AMENDED

ARTICLE I

NAME AND LOCATION

1.1 Name and Location. The name of the corporation is Lake Pillsbury Property Owners' Association, hereinafter referred to as the "Association". The principal office of the Association shall be located at such place within or near the Development as may be designated by the Board.

ARTICLE II

DEFINITIONS

2.1 Incorporation. The definitions contained in the Declaration are incorporated by reference herein.

2.2 Declaration. "Declaration" shall mean and refer to the Amended Declaration of Covenants, Conditions and Restrictions applicable to the property recorded in Lake County, and subsequent amendments thereto.

2.3 Project Documents. "Project Documents" shall mean the governing Articles of Incorporation, the Declaration, and these Bylaws as said documents presently exist or as from time to time are amended.

ARTICLE III

MEMBERSHIP, MEETING AND VOTING

3.1 Annual Meeting. The annual meeting of members shall be held during the month of October at a time and place within the State of California convenient to the membership.

3.2 Special Meetings. Special meetings of the members shall be promptly scheduled at any time by the Board in response to the vote of a majority of the Board of Directors, or in response to a request by the President, or upon written request of the members representing five percent (5%) of the total voting power of the Association.

3.3 Notice and Place of Meetings. Written notice of each meeting of the members, annual or special, shall be given by, or at the direction of, the Secretary, by mailing a copy of such notice, first class mail, postage prepaid, at least twenty (20) but not more than ninety (90) days before such meeting to each first lender requesting notice and to all members, 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 and the general nature of any proposal for which member approval will be sought. Member action on the

following specific items is invalid unless the notice or written waiver of notice states the general nature of the proposal(s): (a) removing a director without cause; (b) filling vacancies in the Board of Directors by the members; (c) amending the Articles of Incorporation, the Bylaws or the Declaration; (d) approving a contract or transaction in which a director has a material financial interest; (e) changing land use or approving new construction in the common area or selling (including a lease for more than one year) real property or improvements thereon in the common area. Meetings shall be held within the Development or at a meeting place convenient to the membership as close to the Development as possible.

3.4 Quorum. The presence either in person or by proxy, at any meeting, of members entitled to cast thirty-three and one third percent (33-1/3%) of the total voting power of the Association (excluding the number of votes as to which voting rights are suspended at the time of the subject meeting), shall constitute a quorum except as otherwise provided in the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, a majority of the members entitled to vote thereat shall have power to adjourn the meeting to a date not less than five (5) days and not more than thirty (30) days later, without notice other than announcement at the meeting, at which adjourned meeting the quorum requirements shall be twenty-five percent (25%) of the total voting power (excluding the number of votes as to which voting rights are suspended at the time of the subject meeting). 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 members in the manner prescribed for annual meetings.

Except for the election to the Board of Directors

at the annual meeting, the members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal from the meeting of enough members to reduce those remaining (including proxies) below the number necessary to constitute a quorum, provided that any action taken following such withdrawal shall be approved by a majority of the total voting power of the Association, or such greater number as may be specified in the Declaration or these Bylaws. Election to the Board of Directors at the annual meeting shall require only the presence, in person or by proxy, of a quorum as defined in the preceding paragraph.

3.5 Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot, or upon receipt of written notice by the Secretary of the Board of the death or judicially declared incompetence of a member prior to the counting of the vote, or upon the expiration of eleven (11) months from the date of the proxy. Any form of proxy distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon. The proxy shall provide that, where the member specifies a choice, the vote shall be cast in accordance with that choice. The proxy also shall identify

the person or persons authorized to exercise the proxy. Proxies distributed to the membership for the annual meeting of members shall be voted only on the items of business specified in the proxy form and shall expire upon final adjournment of the annual meeting, unless the proxy specifically provides otherwise. In addition, voting by proxy shall comply with any other applicable requirements of California Corporations Code §§ 7514 and 7613.

3.6 Membership and Voting. Membership and voting rights shall be held as provided in Article IV of the Declaration. Either a majority of the Board of Directors or a majority of the total voting power of the Association can require that any matter to be voted upon by the members, whether at a meeting or by ballot, as provided in section 3.7 below, shall be by secret written ballot (including a form of proxy ballot). Such secret voting shall be counted by an Inspector of Election who is neither a member nor an employee of the Association.

3.7 Action Without Meeting. Any action that may be taken at any annual or special meeting of members (except the election of directors) may be taken without a meeting if the Association distributes a written ballot to every member entitled to vote, setting forth the proposed action and providing a reasonable time within which to return the ballot to the Association. Any form of written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon. The written ballot shall provide that, where the member specifies a choice, the vote shall be cast in accordance with that choice. The number of votes cast by written ballot within the time specified must equal or exceed the quorum required to be present at a meeting authorizing the action, and the number of approvals must equal or exceed the number of votes that would be required for approval at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. Ballots shall be distributed with notices pursuant to section 3.3 hereof.

3.8 Transfer Fees. Memberships in the Association are transferable only upon the conveyance of the lot giving rise to such membership and any other attempted transfer or assignment of such membership shall be null and void. Transfers of record shall be subject to a reasonable fee approved from time to time by the Board of Directors, and (except in the case of foreclosure as provided in section 5.9 of the Declaration) subject to the payment of all indebtedness to the Association of the member whose membership is transferred.

3.9 Membership Cards. The Association may issue cards to members from time to time as the Board may deem necessary to assure proper control and identification.

3.10 Record Date. The Board may fix a time in the future as a record date for the determination of the members entitled to notice of and to vote at any meeting of members. The record date so fixed shall not be more than thirty (30) days prior to the date of the meeting. When a record date is so fixed, only members of record on that date shall be entitled to notice of and to vote at the meeting, notwithstanding any transfer of or issuance of membership certificates on the books of the Association after the record date.

ARTICLE IV

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

4.1 Number. The affairs of this Association shall be managed by a Board of not less than seven (7) nor more than nine (9) directors, all of whom must be members of the Association. The Board may fix or change the number of directors at any time, within the limits specified, provided that in the event of a reduction in the size of the Board, each director then serving shall continue to serve for the remainder of his/her term, and provided, further, that in the event of an increase in the size of the Board, the newly created vacancies shall be filled at the next annual election by the general membership.

4.2 Term of Office. Directors shall be elected to serve for three (3) years, with staggered terms, so that an election is held each year to elect the number of directors whose terms have expired. No director shall be elected or appointed for more than two (2) consecutive full terms. Unless vacated sooner, each director shall hold office until the director's term expires and a successor is elected or appointed.

4.3 Removal; Vacancies. Any or all directors may be removed without cause if such removal is approved by the affirmative vote of a majority of the total voting power of the Association at a duly held meeting, or by written ballot in conformity with section 3.7, above. In the event of death or resignation of a director, the vacancy shall be filled by approval of the Board at a duly held meeting, or by the sole remaining director. The successor director shall serve for the unexpired term of his or her predecessor. The members may elect a director at any time to fill any vacancy not filled by the directors. A vacancy created by removal of a director can be filled only by election of the members.

4.4 Compensation. No director shall receive compensation for any service rendered to the Association in his or her capacity as director. However, any director may be reimbursed for his or her actual expenses, if reasonable, that are incurred in the performance of his or her duties.

4.5 Indemnification of Corporate Agents. The Association shall indemnify any present or former director, officer, employee or other agent of the Association to the fullest extent authorized under California Corporations Code § 7237, or any successor statute. The Association may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding, provided that the Association first receives an undertaking by or on behalf of such person to repay such amount if it is ultimately determined that such person was not entitled to indemnification under this provision.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

5.1 Nomination. Nominations for election to the Board of Directors may be made by an Election Committee and may also be made by any member. Notice to the members of the annual meeting shall include the names of all

those who are nominees at the time the notice is sent. The Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The Committee shall be appointed by the Board of Directors not less than eighty (80) days prior to each annual meeting of the members, to serve until the close of such annual meeting. The Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualifications to members and to solicit votes. The Board of Directors shall provide reasonable notice, via the Association newsletter or other publication, to members in good standing of their opportunity to submit nominations until a specified closing date which will allow sufficient time in advance of the annual meeting for printing and distribution of ballots and proxies to the membership. After said specified date, no further nominations will be accepted, including nominations from the floor at the annual meeting. Nominations by the members or the Committee shall be accompanied by a showing that the nominee has agreed to serve, if elected.

5.2 Election. Election to the Board shall be conducted at the annual meeting of the Association. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. In the event of a tie, a run-off shall be held between the candidates who are tied until the tie is broken. Voting for directors shall be by secret written ballot, without cumulative voting.

ARTICLE VI

MEETINGS OF DIRECTORS

6.1 Regular Meetings. Regular meetings of the Board of Directors shall be held at such places within the State of California, and at such hour as may be fixed from time to time by the Board. Notice of the time and place of meeting shall be posted at the gate bulletin board and published in the newsletter, and shall be communicated to directors not less than four (4) days prior to the meeting, provided, however, that notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting. The Board shall seek to hold an open forum for all members on a quarterly basis immediately following completion of a regular Board meeting and during or upon completion of formal business at the annual meeting of members.

6.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President or Secretary of the Association, or by any two (2) directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one of the following methods: (a) by personal delivery, (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly in person to the director or to a person at the director's office who would reasonably be expected to communicate such notice promptly to the director, or (d) by telegram, charges prepaid. All

such notices shall be given or sent to the director's address or telephone number as shown on the records of the Association. Such notice shall be posted at a prominent place within the common area not less than seventy-two (72) hours prior to the scheduled time of the meeting. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

6.3 Quorum. A majority of the directors then in office (but not less than four (4) in the case of a seven-person Board, or five (5) in the case of a eight or nine-person Board) shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by a majority of the required quorum for that meeting.

6.4 Open Meetings. All meetings of the Board shall be open to all members. To the maximum extent practicable, members shall be given an opportunity to express their views on agenda items prior to the Board's vote on such items. The Board may adopt Robert's Rules of Order or comparable rules to facilitate the orderly conduct of its meetings.

6.5 Executive Session. The Board may, with approval of a majority of its members present at a meeting in which a quorum for the transaction of business has been established, or, if all members of the governing body are present, by a majority vote of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session. Except for personnel matters, the Board's actions shall be reported to the members at the next regular meeting of the Board.

6.6 Telephone Meetings. Any meeting of the Board, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting. An explanation of the action taken shall be posted at a prominent place within the common area within three (3) days after the meeting.

6.7 Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

6.8 Notice of Adjourned Meeting. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the directors who were not present at the time of the adjournment, and shall be posted at a prominent place within the common area.

6.9 Action Without Meeting. In the event of an emergency or other matter of urgent importance, the nature of which precludes the holding of a special meeting, any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of the action taken shall be posted at a prominent place or places within the common area within three (3) days after the written consents of all Board members have been obtained.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1 Duties. It shall be the duty of the Board of Directors to:

7.1.A. Maintenance: Perform the maintenance described in section 6.1.A. of the Declaration.

7.1.B. Insurance: Maintain insurance as required by section 6.1.B. of the Declaration.

7.1.C. Discharge of Liens: Discharge by payment, if necessary, any lien against the common area and assess the cost thereof to the member or members responsible for the existence of the lien (after notice and hearing as required by these Bylaws).

7.1.D. Assessments: Fix, levy, collect and enforce assessments as set forth in Article V of the Declaration.

7.1.E. Expenses and Obligations: 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.

7.1.F. 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 one-fourth (1/4) of the members; 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.

7.1.G. Supervision: Supervise all officers, agents and employees of the Association, and see that their duties are properly performed.

7.1.H. Enforcement: Enforce these Bylaws and the Declaration.

7.1.I. Financial Records: Maintain an adequate level of reserve funds. 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.

7.1.J. Reserve Account Withdrawal Restrictions: 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.

7.1.K. Management of Amenities: Manage, operate and maintain the social and recreational amenities as required by section 6.1.G. of the Declaration.

7.1.L. Maintenance of roads: Control and maintain subdivision roads after such time as rights in the roads are conveyed to, and accepted by, the Association.

7.1.M. Maintenance of water system: In the event that the Association acquires an ownership interest in water rights and the subdivision water system, the Directors shall maintain, operate and improve the water system and shall impose rates, charges and assessments for such purposes. The Board may act directly or indirectly by delegating such responsibility to a duly qualified special district, mutual water company, or public utility.

7.2 Powers. The Board of Directors shall have power to:

7.2.A. Manager: Employ a manager or managers as provided in section 6.2.C. of the Declaration.

7.2.B. Adoption of Rules: Adopt rules in accordance with section 6.2.D. of the Declaration.

7.2.C. Assessments, Liens and Fines: Levy and collect assessments and impose fines as provided in section 6.2.F. of the Declaration.

7.2.D. Enforcement (Notice and Hearing): Enforce these Bylaws and/or the Declaration, provided that at least fifteen (15) days' prior

written notice of any charges (other than assessments) or potential discipline or fine, and the reasons therefor, are given to the member(s) affected, and that an opportunity is provided for the member(s) to be heard before the Board, orally or in writing not less than five (5) days before the imposition of the discipline or fine. Any notice given by mail shall be given by first class or registered mail sent to the last address of the member as shown on the Association's records.

7.2.E. Contracts: Contract for goods and/or services in accordance with section 6.2.K. of the Declaration.

7.2.F. Delegation: Delegate its authority and powers to committees, officers or employees of the Association, or to a manager employed by the Association. The Board may not delegate the authority to make expenditures for capital additions or improvements chargeable against the reserve funds; to conduct hearings concerning compliance by an owner or his tenant, lessee, guest or invitee with the Declaration or rules and regulations promulgated by the Board, or to make a decision to levy monetary fines, impose special assessments against individual lots, temporarily suspend an owner's rights as a member of the Association or otherwise impose discipline following any such hearing; to make a decision to levy annual or special assessments; or to make a decision to bring suit, record a claim of lien, or institute foreclosure proceedings for default in payment or assessments. Any such delegation shall be revocable by the Board at any time. The members of the Board, individually or collectively, shall not be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated by written instrument executed by a majority of the Board.

7.2.G. Management of Development: Manage and operate the Development and its social and recreational amenities as provided in section 6.2.0 of the Declaration.

7.2.H. Appointment of Trustee: Appoint a trustee to enforce assessment liens by power of sale as provided in the Declaration and in California Civil Code § 1367(b).

7.2.I. Other Powers: In addition to any other power contained herein and/or in the Declaration, the Association may exercise the powers granted to a nonprofit mutual benefit corporation as enumerated in California Corporations Code § 7140 or any successor provision.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

8.1 Enumeration of officers. The officers of this Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

8.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

8.3 Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

8.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

8.5 Resignation and Removal. Any officer may be removed from office (but not from the Board, if the officer is also a Board member) by the Board with or without cause. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

8.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces, or, in the case of officers appointed under section 8.4, shall serve for the term for which the appointment is made.

8.7 Duties. The duties of the officers are as follows:

8.7.A. President: The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. The President shall have the general powers and duties of management usually vested in the office of the President of a California nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

8.7.B. Vice President: The Vice President shall act in the place and stead of the President in the event of his or her absence or inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

8.7.C. Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with the addresses, and shall perform such other duties as required by the Board.

8.7.D. Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Association; shall keep proper books of account; shall prepare and distribute budgets and financial statements to each member as follows:

(1) a pro forma operating budget for each fiscal year shall be distributed not less than forty-five (45) nor more than sixty (60) days

before the beginning of the fiscal year consisting of at least the following: (a) estimated revenue and expenses on an accrual basis; (b) the amount of the total cash reserves of the Association currently available for the replacement or major repair of common facilities and for contingencies; (c) an estimate of the current replacement costs of, and the estimated remaining useful life of, and the methods of funding used to defray the future repair, replacement, or additions to, those major components of the common area or facilities which the Association is obligated to maintain; (d) a general statement setting forth the procedures used in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the Association is responsible. In lieu of the distribution of the pro rata operating budget, the Board may elect to distribute a summary of the four items described in the preceding sentence to all the members, with written notice that the budget is available at the business office of the Association or at another suitable location within the boundaries of the development and that copies will be provided upon request and at the expense of the Association. If any member requests a copy of the pro forma operating budget, including the four items referred to above, to be mailed to the member, the Association shall provide the copy to the member by first-class United States mail at the expense of the Association and delivered within five days. The written notice that is distributed to each of the Association members shall be in at least 10-point bold type on the front page of the summary of the statement;

(2) a report which must be prepared by an independent accountant, consisting of the following, shall be distributed within one hundred twenty (120) days after the close of the fiscal year: (a) a balance sheet as of the end of the fiscal year; (b) an operating (income) statement for the fiscal year; (c) a statement of changes in financial position for the fiscal year; (d) for any fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars (\$75,000), a copy of a review of the financial statement of the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy; (e) any information required to be reported under § 8322 of the California Corporations Code;

(3) a statement describing the Association's policies and practices in enforcing lien rights, or other legal remedies for default in payment of its assessments against its member, and a statement of the place where the names and addresses of the current members are located shall be distributed annually to the members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

8.7.E. Delegation: The foregoing duties of the Secretary and Treasurer may be delegated to a manager appointed by the Board.

ARTICLE IX

COMMITTEES

9.1 Committees. An Architectural Review Committee shall be appointed, as provided in the Declaration, and an Election Committee may be appointed, as provided in these Bylaws. In addition, the Board of Directors shall

appoint other committees as deemed appropriate in carrying out its purpose. Committees, and the membership of each, shall be appointed at the organizational meeting of the Board following the annual meeting of members or as soon thereafter as possible, and the term of each committee member shall expire at the next annual meeting of members. No committee, regardless of Board resolution, may: (a) take any final action on matters which, under the Nonprofit Corporation Law of California also requires members' approval; (b) fill vacancies on the Board of Directors or in any committee; (c) amend or repeal Bylaws or adopt new Bylaws; (d) amend or repeal any resolution of the Board of Directors; (e) appoint any other committees of the Board of Directors or the members of those committees; (f) approve any transaction which the Association is a party and in which one (1) or more directors have a material financial interest.

ARTICLE X

BOOKS AND RECORDS

10.1 Inspection by Members. The membership register (including names, mailing addresses, telephone numbers and voting rights), books of account and minutes of meetings of the members, of the Board, and of committees 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 Development as the Board shall prescribe.

10.2 Rules for Inspection. The Board shall establish reasonable rules with respect to:

10.2.A. Notice to be given to the custodian of the records by the member desiring to make the inspection;

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

10.2.C. Payment of the cost of reproducing copies of documents requested by a member.

10.3 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 at the expense of the Association.

10.4 Documents Provided by Board. Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, provide the owner of a lot with a copy of the project documents, a copy of the most recent budget and statements of the Association distributed pursuant to section 8.7.D.(1), (2) and (3) together with a true statement in writing from an authorized representative of the Association as to the amount of any assessments levied upon the lot which are unpaid on the date of the statement, including late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the owner's

lot. The Board may impose a fee for providing the foregoing which may not exceed the reasonable cost to prepare and reproduce the requested documents.

ARTICLE XI

MISCELLANEOUS

11.1 Amendments. These Bylaws may be amended only by the affirmative vote (in person or by proxy) or written consent of members representing a majority of the total voting power of the Association. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

11.2 Conflicts. In the case of any conflict between the Articles and the Bylaws, the Bylaws shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

11.3 Fiscal Year. Unless directed otherwise by the Board, the fiscal year of the Association shall begin on the first day of October and end on the thirtieth (30th) day of September of every year.

CERTIFICATE

I, the undersigned, the duly elected and acting Secretary of Lake Pillsbury Property Owners Association, a California nonprofit mutual benefit corporation, do hereby certify that the foregoing Bylaws were adopted as the Amended Bylaws of the Association on July 13, 1997, having been approved by vote, after proper notice, of members representing a majority of the voting power, in person or by proxy, at a regular or special meeting of the membership, or by the written consent of at least a majority of the shareholders of the corporation, and that the same do now constitute the Bylaws of the Association.

This Certificate is executed under penalty of perjury on August 4, 1997, in the County of Lake, California.

Miriam Mustain
Secretary

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LAKE PILLSBURY PROPERTY OWNERS' ASSOCIATION

AMENDED

**DECLARATION OF RESTRICTIONS, CONDITIONS, COVENANTS
AND AGREEMENTS**

NOTICE:

**ENCUMBRANCE OF RECORD FOR OWNERS ASSOCIATION
ASSESSMENTS AND CHARGES SET FORTH HEREIN.
SEE SECTION 5.12**

THIS DECLARATION, made on the date hereinafter set forth, by the Lake Pillsbury Property Owners' Association, a California nonprofit mutual benefit corporation, hereinafter referred to as "Declarant," is made with reference to the following facts:

A. Declarant is a homeowners' association, whose members are the owners of certain property located in the County of Lake, State of California, more particularly described as: all that certain land located in Lake County, California, delineated on those certain maps entitled LAKE PILLSBURY RANCH UNIT NO. 1 (recorded on the 15th day of August, 1966 in Book 9 of Maps at pages 55 to 58, inclusive, Lake County Records), LAKE PILLSBURY RANCH UNIT NO. 2 (recorded on the 24th day of October, 1966 in Book 9 of Maps at pages 65 to 68, inclusive, Lake County Records), LAKE PILLSBURY RANCH UNIT NO. 3 (recorded on the 5th day of February, 1968 in Book 10 of Town Maps at pages 3 to 9, inclusive, Lake County Records), LAKE PILLSBURY RANCH UNIT NO. 4 (recorded on the 6th day of May, 1968 in Book 10 of Town Maps at pages 19 to 28 inclusive, Lake County Records).

B. The property shall be referred to as the "Development" as defined in section 1.11. Said property is a planned development which includes lots, common areas, tennis courts, stables, picnic area, swimming pond, any roads which have been or may hereafter be dedicated or conveyed to Declarant, and other amenities.

C. Declarant intends by this document to amend the documents entitled:

1. Lake Pillsbury Ranch Unit No. 1, Declaration of Restrictions, Conditions, Covenants and Agreements; recorded in the official records of the County of Lake on August 30, 1966 at Book 502, Page 474.

2. Amended Declaration of Restrictions, Conditions, Covenants and Agreements for Lake Pillsbury Ranch Unit No. 1, and for all other units of Lake Pillsbury Ranch Subdivision hereafter developed; recorded in the official records of the County of Lake on December 22, 1966 at Book 510, Page 344.

3. Declaration of Restrictions, Conditions, Covenants, and Agreements for Lake Pillsbury Ranch Unit No. II; recorded in the official records of the County of Lake on January 16, 1967 at Book 513, Page 380.

4. Lake Pillsbury Ranch Unit No. 2, Declaration of Restrictions, Conditions, Covenants and Agreements; recorded in the official records of the County of Lake on October 28, 1966 at Book 507, Page 463.

5. Lake Pillsbury Ranch Unit No. 3, Declaration of Restrictions, Conditions, Covenants, and Agreements; recorded in the official records of the County of Lake on February 29, 1968 at Book 547, Page 558.

6. Amendment to Declaration of Restrictions for Lake Pillsbury Ranch Unit 3, said instrument recorded February 29, 1968, Book 547, Page 558; recorded in the official records of the County of Lake at Book 554, Page 422.

7. Lake Pillsbury Ranch Unit No. 4, Declaration of Restrictions, Conditions, Covenants and Agreements; recorded May 20, 1968 in the official records of the County of Lake at Book 555, Page 265.

D. Pursuant to the terms of the Original Declarations, enumerated and identified in Paragraph C, above, this Amended Declaration has been approved and adopted by the affirmative vote of three-fourths (3/4) of the owners of all lots in the Development entitled to vote, or such lesser number as approved by judgment and order of the Lake County Superior Court.

NOW, THEREFORE, Declarant hereby declares that all of the property described above shall continue to be held, sold, leased, mortgaged, encumbered, rented, used, occupied, improved, managed and conveyed subject to the following declarations, limitations, easements, restrictions, covenants, and conditions, which are imposed as equitable servitudes pursuant to a general plan for the development and operation of the property for the purpose of enhancing and protecting the value and desirability of the property and every part thereof, and which shall run with the property and be binding on all parties having or acquiring any right, title or interest in or to the described property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

1.1 "Articles" shall mean and refer to the Articles of Incorporation of the Association, as amended from time to time.

1.2 "Assessment" shall mean that portion of the cost of maintaining, improving, repairing, operating and managing the property which is to be paid by each lot owner as determined by the Association.

1.3 "Association" shall mean and refer to the Lake Pillsbury Property Owners' Association, a California nonprofit mutual benefit corporation, the members of which are the owners of lots in the Development.

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

1.5 "Bylaws" shall mean and refer to the Bylaws of the Association, as amended from time to time.

1.6 "Common area(s)" shall mean and refer to the portions of the property (and all improvements thereon) owned by the Association for the common use and enjoyment of the owners, including, but not limited to, all property designated "Common Area" on the Map, all property annexed to the Development as common area, all recreational and community facilities, private roads and other amenities.

1.7 "Common expenses" means and includes the actual and estimated expenses of operating the common area and/or common facilities 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 Declaration, Articles, or Bylaws.

1.8 "Declarant" shall mean and refer to the Association.

1.9 "Declaration" shall mean and refer to this Amended Declaration, as amended or supplemented from time to time.

1.10 "Architectural Review Committee" shall mean and refer to the Committee described in section 7.1.

1.11 "Development" shall mean and refer to the real property above described (Paragraph B) including all improvements and structures erected or to be erected thereon, subject to this Declaration.

1.12 "Eligible holder mortgages" shall mean mortgages held by eligible mortgage holders.

1.13 "Eligible insurer or guarantor" shall mean an insurer or governmental guarantor of a first mortgage who has requested notice of certain matters from the Association in accordance with section 9.8.C.

1.14 "Eligible mortgage holder" shall mean a first lender who has requested notice of certain matters from the Association in accordance with section 9.8.C.

1.15 "First lender" shall mean any bank, savings and loan association, insurance company, or other financial institution, or private lender holding a recorded first mortgage on any lot.

1.16 "Lot" shall mean and refer to each Arabic numbered lot and each parcel identified by letter shown on a Map with the exception of the common areas.

1.17 "Map" shall mean and refer to the Subdivision Maps of the Development as they are recorded in final form, including the Maps described in Paragraph A, herein above.

1.18 "Member" shall mean and refer to a person entitled to membership in the Association as provided herein.

1.19 "Mortgage" shall include a deed of trust as well as a mortgage.

1.20 "Mortgagee" shall include a beneficiary or a holder of a deed of trust as well as mortgagee.

1.21 "Mortgagor" shall include the trustor of a deed of trust as well as a mortgagor.

1.22 "Owner" shall mean and refer to the record owner, whether one (1) or more persons or entities, of fee simple title to any lot which is a part of the Development, but excluding those persons or entities having an interest merely as security for the performance of an obligation. If a lot is sold under a contract of sale and the contract is recorded, the purchaser, rather than the fee owner, will be considered the "owner" from and after the date the Association receives written notice of the recorded contract.

1.23 "Parcel" shall mean each numbered or lettered parcel shown on a Map.

1.24 "Person" means a natural person, a corporation, a partnership, a trustee, or other legal entity.

1.25 "Project documents" shall mean and refer to this Declaration, together with the other basic documents used to create and govern the Development, including the Maps, the Articles, and the Bylaws (but excluding unrecorded rules and regulations adopted by the Board or the Association except for such written agreements or documents which an owner has received or of which an owner has actual knowledge).

1.26 "Property" shall mean and refer to the real property described on the maps and all improvements thereon, subject to this Declaration.

1.27 "Quorum" shall have the meaning set forth in the Bylaws in sections 3.4 and 6.3.

ARTICLE II

STATEMENT OF GENERAL PURPOSE

2.1 The general purpose of this Declaration and these Restrictions is to maintain and enhance as its principal assets the property's exclusive privacy, its park-like character, and its natural beauty and vast forest setting. In aid of this stated general purpose, the following additional goals or purposes are hereby adopted and incorporated in this Article II:

2.2 To ensure that all uses of, and improvements upon, the property are compatible with, and respectful of, the aforementioned features and assets.

2.3 To maintain the highest level of physical security reasonably within the financial means of the Association, including, but not limited to, fencing, locking or otherwise controlled gates and access points, and patrols.

2.4 To enhance the free enjoyment and use of property by the individual owners within the parameters of the above-stated general purpose so that owners may fully satisfy their expectations that the property will maintain its natural assets and sylvan beauty.

2.5 To ensure, insofar as is possible, that those who acquire property subject to this Amended Declaration of Restrictions, Conditions and Covenants freely accept an equal obligation to care for and help preserve the forest, its lakes and streams, its flora and fauna, its natural beauties and its open spaces for the benefit of the respective property owners and their successors in future generations.

ARTICLE III

DESCRIPTION OF PROJECT, DIVISION OF PROPERTY,

AND CREATION OF PROPERTY RIGHTS

3.1 Description of Project: The project is a planned development consisting of the common areas, roads, the building lots, and all improvements thereon.

3.2 Easements, Dedication of Common Area: Each of the lots shown on the Maps shall have appurtenant to it as the dominant tenement an easement over the common area(s), as the servient tenement(s) for ingress and egress, and for use, occupancy and enjoyment, and for the construction, maintenance and operation of utilities; subject to the following provisions:

3.2.A. The right of the Association to discipline members and to suspend the voting rights of a member for any period during which any assessment against the member's lot remains unpaid, and for any infraction of the Declaration, Bylaws, Articles or written rules and regulations in accordance with the provisions of sections 5.10, 6.2.F and 9.1 hereof;

3.2.B. The right of the Association to dedicate, convey, transfer or mortgage 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, provided, that in the case of the borrowing of money and the mortgaging of its property as security therefor, the rights of such mortgagee shall be subordinate to the rights of the members of the Association. Excepting only as specified in section 6.1.H herein below (water system), no such dedication, conveyance, transfer or mortgage shall be effective unless an instrument signed or approved by fifty-one per cent (51%) of the total voting power of the Association authorizing such dedication, the transfer or mortgage has been recorded, and the County of Lake has approved of the action;

3.2.C. The right of the Association, by action of the Board, to grant easements under, in, upon, across, over, above or through any portion of the common area for purposes, including, without limitation, access and utilities, which are beneficial to the development of the property in accordance with the general plan established by this Declaration;

3.2.D. The right of the Association to install or have installed underground a cable or central television antenna system. The system, if and when installed, shall be maintained by the Association or cable television franchisee. To the extent required to effectuate the foregoing plan, there shall be an easement in favor of each lot for the purpose of connecting the same with the master cable television terminal, central television antenna or line. Each lot shall be subject to an easement in favor of all other lots and in favor of the entity holding the CATV franchise, to provide for the passage through the lot of television connections from any other lot to the cable system, and shall be subject to a further easement for the placement and maintenance of such connections.

The foregoing easements are granted and reserved subject to the condition that their use and enjoyment shall not unreasonably interfere with the use, occupancy or enjoyment of all or any part of the lot servient to them or to which they are appurtenant.

3.3 Easements to Accompany Conveyance of Lot: Easements that benefit or burden any lot shall be appurtenant to that lot and shall automatically accompany the conveyance of the lot, even though the description in the instrument of conveyance may refer only to the fee title to the lot.

3.4 Delegation of Use: No owner, which for this purpose shall include a contract purchaser, may delegate his or her right of enjoyment to the common area and facilities to the family members (other than to permanent residents of his or her household) or to his or her tenants, except that the Board by resolution may extend limited privileges to such use of the common area and facilities. Nonresident members of an owner's immediate family shall be accorded guest privileges in the use of the common area and facilities.

3.5 Title to Common Area: Title to the common area shall be held by the Association for the benefit of the members of the Association. It is hereby recognized that the County of Lake is a real party in interest in these restrictions, and no common area shall be abandoned or conveyed away by the Association without the prior consent in writing of the County of Lake.

3.6 Owners' Rights and Easements for Utilities: The rights and duties of the owners of lots within the Development with respect to sanitary sewer, drainage, water, electric, gas, television receiving, telephone equipment, cables and lines, exhaust flues, and heating and air conditioning facilities (hereinafter referred to, collectively, as "utility facilities") shall be as follows:

3.6.A. Whenever utility facilities are installed within the Development, which utility facilities or any portion thereof lie in or upon a lot or lots owned by other than the owner of a lot served by said utility facilities, the owners of any lots served by said utility facilities, shall

have the right of reasonable access for themselves or for utility companies to repair, to replace and generally maintain said utility facilities as and when the same may be necessary.

3.6.B. Whenever utility facilities are installed within the Development which serve more than one (1) lot, the owner of each lot served by said utility facilities shall be entitled to the full use and enjoyment of such portions of said utility facilities as service his or her lot.

3.6.C. In the event of a dispute between owners or between an owner and the Association with respect to the repair or rebuilding of said utility facilities, or with respect to the sharing of the cost thereof, then, upon written request of one (1) owner of the Association addressed to the other owner(s), the matter shall be submitted to binding arbitration within sixty (60) days pursuant to the rules of the American Arbitration Association, or any successor thereto, and the decision of the Arbitrator(s) shall be final and conclusive on the parties, and judgment may be entered thereon in any court having jurisdiction.

3.7 Limited Access: There shall be no vehicular access to any lot on the perimeter of the Development except from designated streets or roads within the Development.

3.8 Subdivision and Combination of Lots: No lot shall be further subdivided. The owner of two or more contiguous lots may apply to the County of Lake for permission to combine or merge such lots as the site of a single dwelling. All building restrictions contained in Article VII shall continue to apply. Upon a satisfactory showing that all Lake County requirements for lot merger are fully satisfied, and pursuant to any applicable policy adopted by the Board, upon the written consent of the Board said contiguous lots may thereafter be treated as a single lot for purposes of this Declaration so long as said lots remain improved with a single dwelling; provided, however, that only one (1) vote and only one (1) assessment share shall continue to be appurtenant to said combined or merged lots.

3.9 Open Space Preserve: Those interests in common areas conveyed to the County of Lake under a "Scenic Easement Deed" shall be used only in conformance with the terms of said deed(s). This section 3.9 shall not be amended without the prior consent in writing of the County of Lake.

3.10 Maintenance Easement: The Association shall have an easement over each lot for the purpose of entering upon the property to perform such maintenance, if any, as the Association may do in accordance with the provisions of section 6.1.A. of this Declaration.

3.11 Drainage Easements: An easement over and under each lot (excluding the building envelope) as the servient tenement is reserved in favor of each other lot as the dominant tenement for the purpose of allowing the Association's agents to enter the lot to maintain that portion of any in-tract storm drainage system located thereon. No owner or occupant shall commit any act that would interfere with the operation of any drainage system (including drainage swales) installed on the owner's lot; each owner shall maintain the system free of debris and other obstacles at all times.

Reciprocal appurtenant easements between each lot and the common area and between adjoining lots are reserved for the flow of surface water.

3.12 Rights of Entry and Use: The lots and common area (including restricted common area) shall be subject to the following rights of entry and use:

3.12.A. The right of the Association's agents to enter any lot, but not any dwelling thereon, to cure any violation of this Declaration or the Bylaws, provided that the owner has received written notice and a hearing as required by the Bylaws (except in the case of an emergency) and the owner has failed to cure the violation or take steps necessary to cure the violation within thirty (30) days after the finding of a violation by the Association;

3.12.B. The access rights of the Association to maintain, repair or replace improvements or property located in the common area as described in section 6.2.E.;

3.12.C. The easements described in this Article III.

3.12.D. The right of the Association's agents to enter any lot to perform maintenance as described in section 9.9;

3.12.E. The right of the Association's agents to enter any lot, including a dwelling, to cure any threat to public safety or to the security of the home or its occupants.

3.13 Other Easements: Nonexclusive easements, as described herein on the recorded maps, over the lots, parcels, and common areas shown on the maps, or within such property as may be annexed thereto, for the installation and maintenance of electric, telephone, water, gas and sanitary sewer lines and drainage facilities, including a sprinkling system for treated effluent are hereby declared to exist. Easements for drainage and utility purposes along the rear and both sides of each lot, for a distance of five feet (5') from such side boundaries and ten feet (10') from such rear boundaries, and easements for slope and pedestrian walkways in the front twenty feet (20') of each lot, are retained by Declarant.

3.14 Partition of Common Area: There shall be no subdivision or partition of the common area, nor shall any owner seek any partition or subdivision thereof.

Notwithstanding any provisions to the contrary contained in this Declaration, and in order to provide for a means of terminating the Development if this should become necessary or desirable, on occurrence of any of the conditions allowing an owner of a lot to maintain an action for partition (as such conditions are presently set forth in California Civil Code § 1359 or as such conditions in the future may be set forth in any amendment thereto or comparable provisions of law) two-thirds (2/3) of the owners of lots shall have the right to petition the Superior Court having jurisdiction to alter or vacate the Map(s) under California Government Code §66499.21, et seq., or any comparable provisions or law, and to vest title to

the property in owners as tenants in common and order an equitable partition of the property in accordance with the laws of the State of California.

Nothing herein shall be construed to prohibit partition of a joint tenancy or co-tenancy in any lot.

ARTICLE IV

ASSOCIATION, ADMINISTRATION, MEMBERSHIP AND VOTING RIGHTS

4.1 Association to Own and Manage Common Areas:

The Association shall own and manage the common area in accordance with the provisions of this Declaration, and the Articles and Bylaws.

4.2 Membership: The owner of a lot shall automatically, upon becoming the owner of same, be a member of the Association, and shall remain a member thereof until such time as his or her ownership ceases for any reason. Membership shall be appurtenant to and may not be separated from ownership of a lot. Membership shall be held in accordance with the Articles and Bylaws.

4.3 Transferred Membership: Membership in the Association shall not be transferred, encumbered, pledged, or alienated in any way, except upon the sale or encumbrance of the lot to which it is appurtenant, and then only to the purchaser, in the case of a sale, or mortgagee, in the case of an encumbrance of such lot. On any transfer of title to an owner's lot, including a transfer on the death of an owner, membership passes automatically with title to the transferee.

A mortgagee does not have membership rights until it obtains title to the lot through foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer is void. No member may resign his membership. On notice of a transfer, the Association shall record the transfer on its books, subject to the requirements of Article III, section 3.8 of the Bylaws.

4.4 Voting Rights: Members shall be entitled to one (1) vote for each lot owned. When more than one (1) person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any lot. If multiple owners of any lot cannot agree among themselves as to the vote on any particular issue, then no vote on such issue shall be cast by said owners.

ARTICLE V

MAINTENANCE AND ASSESSMENTS

5.1 Creation of the Lien and Personal Obligation of Assessments: Each owner of each lot within the Development, hereby covenants, and each owner of any lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees:

(1) to pay to the Association annual assessments or charges, and special assessments for purposes permitted herein, such assessments to be established and collected as hereinafter provided; and

(2) to allow the Association to enforce any assessment lien established hereunder by nonjudicial proceedings under a power of sale or by any other means authorized by law.

The annual and special assessments, together with interest, late charges, collection costs, and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made, the lien to become effective upon recordation of a notice of delinquent assessment. Each such assessment, together with interest, late charges, collection costs, and reasonable attorneys' fees, shall also be the personal, joint and several, obligation of each person who was the owner of such property at the time when the assessment fell due. No owner of a lot may exempt himself or herself from liability for his or her contribution toward the common expenses by waiver of the use or enjoyment of any of the common areas, or by non-use of facilities and/or amenities, or by the abandonment of his or her lot.

5.2 Purpose of Assessments: The assessments levied by the Association shall be used to promote the economic interests, recreation, health, safety, and welfare of all the members and to provide insurance, improvement and maintenance of the common area and common facilities, for the common good of the Development.

5.3 Assessments:

5.3.A. Annual Assessments: The Board shall establish and levy annual assessments in an amount that the Board estimates will be sufficient to raise the funds needed to perform the duties of the Association during each fiscal year.

The annual assessment shall include a portion for reserves in such amounts as the Board in its discretion considers appropriate to meet the costs of the future repair, replacement or additions to the major improvements and fixtures that the Association is obligated to maintain. Reserve funds shall be deposited in a separate account and the signatures of at least two (2) persons who shall either be members of the Board, or one officer who is not a member of the Board and a member of the Board, shall be required to withdraw monies from the reserve account. Reserve funds may not be expended for any purpose other than repairing, replacing or adding to the major improvements or fixtures that the Association is obligated to maintain without the consent of a majority of the total voting power of the Association at a duly held meeting, or by written ballot approved by a majority of the total voting power.

5.3.B. Special Assessments: The Board may, at any time, levy a special assessment in order to raise funds for acquisition of new Association property, capital improvements within the common area, unexpected repair or operating or other costs, insufficient operating or reserve funds, or such other purposes as the Board in its discretion considers appropriate. Special assessments shall be allocated among the lots in the same manner as annual assessments, except in the case of an assessment levied by the Board against a member to reimburse the Association for costs incurred in bringing the member and his lot into compliance with provisions of the project

documents, or to collect from a member any amount which the owner is obligated to pay to the Association.

5.4 Restrictions on Increases In Annual or Special Assessments: As provided by California Civil Code §1366, the Board may not impose an annual assessment on any lot which is more than twenty percent (20%) greater than the annual assessment for that lot for the immediate preceding fiscal year, without the vote or written consent of members constituting a majority of the total voting power of the Association. As provided by California Civil Code §1366, the Board may not levy a special assessment to defray the cost of any action or undertaking on behalf of the Association which in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, without the vote or written assent of members constituting a majority of the total voting power of the Association. Any meeting of the Association for purposes of complying with this section 5.4 shall be conducted in accordance with Chapter 5 (commencing with § 7510) of Part 3, Division 2 of Title I of the California Corporations Code and § 7613 of the California Corporations Code. The Board may increase annual assessments by up to twenty percent (20%) over the annual assessment for the immediate preceding fiscal year only if the Board has complied with the provisions of California Civil Code § 1365(a), which provisions are set forth in section 8.7.D.(1) of the Bylaws, or has obtained the approval of such increase by the members in the manner set forth above in this section 5.4.

Notwithstanding the foregoing, the Board, as provided by California Civil Code § 1366, without membership approval, may increase annual assessments or levy special assessments necessary for an emergency situation. For purposes of this section, an emergency situation is 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 property or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered, or
- (3) an extraordinary expense necessary to repair or maintain the 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, provided, however that prior to the imposition or collection of the assessment, 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 the assessment.

This section 5.4 incorporates the statutory requirements of California Civil Code § 1366. If said section of the California Civil Code is amended in any manner, this section 5.4 automatically shall be amended in the same manner without the necessity of amending this Declaration.

5.5 Notice and Quorum for Any Action Authorized Under Section 5.4: Any action authorized under section 5.4, which requires a vote of the membership, shall be taken at a meeting called for that purpose, written notice of which shall be sent to all members not less than twenty (20) nor

more than ninety (90) days in advance of the meeting, specifying the place, day and hour of the meeting and, in the case of a special meeting, the nature of the business to be undertaken. The action may also be taken without a meeting pursuant to the provisions of section 3.7 of the Bylaws.

5.6 Uniform Rate of Assessment: Both annual and special assessments (except for a special assessment against an individual member, as provided in section 5.3.B.) must be fixed at a uniform rate for all lots and may be collected on a monthly, quarterly or lump sum basis.

5.7 Annual Assessments; Due Dates: Subject to the provisions of section 5.3 hereof, the Board of Directors shall use their best efforts to fix the amount of the annual assessment against each lot and send written notice thereof to every owner at least forty-five (45) days in advance of each annual assessment period, provided that failure to comply with the foregoing shall not affect the validity of any assessment levied by the Board. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid. Such a certificate shall be conclusive evidence of such payment.

5.8 Effect of Nonpayment of Assessments: Any assessment not paid within fifteen (15) days after the due date shall be delinquent, shall bear interest at the rate of twelve percent (12%) per annum from thirty (30) days after the due date until paid, and shall incur a late payment penalty in an amount to be set by the Board from time to time, not to exceed the maximum permitted by applicable law.

5.9 Transfer of Lot by Sale or Foreclosure: Sale or transfer of any lot shall not affect any annual or special assessment lien. However, the sale of any lot pursuant to mortgage foreclosure of a first mortgage shall extinguish the lien of such assessments (including fees, late charges, fines or interest levied in connection therewith) as to payments which became due prior to such sale or transfer (except for assessment liens recorded prior to the mortgage). No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

Where the mortgagee of a first mortgage of record or other purchaser of a lot obtains title to the same as a result of foreclosure of any such first mortgage, such acquirer of title, and his successor and assigns, shall not be liable for the assessment by the Association chargeable to such lot which became due prior to the acquisition of title to such lot by such acquirer (except for assessment liens recorded prior to the mortgage). The unpaid share of such assessments shall be deemed to be common expenses collectable from all of the lots including such acquirer, and his successors or assigns.

If a lot is transferred, the grantor shall remain personally liable to the Association for all unpaid assessments against the lot through and including the date of the transfer. The grantee shall be entitled to a statement from the Association, dated as of the date of transfer, setting forth the amount of the unpaid assessments against the lot to be transferred and the lot shall not be subject to a lien for unpaid assessments in excess

of the amount set forth in the statement. The grantee shall be liable for any assessments that become due after the date of the transfer.

5.10 Priorities; Enforcement; Remedies: If an assessment is delinquent, the Association may record a notice of delinquent assessment and establish a lien against the lot of the delinquent owner prior and superior to all other liens except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any first mortgage of record (meaning any recorded mortgage or deeds of trust with first priority over other mortgages or deed of trust) made in good faith and for value. The notice of delinquent assessment shall state the amount of the assessment, collection costs, attorneys' fees, late charges and interest, a description of the lot against which the assessment and other sums are levied, the name of the record owner, and the name and address of the trustee authorized by the Association to enforce the lien by sale. The notice shall be signed by any officer of the Association or any management agent retained by the Association.

An assessment lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the notice of delinquent assessment, or sale by a trustee substituted pursuant to California Civil Code 2934a. Any sale by the trustee shall be conducted in accordance with the provisions of 2924, 2924b, 2924c, 2924f, 2924g and 2924h of the California Civil Code, including any successor statutes thereto, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. Nothing herein shall preclude the Association from bringing an action directly against an owner for breach of the personal obligation to pay assessments.

Fines and penalties for violation of the Declaration or other project documents are enforceable by assessment lien.

The Association, acting on behalf of the owners, shall have the power to bid for the lot at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Where the purchase of a foreclosure lot will result in a five percent (5%) or greater increase in assessments, the purchase shall require the vote or written consent of a majority of the total voting power of the Association. During the period a lot is owned by the Association, following foreclosure:

(1) no right to vote shall be exercised on behalf of the lot;

(2) no assessment shall be assessed or levied on the lot unless it has become income producing.

After acquiring title to the lot at foreclosure sale following notice and publication, the Association may execute, acknowledge and record a deed conveying title to the lot which deed shall be binding upon the owners, successors, and all other parties. Suit to recover a money judgment for unpaid common expenses, and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same.

The Board may temporarily suspend the voting rights and right to use the recreational facilities of a member who is in default in payment of any assessment, after notice and hearing, as provided in the Bylaws.

The Association shall not be required to transfer memberships on its books (or to allow the exercise of any rights or privileges of membership on account thereof) to any owner or to any person claiming under such owner unless or until payment has been made of all assessments and charges to which such owner's property in this Development is subject.

5.11 Unallocated Taxes: In the event that any taxes are assessed against the common area, or the personal property of the Association, rather than being assessed to the lots, said taxes shall be included in the assessments made under the provisions of section 5.1 and, if necessary, a special assessment may be levied against the lots in an amount equal to said taxes, to be paid in two (2) installments, thirty (30) days prior to the due date of each tax installment.

5.12 RECORD NOTICE OF ENCUMBRANCE: ON AND AFTER THE DATE OF RECORDING OF THIS AMENDED DECLARATION OF RESTRICTIONS, CONDITIONS, COVENANTS AND AGREEMENTS IN THE OFFICIAL RECORDS OF THE COUNTY OF LAKE, THE ASSESSMENTS AND OTHER CHARGES PROVIDED FOR HEREIN SHALL BE AN ENCUMBRANCE OF RECORD FOR PURPOSES OF ANY TRANSFER OR CONVEYANCE OF REAL PROPERTY LOCATED WITHIN THE LAKE PILLSBURY RANCH SUBDIVISION. DEMAND FOR AN ACCOUNTING OF PAYMENTS DUE, IF ANY, SHALL BE MADE UPON THE LAKE PILLSBURY PROPERTY OWNERS ASSOCIATION, C/O GATEHOUSE, LAKE PILLSBURY RANCH, POTTER VALLEY, CA, 95469.

ARTICLE VI

DUTIES AND POWERS OF THE ASSOCIATION

6.1 Duties: In addition to the duties enumerated in the Articles and Bylaws, or elsewhere provided for in this Declaration, and without limiting the generality thereof, the Association or the Board shall perform the following duties:

6.1.A. Maintenance: The Association or the Board shall maintain, repair and replace (as necessary) the following:

(1) the common area, all improvements and landscaping thereon, and all property owned by the Association, including without limitation: a.) parking areas, roads, irrigation systems; b.) lighting fixtures, and utility, water, sewer and drainage systems not maintained by a public entity, utility company, mutual water company, or improvement district; c.) tennis courts, stables, boat sheds, pond/picnic area, and other amenities.

(2) maintenance of landscaping may include regular fertilization, irrigation and other garden management practice necessary to promote a healthy, weed free environment for optimum plant growth, except in those common areas designated as scenic easements which prohibit interfering with the natural vegetation and topography.

If the Association incurs any maintenance or repair costs because of the willful or negligent act or omission of any owner or the owner's agents,

tenants, occupants, or invitees, and such cost was not covered by insurance maintained by the Association, the Association or the Board shall charge the responsible owner who immediately shall pay the charge to the Association together with interest thereon at the rate of twelve percent (12%) per annum (but not in excess of the maximum interest authorized by law) from the date the cost was incurred by the Association until the date the charge is paid by the owner. If the repair is covered by the insurance carried by the Association, the Association or the Board shall be responsible for making the repairs, and the responsible owner shall pay any deductible pursuant to the insurance policy. If the owner fails to make such payment, then the Association or the Board may make such payment and shall charge the responsible owner, which charge shall bear interest at the rate of twelve percent (12%) per annum (but no greater than the maximum allowed by law) until paid in full. If the owner disputes the charge, the owner shall be entitled to notice and a hearing as provided in the Bylaws before the charge may be collected.

6.1.B. Insurance: The Association or the Board shall obtain and maintain the following insurance:

(1) a hazard policy insuring the common areas and all improvements, equipment and fixtures thereon;

(2) if obtainable, an occurrence version comprehensive general liability policy insuring the Association, its agents, and the owners and their respective family members, against liability incident to the ownership or use of the common area or any other Association owned or maintained real or personal property; the amount of general liability insurance which the Association shall carry at all times shall be not less than as required by California Civil Code § 1365.7 (\$1,000,000.00) and California Civil Code § 1365.9 (\$3,000,000.00); said coverage amounts shall be adjusted to comply with amendments of, or successor statutes to, the aforementioned California Civil Code sections.

(3) workers' compensation insurance to the extent required by law; the Association shall obtain a Certificate of Insurance naming it as an additional insured in regard to workers' compensation claims from any independent contractor who performs any service for the Association, if the receipt of such a certificate is practicable; otherwise, the Association shall be named an additional insured in the general liability policy of any such independent contractor;

(4) fidelity bonds or insurance covering officers, directors, and employees that have access to any Association funds;

(5) if obtainable, flood insurance on common area improvements if the Development is located in an area designated by an appropriate governmental agency as a special flood hazard area;

(6) officers' and directors' liability insurance;

(7) such other insurance as the Board in its discretion considers necessary or advisable; and

(8) earthquake insurance to the extent required by law.

Each owner appoints the Board or any insurance trustee designated by the Board to act on behalf of the owners in connection with all insurance matters arising from any insurance policy maintained by the Association, including without limitation, representing the owners in any proceeding, negotiation, settlement or agreement.

Any insurance maintained by the Association shall contain "Waiver of Subrogation" as to the Association and its officers, directors and members, the owners and occupants of the lots and mortgagees, and, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The Association shall periodically (and not less than once every three (3) years) review all insurance policies maintained by the Association to determine the adequacy of the coverage and to adjust the policies accordingly.

The insurance maintained by the Association does not cover the owners' lots and improvements thereon, or personal property, and does not cover personal liability for damages or injury occurring on the individually owned lots. Any owner can insure his or her lot, improvements, and personal property against loss, and obtain any personal liability insurance that he or she desires.

The Association, and its directors and officers, shall have no liability to any owner or mortgagee if, after a good faith effort, it is unable to obtain the liability insurance required hereunder, because the insurance is no longer available or, if available, can be obtained only at a cost that the Board in its sole discretion determines is unreasonable under the circumstances, or the members fail to approve any assessment increase needed to fund the insurance premiums. In such event, the Board immediately shall notify each member and any mortgagee entitled to notice that the liability insurance will not be obtained or renewed.

The Board shall notify the membership of the status of insurance pursuant to the terms of California Civil Code § 1365(e)(f)(g) or any successor statutes.

6.1.C. Discharge of Liens: The Association or the Board shall discharge by payment, if necessary, any lien against the common area and charge the cost thereof to the member or members responsible for the existence of the lien after notice and hearing as provided in the Bylaws.

6.1.D. Assessments: The Association or the Board shall fix, levy, collect and enforce assessments as set forth in Article V hereof.

6.1.E. Payment of Expenses: The Association or the Board 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.

6.1.F. Enforcement: The Association or the Board shall enforce this Declaration.

6.1.G. Management of Amenities: The Association or the Board shall manage, maintain and operate, for the primary use and enjoyment of the members, the social and recreational facilities of the Development, including, without limitation, the tennis courts, the pond/picnic area, and stables.

6.1.H. Management of Water System: In the event that the Association acquires water rights and an ownership interest in the subdivision water system, the Association shall operate, maintain and improve said system and may impose rates, charges and assessments therefor. The Association may delegate this responsibility and authority to a qualified special district, public utility or mutual water company, and may by resolution of the Board convey its interests in the water rights and system for such purpose. The power and authority to convey the water rights and water system is an express exception to the provisions of section 3.2.B set forth herein above.

6.1.I. Reports to Members: The Board, on behalf of the Association, shall make available to members information on significant matters and Board actions, including: accurate summaries of Board meetings; Architectural Review Committee decisions; significant legal matters and periodic financial statements.

6.2 Powers: In addition to the powers enumerated in the Articles and Bylaws, or elsewhere provided for herein, and without limiting the generality thereof, the Board shall exercise the following powers on behalf of the Association:

6.2.A. Utility Service: The Board shall have the authority (but not the obligation) to obtain, for the benefit of all of the owners, all water, gas and electric service and refuse collection.

6.2.B. Easements: The Board shall have authority to grant easements in addition to those shown on the Map(s) where necessary for utilities, cable television and sewer facilities over the common area to serve the common areas and lots.

6.2.C. Manager: The Board may employ managers or other persons and contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, except for the responsibility to levy fines, impose discipline, hold hearings, file suit, record or foreclose liens, or make capital expenditures.

6.2.D. Adoption of Rules: The Board may adopt reasonable rules not inconsistent with this Declaration relating to the use of the common area and all facilities thereon, and the conduct of owners, their tenants and guests, and the public with respect to the property and other owners. Rules adopted by the Board pursuant hereto, may be modified, repealed or superseded by the Association by majority vote (51%) of all members then entitled to vote by written ballot, or at a regular or special meeting of members, if the rule to be voted upon was identified as part of the proper notice of action to be taken at said meeting.

6.2.E. Access: For the purpose of performing construction, maintenance or emergency repair for the benefit of the common area or the owners in common, the Association's agents or employees shall have the right, after reasonable notice (except in emergencies, not less than twenty-four (24) hours) to the owner thereof, to enter any lot at reasonable hours. 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.

The violation or breach of any of the covenants, conditions, or restrictions shall give the Association the right to enter upon the lot upon which such violation or breach exists and summarily to abate and remove at the expense of the owner, whatever thereon is contrary to the letter, intent, spirit, or meaning of these restrictions including the right to remove and destroy without notice any unauthorized sign or billboard. For these purposes, officers of the Association or their duly appointed agents may enter upon and inspect, within reasonable hours, any or all lots or parcels in the Development, either improved or unimproved, but not within a dwelling, to the extent reasonably necessary to determine whether such violation or breach has occurred or is about to occur. The party or parties making such entry thereby shall not be deemed guilty of any manner of trespass or held liable for damages resulting from such entry, inspection, abatement, removal, or destruction.

6.2.F. Assessments, Liens and Fines: The Board shall have the power to levy and collect assessments in accordance with the provisions of Article V hereof. The Board may impose fines or take disciplinary action against any 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, suspension of the right to use recreational facilities, or other appropriate discipline, provided the member is given notice and a hearing as provided in the Bylaws before the imposition of any fine or disciplinary action, and provided, further, that penalties and fines are reasonable in relation to the violations and the harm done or damages caused.

6.2.G. Enforcement: In addition to the enforcement rights of individual members, the Board shall have the power to enforce this Declaration on behalf of the Association. In the event of such enforcement action by the Association through the Board, it shall be entitled to recover its reasonable attorneys' fees in addition to any other award or recovery.

6.2.H. Acquisition and Disposition of Real Property: The Association, by and through the Board, shall have the power to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, or otherwise dispose of real property in connection with the affairs of the Association. Except for lots acquired by the Association through foreclosure after failure of the owner(s) to pay assessments, and except as specified in section 6.1.H herein above, any disposition of real property, including any lease for more than a one-year term, by the Association shall be by document signed or approved by fifty-one per cent (51%) of the total voting power of the Association. The Board shall not purchase real property on behalf of the Association, except such property acquired pursuant to lien foreclosure proceedings, unless such

purchase is approved by fifty-one per cent (51%) of the total voting power of the Association if, at or before the regular or special meeting held to approve said purchase, the Board receives written protest of ten percent (10%) or more of the total voting power of the Association. In the event that the Board receives written protest of fifty-one percent (51%), or more, of the total voting power of the Association, the subject real property purchase shall not go forward. Prior to approval of a real property purchase under the terms of this section, the Board shall cause written notice of the proposed purchase and meeting to be mailed to the membership not less than twenty (20) days, or more than forty-five (45) days, prior to the date of the meeting. Said notice shall include a statement of the right of members to file a written protest against the proposed purchase of real property.

6.2.I. Loans: The Board shall have the power to borrow money, and only with the assent (by vote or written consent) of a majority of the total voting power of the Association, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred. The limitations contained in this section do not apply to contracts whereby property purchased by the Association is security for the purchase payment obligation.

6.2.J. Common Area Conveyances: The Association shall have the power to dedicate, sell, or transfer all or any part of the common area to any private party or public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. Except as specified in section 6.1.H herein above, no such dedication, sale or transfer shall be effective unless an instrument has been signed or approved by fifty-one per cent (51%) of the total voting power of the Association, agreeing to such dedication, sale or transfer, and the County of Lake has approved of the action.

6.2.K. Contracts: The Board shall have the power to contract for goods and/or services for the common areas, facilities and interests or for the Association, subject to limitations set forth in the Bylaws, or elsewhere herein. The Association and the Board shall not enter into any contracts with an independent contractor until it meets the requirements of section 6.1.B.(3) herein. The Board may establish policies, including, but not limited to, a policy requiring bids, relating to the selection of contractors and/or suppliers of services, goods and equipment.

6.2.L. Delegation: The Association, the Board, and the officers of the Association shall have the power to delegate their authority and powers to committees, officers or employees of the Association, or to a manager employed by the Association, provided that the Board shall not delegate its responsibility:

(1) to make expenditures for capital additions or improvements chargeable against the reserve funds;

(2) to conduct hearings concerning compliance by an owner or his tenant, lessee, guest or invitee with the Declaration, Bylaws or rules and regulations promulgated by the Board;

(3) to make a decision to levy monetary fines, impose special assessments against individual lots, temporarily suspend an owner's rights as a member of the Association or otherwise impose discipline;

(4) to make a decision to levy annual or special assessments;

(5) to make a decision to bring suit, record a claim of lien or institute foreclosure proceedings for default in payment of assessments.

6.2.M. Water and Garbage Service: The Board shall have the authority to acquire and pay for water service and trash or debris removal or garbage service for all homes situated on the property.

6.2.N. Appointment of Trustee: The Board, acting on behalf of the Association, has the power to appoint or designate a trustee to enforce assessment liens by sale as provided in section 5.10 and as provided in California Civil Code 1367(b).

6.2.O. Operation and Management: The Board has the power and authority to manage the Development as provided in section 6.2. The Board of Directors may authorize the use of the Association's social and recreational facilities for rental for social occasions and public meetings, provided such public use does not unreasonably limit or interfere with the members' use of Association facilities and amenities. The Board of Directors, to the extent permitted by law, shall also have the power to establish rules and regulations for the hours, conditions and other restrictions under which such use of the facilities and provision of such services shall be made available to the general public.

6.2.P. Other Powers: In addition to the powers contained herein, the Association, by and through its Board, may exercise the powers granted to a nonprofit mutual benefit corporation under California Corporations Code § 7140.

ARTICLE VII

ARCHITECTURAL AND LANDSCAPE CONTROL

7.1 Approval of Plans by Architectural Review Committee: Except as to Parcels A and B of Unit 2, as more particularly set forth herein below, no building, fence, wall, pool, spa, obstruction, outside or exterior wiring, balcony, screen, patio, patio cover, awning, carport, carport cover, improvement, or structure of any kind shall be commenced, installed, erected, painted, maintained upon the property, or demolished or replaced, nor shall any alteration or improvement of any kind be made thereto, or to the exterior of any residence, until the same has been approved in writing by the Board, or by the Architectural Review Committee ("Committee") appointed by the Board. One set of plans and specifications, including plot plans and elevations, 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. The Board may establish a policy requiring a greater number of sets of plans to be submitted. Said plans and specifications shall include the location of all improvements, if any, existing upon said lot, the location of the improvement proposed to be constructed, the color and composition of all exterior materials to be used, proposed landscaping, and any other information which the Committee may require, including in emergency situations relating to health and safety such soil, engineering, and geologic reports and recommendations as are reasonably necessary to address potentially dangerous conditions known to the Committee. No permission or approval shall be required to refinish in accordance with a color scheme previously approved by the Committee or the Board. Nothing contained herein shall be construed to limit the right of an owner to remodel the interior of his or her residence, or to paint the interior of his or her residence any color desired. It is not intended by the reservation of authority in the Architectural Review Committee over design and construction that the Committee shall act in place of qualified engineers, architects, licensed contractors or other duly qualified experts. Except as to the appearance of a project, the County of Lake, under its permit and inspection authority, will ultimately govern the adequacy of design, construction and materials. The authority herein vested in the Committee shall be exercised only in the unlikely event that the rights and interests of the membership are threatened by the failure or refusal of the County of Lake to act in a timely manner to protect said rights and interests.

7.2 Architectural Review Committee Action: The Architectural Review Committee shall consist of a number of persons (some of whom need not be members of the Association) to be designated by the Board, with the members preferably being experienced in one of the design or building professions. The Board shall appoint and may remove all of the members of the Committee, taking into account the need for continuity on the Committee. A majority of the Architectural Review Committee may designate a representative to act for it. In the event of death or resignation of any member of the Committee, a successor shall be appointed by the Board.

Owners of lots within 300 feet of the lot submitting a plan to the Committee shall be notified of the proposed plan, and the Committee shall post its agenda prominently in order for members to have an opportunity to comment and provide information to the Committee prior to any decision. Within thirty (30) days of submittal, the Committee shall in writing acknowledge receipt of the application and plan and, if said application and plan are complete and properly submitted, the acknowledgment shall include a schedule of Committee proceedings with regard to the plan. If the application and plan are not complete, or are not properly submitted, they shall be returned to the applicant within the above-referenced thirty (30) day period along with a statement which identifies any deficiencies and informs the applicant that the application and plan will not be deemed to have been received until they are complete and properly submitted. In the event the Committee fails to approve or disapprove plans and specifications in writing within ninety (90) days after the same have been submitted to it, approval of the Committee will not be required and the architectural requirements contained in this Declaration shall be deemed to have been fully complied with. Upon the written request of any Committee member or Board member, the Board may grant a reasonable extension of the above-referenced

ninety day review period, not to exceed forty-five (45) days, when unforeseen extenuating circumstances have caused a processing delay. A copy of the request for extension, which shall include the reason(s) therefor, and a written notice of said extension shall be mailed or otherwise forwarded to the applicant within five (5) working days of the grant of extension. Approval of plans by the Committee or the Board, shall in no way make the Committee or its members or the Board or its members responsible or liable for the improvements built after approval of the plans, and the owner whose plans are approved shall defend, indemnify and hold the Committee and the Board, and the members thereof, harmless from any and all liability arising out of such approval.

7.3 Landscape Review: Owners must submit initial landscaping plans and all major re-landscaping plans (including re-contouring of the lot and placement of large rocks and boulders), showing the nature, kind, shape, and location of the materials, to the Architectural Review Committee for prior approval of the work to be performed.

Preservation of the forest and/or park-like setting and natural ecosystems shall be given priority over aesthetic or privacy considerations in landscaping. Except for safety concerns and reasonable means and methods of construction of duly approved improvements upon the land, the removal of naturally occurring trees and other vegetation is discouraged. For purposes of this section, diseased trees are deemed to be a safety hazard. Any removal of trees and vegetation for purposes other than safety shall first be approved by the Architectural Review Committee. However, trees having a diameter of less than seven (7) inches, or a circumference of less than twenty-one (21) inches may be removed without Committee approval. Design and construction of structures or other improvements shall minimize to the greatest reasonable degree any change in, or intrusion upon, the natural setting and views from other properties. Development or construction of driveways/access ways shall minimize tree removal, erosion, and scarring of the natural landscape. In acting upon landscape plans, the Committee shall not ignore the applicant's desire to enhance personal privacy, but, to the greatest degree possible, it shall harmonize the privacy elements of the submitted plan with the surrounding area so long as the character of the area is not thereby degraded.

7.4 Building Restrictions: Only single-family dwellings shall be permitted on any lot. All design and construction shall comply with applicable building standards and codes, including, without limitation, the building code, rules and regulations of Lake County. The following building restrictions shall apply specifically to such lots:

7.4.A. Minimum Area: The interior living area of the dwelling must meet Lake County standards.

7.4.B. Multiple Residential: Multiple residential dwellings shall not be permitted. Additional facilities, such as guest houses and "granny units," are permitted only if they are within the definition of single-family residential development as prescribed by the County of Lake.

7.4.C. Color and Paint: Natural earth colors or weathered or uncolored wood exterior materials shall be used. Visible exterior sheet

metal (except copper or bronze) and plastic shall be painted natural earth colors to blend with the building. Stains and paint, where used, shall be selected for compatibility with the building's natural surroundings and must be approved by the Architectural Review Committee.

7.4.D. Landscaping: Plant materials shall be used to integrate the natural and man-made forms and to screen and blend architectural shapes with the surrounding area. Only plant materials (vegetation) similar in habitat, form, and water requirements, and harmonious with vegetation common to this particular region shall be used.

7.4.E. Alteration of Natural Land Forms: Structures shall be designed to conform to natural land forms, where practicable, rather than altering existing land forms to accommodate structures.

7.4.F. Height: Maximum allowable heights for structures are not practical to delineate as a hard and fast rule due to the nature of the terrain. As a general rule, structure heights shall comply with Lake County restrictions and shall be limited by the Architectural Review Committee in order to preserve the privacy and views of adjacent or other lot owners.

7.4.G. Roofing Material: Structures shall have low visibility roofing materials and non-reflective vertical surface materials in order to assure that structures are minimally visible.

7.4.H. Variance: Except as provided herein, these maximum building restrictions shall not be subject to any variance, in whole or in part. The purpose of these restrictions is to provide a maximum set of criteria to limit apparent height and bulk, and to encourage structures designed to conform with the natural land form. It is expected that most structures will conform in every respect to the building restrictions enumerated above. In exceptional circumstances, variances only to the restrictions C., F. and G. above will be allowed. Such variances may be granted only to achieve maximum harmony with natural surroundings in the design of structures consistent with the minimum obstruction of forest and lake views from surrounding dwellings. Any variances provided for herein shall be approved in writing by the Architectural Review Committee.

7.4.I. Utilities and Sewer: All utilities in the Development (including without limitation water, sewer, gas, electricity, and cable or satellite television service) shall be underground and connections to any lot improvements shall be placed underground by Owner. In the event that such placement underground is not practical, the Architectural Review Committee may grant a variance to this requirement so long as such variance has only a minimal effect upon views of lot owners and the overall character of the Development. No construction of utilities serving more than one lot shall incorporate transmission facilities above the ground without prior approval of the Board, which approval shall be subject to the standards set forth herein.

7.4.J. Solar [or Alternative] Energy: The Architectural Review Committee shall not restrict or prohibit the installation or use of a solar or alternative energy system except that it may adopt reasonable

restrictions which do not significantly increase the cost of the system or significantly decrease its efficiency or specified performance.

7.4.K. Trailers and Mobile Homes Prohibited: All structures erected shall be of new construction and may not be moved in from a point outside the Development. This restriction does not prohibit the use of a prefabricated unit (consisting of a number of parts or modules), placed upon a permanent foundation, which meets all other requirements. Trailers and mobile homes are prohibited.

7.5 Grounds for Disapproval: The Architectural Review Committee may disapprove any application:

- (1) if such application does not comply with this Declaration;
- (2) because of the reasonable dissatisfaction of the Committee with grading plans, location of the proposed improvement on a lot, finished ground elevation, color scheme, finish, design, proportions, architecture, shape, height, or style of the proposed improvement, the materials used therein, the kind, pitch, or type of roof proposed to be placed thereon; or

- (3) if, in the judgment of a majority of the Committee reasonably exercised, the proposed improvement will be inharmonious with the Development or with the improvements erected on other lots in the Development.

7.6 Design Guidelines: The Architectural Review Committee shall, from time to time, adopt written rules and regulations of general application governing its procedures which shall include, among other things, provisions for the form and content of applications; required content and number of copies of plans and specifications; provisions for mandatory on-site Committee meeting(s) with the owner and owner's architect; and provisions for notice of approval or disapproval, including a reasonable time period for approval by reason of failure to disapprove. These rules and regulations are to be first approved by the Board of Directors and thereafter contained in the "Design Guidelines and Construction Regulations" to be prepared by the Committee, which document shall be relied upon by owners and the Committee in connection with the review and approval of plans.

7.7 Certification of Compliance: At any time prior to completion of construction of an improvement, the Architectural Review Committee may require the certification of a licensed surveyor from the contractor or owner, that such improvement does not violate any building height limitation or set-back rule, ordinance or statute, and/or that the improvement does not encroach upon any easement or right-of-way of record.

7.8 Administrative Fees: As a means of defraying its expenses, the Architectural Review Committee may institute and require a reasonable filing fee to accompany the submission of plans and specifications. No additional fee shall be required for resubmissions.

7.9 Security Deposit: The Architectural Review Committee shall require a security deposit to be deposited with the Association prior to commencement of construction for the purpose of ensuring completion of the proposed project in a timely manner and in accordance with all applicable

requirements and design guidelines, as set forth in this Declaration and in greater detail in the Performance Agreement signed by the owner and the Association. The amount of security deposit shall be set by the Board of Directors on recommendation of the Architectural Review Committee. The deposit may be applied to redress violations or offset expenses of the Association for noncompliance, as provided in the Performance Agreement. Otherwise, the deposit shall be returned to the owner upon satisfactory completion of the construction and final inspection and approval by the Architectural Review Committee.

7.10 Completion of Construction: Construction of any improvement, once commenced, shall be pursued diligently to completion. Improvements not completed within twelve (12) months after commencement, or upon which construction has ceased for one hundred eighty (180) consecutive days, or which have been partially or totally destroyed and not rebuilt within twelve (12) months shall be deemed nuisances. The Association may remove any such nuisance or repair or complete the same at the cost of the owner. Upon written application by the owner, the Architectural Review Committee may grant reasonable extensions of the time limits herein stated in the event of the unforeseen occurrence of extenuating circumstances.

7.11 Liability: Notwithstanding the approval by the Architectural Review Committee of plans and specifications or its inspection of the work in progress, neither it, the Association, nor any person acting in behalf of any of them shall be responsible in any way for any defects in any plans or specifications or other material submitted to the Committee, or for any defects in any work done pursuant thereto. Each person submitting such plans or specifications shall be solely responsible for the sufficiency thereof and the adequacy of improvements constructed pursuant thereto.

7.12 Appeals: Any applicant and any owner shall have the right to appeal to the Board of Directors of the Association from any decision of the Architectural Review Committee within thirty (30) days after entry of such decision. Any appeal shall be in writing. At its next meeting following receipt of an appeal, the Board shall schedule a hearing which shall not be later than the earlier of its next regularly scheduled Board meeting or forty (40) days. The Board shall notify the appellant and the owner in writing, at least ten (10) days prior to the hearing, of the date, time and place for the hearing. After all testimony and documentary evidence has been presented to the Board, it shall vote upon the matter, with a majority of a quorum controlling. The decision of the Board may be made at the conclusion of the hearing or may be postponed to no later than ten (10) days hence.

7.13 Parcels A and B of Unit 2: Parcels A and B of Unit 2 (and any subdivisions thereof) are expressly subject to these Restrictions, Conditions, Covenants and Agreements except as set forth in this section. Notwithstanding any other provision hereof, Parcels A and B of Unit 2 may be developed for a commercial use so long as said use is not inimical to the character and environment of the Development. Commercial development of said parcels as allowed herein shall not be rejected after review of the Architectural Review Committee except to the extent that such commercial use or development might be deemed to create a nuisance (defined hereinafter, section 8.2) relative to the Development as a whole.

7.14 Restrictions on Common Area Improvements: Before a decision is made either by the Board or by the general membership of the Association to allow improvements to be constructed or significant changes made in land contour within the common area, the following procedures shall be followed:

7.14.A. Prior to approving a preliminary design and commencing the final design phase for an improvement to be constructed on the common area, the Board shall determine whether or not the proposed improvements are reasonably likely to block a view or the views from any lot in the Development, or change the natural surroundings or ambient lighting conditions to a material degree, or raise the noise level to a material degree (as, for example, by installation of a pump, compressor, or other noise-making machinery) within the area adjacent to the proposed improvement, or in the case of proposed structural improvements of a permanent nature, whether such improvements could be clearly visible from other lots.

7.14.B. If the Board decides (by majority vote of a quorum) that any of the effects set forth in section 7.14.A. are reasonably likely to result from construction of such improvements, as described in the preliminary design and notwithstanding these effects, and the Board decides to proceed with the design, the Board shall schedule a meeting to discuss the proposed common area improvements. Owners of all lots located within 1,000 feet of the location of the proposed improvements shall be notified by mail at least three (3) weeks prior to the date of the hearing, of the time and place of the hearing; a notice of the time and place of the hearing shall be posted prominently or published in any newsletter which is distributed to the members at least three (3) weeks prior to the date of the hearing.

7.14.C. The hearing shall be held at a location within the Development or at some other location convenient to the parties. All owners shall be entitled to participate in the hearing. Copies of plans and specifications, or preliminary drawings showing the general design and location of the improvements, clearly showing the proposed improvements and a statement regarding the planned schedule of use and possible increase of traffic shall be available for inspection by all members. Prior to the scheduled hearing, the preliminary drawings and/or the plans and specifications shall be submitted to the Architectural Review Committee for its review and recommendation, and the recommendation of the Architectural Review Committee shall be made available to the members and shall be considered by the Board during the scheduled hearing.

7.14.D. In making its decision as to whether or not to approve the construction of the common area improvements, the Board shall consider, among other things, whether or not the improvement will block views from other lots, or change the natural surroundings or ambient lighting conditions to a material degree, or raise the noise level to a material degree (as, for example, by installation of a pump, compressor, or other noise-making machinery) within the area of the proposed improvements, or whether the proposed improvements are unsightly or out of character with existing neighboring architectural style, building materials or contours of the landscape, and the Board shall give due consideration to the opinions expressed by any owners, either orally or in writing, prior to or during the public hearing.

7.14.E. In the event that the Board approves the proposed common area improvements, any owner who disagrees with the action taken by the Board in approving said common area improvements may request that the matter be decided by a vote of the general membership. Any such request must be received by either the President or the Secretary of the Board, within seventy-two (72) hours following the adjournment of the hearing. The owner making the request shall be allowed thirty (30) days to obtain the written signatures of members representing five percent (5%) of the total voting power of the Association requesting a special meeting as provided in section 3.2 of the Bylaws. In the event that the necessary signatures on such a written request have not been received by the Secretary of the Board within said time limit, or no request for a vote has been received, the Board shall be authorized to proceed with the construction of the improvements. In the event that the written request of the members for a special meeting pursuant to section 3.2 of the Bylaws is received within the time limit, then the Board shall postpone commencement of construction of the improvements until after the vote of the members at the special meeting. If a majority of the total voting power of the Association disapproves of the proposed improvement(s), then the Board shall not proceed. Any revised plans and specifications the Board subsequently approves also shall be subject to this section 7.14.

ARTICLE VIII

USE RESTRICTIONS

In addition to all of the covenants contained herein, the use of the property and each lot therein is subject to the following:

8.1 Use of Lot: Except as specified in Section 7.13, above, no lot shall be occupied and used except for residential purposes by the owners, their tenants, and social guests, and no trade or business shall be conducted therein, except that residences may be used as a combined residence and executive or professional office by the owner thereof, so long as such use does not interfere with the quiet enjoyment by other owners of their residences. No building or structure, including shacks, tents, outbuildings, etc., anywhere on any property subject to the jurisdiction of the Architectural Review Committee, other than a residence, shall ever be lived in or used for dwelling purposes. Except as specified herein below, this restriction includes mobile homes, campers, trailers and motor homes.

8.1.A. Camping Prohibited: Except as specified herein, no tent, shack, trailer, camper, motor home, basement, garage, outbuilding or structure of a temporary character shall be used on any lot at any time as a residence, either temporarily or permanently. Overnight camping is prohibited. A self-contained trailer, camper, or motor home may be used on a lot for residential purposes for a period not to exceed twelve (12) months during active construction of a dwelling upon that lot so long as sewage and waste water are either not discharged, or are discharged only into pre-approved, fully constructed and operational sanitation facilities. Active construction commences after issuance of all necessary permits and when actual construction work begins.

8.1.B. Occupancy: No more than an average of three persons per bedroom shall be permitted as occupants in any residence, provided that additional occupants who are there as guests of the owner/occupant of a dwelling may also be permitted to occupy a dwelling together with the owner(s) on a short term basis (not to exceed thirty (30) days out of each calendar year). In the case of renters or guests who occupy a dwelling in the absence of the owner(s), a density limit of three persons per bedroom shall be strictly observed and enforced.

8.1.C. Occupancy During Construction Limited: No residence shall, in any manner, be occupied or lived in until the exterior is made to comply with the requirements set forth herein. Nothing herein shall prohibit the presence on a lot of a contractor's tool house (or self-contained toilet as set forth herein below) or his or her equipment being used during construction and thereafter removed. Such contractor facilities and equipment shall be placed entirely within the lot under construction or in a contiguous parking lane or space, in which case flashing lights shall identify the temporary obstruction at night and during low visibility.

8.1.D. Sanitation Facilities: All sanitation/waste disposal facilities shall, prior to construction, be first approved by the Architectural Review Committee and satisfy all Lake County Health Department standards of performance and construction specifications. No self-contained toilet shall be maintained on a lot except on a temporary basis during construction after approval of such use by the Architectural Review Committee.

8.1.E. Health Care Facilities Prohibited: No health care facilities operating as a business or charity and serving the sick, elderly, disabled, handicapped or developmentally disabled shall be permitted in the Development.

8.2 Nuisances: No noxious, illegal, or offensive activities shall be carried on upon any lot, or any part of the property, 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 of the owners of his or her respective lot. Lake County quiet hours (11 p.m. until 6 a.m., or such other hours as may be established from time to time by Lake County) shall be observed.

8.3 Hunting, Discharge of Firearms Prohibited: The discharge of firearms and hunting are prohibited within the Development.

8.4 Vehicle Restrictions: Vehicle use within the Development shall be governed by the rules and regulations of the Association and by the Vehicle Code of the State of California. No trailer, camper, mobile home, commercial vehicle, truck (other than standard size pickup truck or standard size van), boat, inoperable automobile, or similar equipment shall be permitted to remain upon any lot, other than on a temporary basis not exceeding 10 days, unless it is parked within an enclosed garage or otherwise screened from the view of adjacent lot occupants and road users. Commercial vehicles shall not include sedans (or standard size vans or 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. No noisy or smoky vehicles shall be operated on the

property. No unlicensed motor vehicles shall be operated upon the property. No overnight parking shall be allowed on any of the roads or rights of way within the Development.

8.5 Certain Vehicles Banned: In light of the practical inability of the Association to control the nuisance use of certain types of motor vehicles, the operation upon subdivision roads of all motorcycles, motor-driven cycles and all-terrain vehicles or other similar motor vehicles designed and primarily intended for off-highway use is prohibited. The prohibition herein stated applies to the referenced vehicles whether or not said vehicles are licensed for operation, or may otherwise be lawfully operated, upon streets, highways or areas outside of the subdivision.

8.6 Removal of Vehicles: The Association may cause the removal of any vehicle wrongfully parked on the property, including a vehicle owned by an occupant. If the identity of the registered owner of the vehicle is known or readily ascertainable, the President of the Association or his or her designee shall, within a reasonable time thereafter, notify the owner of the removal in writing by personal delivery or first class mail. In addition, notice of the removal shall be given to the local traffic law enforcement agency immediately after the vehicle has been removed. The notice shall include a description of the vehicle, the license plate number and the address from where the vehicle was removed. If the identity of the owner is not known or readily ascertainable, and the vehicle has not been returned to the owner within one hundred twenty (120) hours after its removal, the Association immediately shall send or cause to be sent a written report of the removal by mail to the California Department of Justice in Sacramento, California and shall file a copy of the notice with the proprietor of the public garage in which the vehicle is stored. The report shall be made on a form furnished by the Department of Justice and shall include a complete description of the vehicle, the date, time and place from which the vehicle was removed, the amount of mileage on the vehicle at the time of removal, the grounds for removal and the name of the garage or place where the vehicle is stored. Notwithstanding the foregoing, the Association may cause the removal, without notice, of any vehicle parked in a marked fire lane or within fifteen (15) feet of a fire hydrant, in a parking space designated for handicapped without proper authority, or in a manner which interferes with any entrance to, or exit from, the Development or any lot, parking space or garage located thereon. The Association shall not be liable for any damages incurred by the vehicle owner because of the removal in compliance with this section or for any damage to the vehicle caused by the removal, unless such damage resulted from the intentional or negligent act of the Association or any person causing the removal of or removing the vehicle. If requested by the owner of the vehicle, the Association shall state the grounds for the removal of the vehicle.

8.7 Commercial Activity: No business, professional, or commercial activity of any kind shall be conducted on any lot, except to the limited extent provided in sections 7.13 and 8.1.

8.8 Use of Common Area: Nothing shall be stored in the common area without the prior consent of the Board. Except as authorized by the Board, no camping, fires, or animals not on leash shall be permitted in the common area, and there shall be no use of the common area except recreational uses which do not injure or scar the area or vegetation thereon, and which do

not increase maintenance costs or unreasonably cause embarrassment, disturbance, or annoyance to any other owner.

8.9 Liability of Owners for Damage to Common Area: The owner of each lot shall be liable to the Association for all damage to the common area improvements (including landscaping) caused by such owner or the owner's agents, occupants, invitees, or pets, except for that portion of damage covered by insurance carried by the Association. The responsible owner shall be charged with the cost of repairing such damage (including interest thereon) as described in section 6.1.A.

8.10 Signs: Except as authorized by law, no signs shall be displayed to the public view on any lot or on any portion of the property except such signs as are approved by the Board or a committee appointed by the Board. Each property owner may display only one (1) "For Sale", "For Rent" or "For Exchange" sign, and may also display one (1) sign advertising directions to another owner's lot that is for sale, lease, or exchange, provided the design and location are reasonable and the size does not exceed six (6) square feet per sign. Property owners, either directly or through their agents, may not display any signs for any purpose in the common area or the public streets. During the time of construction of any residence or other improvement, a reasonable number of job identification signs having a maximum face area of six (6) square feet per sign and of the type usually employed by contractors, subcontractors and tradesmen shall be permitted. "For sale" signs shall be removed upon close of escrow. Construction signs shall be removed upon completion of construction. Notwithstanding the terms of this section, reasonable signs may be incorporated in the commercial development of Parcels A and B of Unit 2.

8.11 Animals: No hogs, cattle, sheep, fowl or poultry shall be kept or maintained on any lot or in the common area. No pets shall be allowed in the common area in violation of the rules and regulations of the Board, and no pets may be kept in any manner which constitutes a nuisance as set forth herein above. After making a reasonable attempt to notify the owner, the Association or any owner may cause any unleashed dog found unattended within the common area, or wandering within the Development, to be removed by the Association (or any owner) to a pound or animal shelter under the jurisdiction of the County of Lake, by calling the appropriate authorities, whereupon the owner may, upon payment of all expenses connected therewith, repossess the dog. Owners shall prevent their pets from soiling the common area and other private lots, and shall promptly clean up any mess left by their pets. Pet owners shall be fully responsible for any damage caused by their pets.

8.12 Garbage and Refuse Disposal: All rubbish, trash and garbage shall be regularly removed from the lots, and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall not be kept except in sanitary containers. All equipment and receptacles for the storage or disposal of such materials shall be kept in a clean and sanitary condition, and shall be screened from view of neighboring lots, common areas and roads. No toxic or hazardous materials shall be disposed of within the Development by dumping in the garbage containers or down the drains, or otherwise.

8.13 Radio and Television Antennas: No external antennas, satellite dish or related equipment, towers, poles or any structure to be used for the purpose of transmitting or receiving radio, television or related signals shall be installed, affixed, mounted or constructed on the property so as to be visible to the public view or to another lot owner, unless approved by the Architectural Review Committee. In considering the approval of such applications, the Committee shall not impose restrictions which compromise or limit an owner's ability to receive clear, unimpeded signals, but it also shall consider and give great weight to elements of aesthetics and uniformity of appearance in the Development, including, but not limited to, appropriate placement and screening of communications equipment. All fees for the use of any cable television system shall be borne by the respective lot owners, and not by the Association.

8.14 Fences and Other Accessory Improvements: All property lines shall be kept free and open. No fences, hedges or walls shall be permitted, nor shall excavations and/or devices installed to maintain natural drainage be undertaken, without the specific approval of the Architectural Review Committee. The owner shall do such things as are reasonably necessary to maintain proper and natural drainage, and minimize any fire hazard.

8.15 Fuel Tanks: Every tank for the storage of fuel installed outside any structure on the property or lots shall be either buried below the surface of the ground or, in the case of propane, screened to the satisfaction of the Architectural Review Committee by fencing or shrubbery. Installation of fuel tanks shall comply with all laws relating to environmental protection and public safety.

8.16 Service and Storage Areas: Owners shall provide for service and storage areas on developed lots for laundry, garden tools and supplies, above-ground liquefied gas and butane tanks, generators, garbage containers, trash, unused building materials or tree cuttings, and parking areas for boats, trailers, mobile camping units, and other miscellaneous vehicles and equipment. Said service and storage areas shall be screened from roadways and other lots.

ARTICLE IX

GENERAL PROVISIONS

9.1 Enforcement: The Association, or any owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration, the Articles and the Bylaws, and in such action shall be entitled to recover reasonable attorneys' fees as are ordered by Court. Failure by the Association or by 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. In any action brought to enforce the Declaration, the Articles, the Bylaws, or the rules and regulations, and in any action brought to challenge or appeal any action taken by the Association, the Board, or any committee appointed by the Board, the prevailing party in such action shall be entitled to recover reasonable attorneys' fees.

9.2 Invalidity of Any Provision: Should any provision or portion hereof be declared invalid or in conflict with any law of the jurisdiction wherein the Development is situated, the validity of all other provisions and portions hereof shall remain unaffected and in full force and effect.

9.3 Term: The covenants and restrictions of this Declaration shall run with and bind the property, and shall inure to the benefit of and shall be enforceable by the Association or the owner of any property subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of thirty (30) years from the date this amended Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, approved by a majority of the then owners of the lots, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change said covenants and restrictions in whole or in part, or to terminate the same. Said instrument shall include a certificate signed by the President and the Secretary of the Association, certifying that the approval in writing of the requisite number of owners was obtained.

9.4 Amendments: This Declaration may be amended only by the affirmative vote (in person or by proxy) or written consent of members representing a majority of the total voting power of the Association. However, the percentage of voting power necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Any amendment must be certified in writing executed and acknowledged by the President or Vice President of the Association and recorded in the Recorder's Office of the County of Lake.

9.5 Right of First Refusal: The right of a lot owner to sell, transfer, or otherwise convey his or her lot shall not be subject to any right of first refusal or similar restriction.

9.6 Contracts: Any agreement for professional management of the Development, or lease or any other contract providing for services for the common area, must provide for termination by either party for cause on thirty (30) days' written notice, or without cause and without payment of a termination fee or penalty on ninety (90) days' or less written notice.

9.7 Reserves: Association dues or charges shall include an adequate reserve fund for maintenance, repairs, and replacement of those improvements which the Association is obligated to maintain and that must be replaced on a periodic basis, and the assessments therefore shall be payable in regular installments rather than by special assessments.

9.8 Rights of First Lenders: No breach of any of the covenants, conditions and restrictions contained herein, nor the enforcement of any lien provisions herein, shall render invalid the lien of any first mortgage (meaning a mortgage with first priority over any other mortgage) on any lot made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any owner whose title is derived through foreclosure or Trustee's Sale, or otherwise.

Notwithstanding any provision in this Declaration to the contrary, first lenders shall have the following rights:

9.8.A. Copies of Project Documents: The Association shall make available to lot owners and first lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the Declaration, Bylaws, Articles or other rules concerning the Development and the books, records and financial statements of the Association. "Available" means available for inspection and copying, upon request, during normal business hours or under other reasonable circumstances. The Board may impose a fee for providing the foregoing which may not exceed the reasonable cost to prepare and reproduce the requested documents.

9.8.B. Audited Statement: Any holder of a first mortgage shall be entitled, upon written request, to have an audited financial statement for the immediately preceding fiscal year prepared at its expense if one is not otherwise available. Such statement shall be furnished within a reasonable time following such request.

9.8.C. Notice of Action: Upon written request to the Association, identifying the name and address of the eligible mortgage holder or eligible insurer or guarantor, and the lot number or address, such eligible mortgage holder or eligible insurer or guarantor will be entitled to timely written notice of:

(1) any condemnation loss or any casualty loss which affects a material portion of the Development or any lot on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable;

(2) any default in performance of obligations under the project documents or delinquency in the payment of assessments or charges owed by an owner or a lot subject to a first mortgage held, insured or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, which remains uncured for a period of sixty (60) days;

(3) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

(4) any proposed action which would require the consent of a specified percentage of eligible mortgage holders.

The Association shall discharge its obligation to notify eligible holders or eligible insurers or guarantors by sending written notices required herein to such parties, at the address given on the current request for notice, in the manner prescribed by section 9.13.

9.8.D. Priority of Liens: Any first lender who obtains title to a lot pursuant to the remedies provided in the mortgage or foreclosure of the mortgage will not be liable for such lot's unpaid assessments and fees, late charges, fines or interest levied in connection therewith which accrue prior to the acquisition of title to such lot by the mortgagee (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges

to all Development lots including the mortgaged lot, and except for assessment liens recorded prior to the mortgage).

9.8.E. Distribution of Insurance or Condemnation Proceeds: No owner or any other party shall have priority over any rights of first lenders pursuant to their mortgages in the case of a distribution to lot owners of insurance proceeds or condemnation awards for losses to or taking of common area property or of individual lots.

9.8.F. Restoration or Repair: Any restoration or repair of the Development, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with the Declaration and the original plans and specifications.

9.8.G. Termination: Any action to terminate the legal status of the Development after substantial destruction or a substantial taking in condemnation of the Development property requires the approval of eligible mortgage holders holding mortgages on lots which have at least fifty-one percent (51%) of the votes of lots subject to eligible holder mortgages, and the consent of owners of lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated.

9.8.H. Reallocation of Interests: No reallocation of interests in the common areas resulting from a partial condemnation or partial destruction of the Development may be effected without the prior approval of eligible mortgage holders holding mortgages on all remaining lots whether existing in whole or in part, and which have at least fifty-one percent (51%) of the votes of such remaining lots subject to eligible holder mortgages.

9.8.I. Payment of Taxes or Insurance by Lenders: First lenders 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 property and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such common area property, and first lenders making such payment shall be owed immediate reimbursement therefor from the Association, provided that said lender(s) have given notice to the Association prior to the making of such payment(s) and the Association has failed to pay the same.

9.9 Owners' Obligation to Maintain and Repair: Each lot owner shall, at his or her sole cost and expense, maintain and repair his lot and all landscaping thereon, keeping the same in good condition. All lots, whether occupied or unoccupied, and any improvements placed thereon, shall at all times be maintained in such manner as to prevent their becoming unsightly, unsanitary, or a hazard to health, or a fire hazard. Landscape maintenance shall include reasonably regular mowing and trimming. If not so maintained, the Association shall have the right, through its agents and employees, to do so, the cost of which shall be added to and become a part of the annual or special assessment to which such lot is subject. Further, there may be no open-air storage of materials, equipment or other things except those actually being used in construction of improvements thereon.

In the event an owner of any lot shall fail to maintain his or her lot and the improvements thereon as required herein, the Association's agents

may, after notice and a hearing as provided in the Bylaws, enter the lot and perform the necessary maintenance. The cost of such maintenance shall immediately be paid to the Association by the owner of such lot, together with interest at the rate of twelve percent (12%) per annum (but not to exceed the maximum interest rate authorized by law) from the date the cost was incurred by the Association until the date the cost is paid by the owner, and the amount of such cost, together with interest thereon, may become part of a special assessment imposed by the Board against such lot.

9.10 Damage or Destruction: If any common area improvement is damaged or destroyed by fire or other casualty, the improvement shall be repaired or reconstructed substantially in accordance with the original as-built plans and specifications, modified as may be required by applicable building codes and regulations in force at the time of such repair or reconstruction and subject to such alterations or upgrades as may be approved by the Architectural Review Committee, unless either of the following occurs: (1) the cost of repair or reconstruction is more than fifty percent (50%) of the current replacement costs of all common area improvements, available insurance proceeds are not sufficient to pay for at least eighty-five percent (85%) of the cost of such repairs or reconstruction, and three-fourths (3/4) of the total voting power of the Association residing in members and their first lenders vote against such repair and reconstruction, or (2) available insurance proceeds are not sufficient to substantially repair or reconstruct the improvement within a reasonable time as determined by the Board, a special assessment levied to supplement the insurance fails to receive the requisite approval (if such approval is required) as provided in section 5.4, and the Board, without the requirement of approval by the owners, is unable to supplement the insurance by borrowing on behalf of the Association sufficient monies to enable the improvements to be substantially repaired or reconstructed within a reasonable time.

If the improvement is to be repaired or reconstructed and the cost for repair or reconstruction is in excess of twenty-five percent (25%) of the current replacement cost of all the common area improvements, the Board shall designate a construction consultant, a general contractor, and an architect for the repair or reconstruction. All insurance proceeds, Association monies allocated for the repair or reconstruction, and any borrowings by the Association for the repair or reconstruction shall be deposited with a commercial lending institution experienced in the disbursement of construction loan funds (the 'depository') as selected by the Board. Funds shall be disbursed in accordance with the normal construction loan practices of the depository that require as a minimum that the construction consultant, general contractor and architect certify within ten (10) days prior to any disbursement substantially the following:

9.10.A. That all of the work completed as of the date of such request for disbursement has been done in compliance with the approved plans and specifications;

9.10.B. That such disbursement request represents monies which either have been paid by or on behalf of the construction consultant, the general contractor or the architect and/or are justly due to contractors, subcontractors, material men, engineers, or other persons (whose name and address shall be stated) who have rendered or furnished certain services or

materials for the work and giving a brief description of such services and materials and the principle subdivisions or categories thereof and the respective amounts paid or due to each of said persons in respect thereof and stating the progress of the work up to the date of said certificate;

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

9.10.D. That no part of the cost of the services and materials described in the foregoing paragraph A has been or is being made the basis for the disbursement of any funds in any previous or then pending application; and

9.10.E. That the amount held by the depository, after payment of the amount requested in the pending disbursement request, will be sufficient to pay in full the costs necessary to complete the repair or reconstruction.

If the cost of repair or reconstruction is less than twenty-five percent (25%) of the current replacement cost of all the common area improvements, the Board shall disburse the available funds for the repair and reconstruction under such procedures as the Board deems appropriate under the circumstances.

The repair or reconstruction shall commence no later than ninety (90) days after the date of such damage or destruction, and shall be completed no later than one hundred eighty (180) days after commencement of reconstruction, subject to delays that are beyond the control of the party responsible for making the repairs. Notwithstanding the foregoing, the Board immediately shall take such steps as may be reasonably required to secure any hazardous conditions resulting from the damage or destruction, and to screen any unsightly views.

If the improvement is not repaired or reconstructed in accordance with the foregoing, all available insurance proceeds shall be disbursed as directed by the Board among the owners and their respective mortgagees in the same proportion that the owners are assessed, subject to the rights of the owners' mortgagees, after first applying the proceeds to the cost of mitigating hazardous conditions on the property, making provision for the continuance of public liability insurance to protect the interests of the owners until the property can be sold, and complying with all other applicable requirements of governmental agencies.

9.11 Condemnation: If all or any part of a lot (except the common area) is taken by eminent domain, the award shall be disbursed to the owner of the lot, subject to the rights of the owner's mortgagees. If the taking renders the lot uninhabitable, the owner shall be divested of any further interest in the Development, including membership in the Association. If all or any part of the common area is taken by eminent domain, the proceeds of condemnation shall be used to restore or replace the portion of the common area affected by condemnation, if restoration or replacement is possible, and any funds remaining after payment of any and all fees and expenses incurred by the Association relating to such condemnation shall be distributed among the owners in the same proportion as such owners are assessed, subject to the

rights of mortgagees. If necessary, the remaining portion of the Development shall be resurveyed to reflect such taking. The Association shall represent the lot owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the common area, or part thereof.

9.12 Owners' Compliance: Each owner, tenant or occupant of a lot shall comply, to the extent they are not in conflict with the provisions of this Declaration, the Articles and Bylaws, with the decisions, resolutions, rules and regulations of the Association or the Board, as lawfully amended from time to time. Failure to comply with any such decisions, resolutions, rules and regulations shall be grounds for an action (1) to recover sums due, (2) for damages, (3) for injunctive relief, (4) for costs and attorneys' fees, or (5) any combination of the foregoing.

All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in this Declaration, or in the Articles or the Bylaws, shall be deemed to be binding on all lot owners, their heirs, successors and assigns.

9.13 Notice: Any notice permitted or required by the Declaration, Articles or Bylaws may be delivered personally, by mail, or by such other electronic or physical means the receipt of which may be verified or otherwise acknowledged. If delivery is by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of the same has been deposited in the United States mail, first class or registered, postage prepaid, addressed to the person to be notified at the current address given by such person to the Secretary of the Board or addressed to the lot of such person if no address has been given to the Secretary. If delivery is by means other than mail, it is effective at the time of receipt or acknowledgment.

9.14 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, age, marital status, color, religion, ancestry, physical handicap, or national origin.

9.15 Interpretation: The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community and common areas. The headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

9.16 Number; Gender: The singular and plural number and the masculine, feminine and neuter gender shall each include the other where the context requires.

9.17 Conflict: In the event of any conflict between the provisions of this Declaration, and the Articles or Bylaws, the Declaration shall prevail.

9.18 BINDING ARBITRATION: IN CASE OF ANY CLAIM OR DISPUTE BETWEEN THE ASSOCIATION AND ANY OWNER(S), WHICH CLAIM OR DISPUTE RELATES TO THE RIGHTS AND/OR DUTIES OF THE PARTIES UNDER THE PROJECT DOCUMENTS, THE PROCEDURE SHALL

BE AS FOLLOWS: ALL PARTIES INVOLVED IN THE MATTER SHALL NEGOTIATE IN A GOOD FAITH ATTEMPT TO AMICABLY RESOLVE THE PROBLEM. EXCEPT IN THE CASE OF A VIOLATION OF ARTICLE VII OF THE DECLARATION OR THE LEVYING OF AN ANNUAL OR SPECIAL ASSESSMENT AGAINST AN OWNER, IF THE PARTIES ARE UNABLE TO RESOLVE THE PROBLEM WITHIN A REASONABLE PERIOD OF TIME (NOT TO EXCEED NINETY (90) DAYS AFTER THE FIRST NOTICE OF CLAIM OR DISPUTE) THE MATTER SHALL BE SUBMITTED TO BINDING ARBITRATION PURSUANT TO THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION.

IF THE MATTER PROCEEDS TO ARBITRATION, DISCOVERY SHALL BE ALLOWED PURSUANT TO CODE OF CIVIL PROCEDURE § 1283.05. ARBITRATION OF ANY MATTER PURSUANT TO THIS CLAUSE SHALL NOT BE DEEMED A WAIVER OF THE ATTORNEY/CLIENT OR ATTORNEY/WORK PRODUCT PRIVILEGE IN ANY MANNER.

Signed: August 4, 1997

IN WITNESS WHEREOF, the Declarant, by its President and Secretary, hereby execute this Declaration as of the day and year first above written.

Lake Pillsbury Property Owners' Association,
Declarant

By: _____
Patricia Gale, President

By: _____
Miriam Mustain, Secretary