

**FIRST RESTATED DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
SNOWSHOE SPRINGS ASSOCIATION**

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**FIRST RESTATED DECLARATION
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Those certain declarations of protective restrictions listed in Exhibit "A" (collectively, the "Original Declarations"), which were executed by the subdivision developers referred to herein as the "Declarants" listed in Section 1.12, below, and recorded in the Official Records of Calaveras County, California, at the book and page numbers of the Official Records identified in Exhibit A, are amended, restated, and consolidated into this single Declaration covering all the real property commonly known as Snowshoe Springs and are amended, consolidated and restated in their entirety to read as follows:

RECITALS

A. Declarants were the original owners of that certain real property located in the County of Calaveras, State of California, which is more particularly described in Exhibit "B" (Snowshoe Springs).

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

C. It was the further intention of the Declarant to sell and convey Lots within Snowshoe Springs to the Owners, subject to the protective covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarant and such Owners which are set forth in this Declaration and which are intended to be in furtherance of a general plan for the subdivision, development, sale and use of the Properties as a "planned development" as that term is defined in California Civil Code section 1351(k).

D. Finally, it was the intention of Declarant that the "Common Areas" and "Common Facilities" be owned and maintained by the Association, but reserved exclusively for the use and enjoyment of the Owners of Lots in the Snowshoe Springs development, their tenants, lessees, guests and invitees, all subject to the terms and conditions of the Governing Documents.

E. On _____, 2001, the Owners of Lots representing fifty percent (50%) of the voting power of the Members of the Association voted by written ballot to amend, consolidate and restate the Original Declarations, all in accordance with the procedures for amendment set forth in the Original Declarations. It was the intention of the Owners to replace the Original Declarations, in its their entirety, with the Recordation of this Declaration without, however, changing the priority of the Original Declarations in the chain of title to the Lots and Common Areas comprising Snowshoe Springs. The Owners' action to amend and restate the Original Declarations as set forth herein and the fact that the requisite percentage of affirmative votes required in the Original Declarations was achieved, is attested by the execution of this First Restated Declaration by duly authorized officers of the Association, as required by California Civil Code section 1355(a). As so amended and restated, the easements, covenants, restrictions and conditions set forth herein shall run with the properties comprising Snowshoe Springs and shall be binding upon all parties having or acquiring any right, title or interest in any portion of Snowshoe Springs or any portion thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE I

Definitions

Section 1.01. "Design Review Committee" or "Committee" means the committee created in accordance with Article V, below.

Section 1.02. "Articles" means the Articles of Incorporation of the Association, which are filed in the office of the California Secretary of State, as such Articles may be amended from time to time.

Section 1.03. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and his or her Lot in accordance with the provisions of Article IV, below.

Section 1.04. "Association" means Snowshoe Springs Association, a California mutual benefit nonprofit corporation. The Association is an "association" as defined in California Civil Code section 1351(a).

Section 1.05. "Association Rules" means the rules, regulations and policies adopted by the Board of Directors pursuant to Section 3.07, below, as the same may be in effect from time to time.

Section 1.06. "Board of Directors" or "Board" means the Board of Directors of the Association.

Section 1.07. "Bylaws" means the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 1.08. "Common Area" means all real property owned by the Association for the common use and enjoyment of the Owners. The Common Area owned by the Association at the time of the recordation of this Declaration is described in Exhibit "C". Unless the context clearly indicates a contrary intent, any reference in this Declaration to the "Common Areas" shall also include any Common Facilities located in these areas.

Section 1.09. "Common Expense" means any use of Association funds authorized by Article IV, below and Article XI of the Bylaws and includes, without limitation: (a) All expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Area or Common Facilities; (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors as required by Article X, below; (c) any amounts reasonably necessary to fund reserves for the maintenance, repair, and replacement of the Common Areas and Common Facilities, and for nonpayment of any Assessments; and (d) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents.

Section 1.10. "Common Facilities" means the lake and meadow which constitute the principal Common Areas of Snowshoe Springs, the community water system and the fences, utilities, berms, pipes, lines, lighting fixtures, buildings, structures, trails, and recreational areas and other facilities constructed or installed, or to be constructed or installed, or currently located within the

Common Area or within utility easements within Snowshoe Springs and owned by the Association.

Section 1.11. "County" means the County of Calaveras, State of California, and its various departments, divisions, employees and representatives.

Section 1.12. "Declarant" means the original developers of the Properties, namely Rollen Waterson Associates, a California partnership, and Calaveras Title Company, a California corporation.

Section 1.13. "Declaration" means this instrument, as it may be amended from time to time. The "Original Declarations" is a collective term that means and refers to the documents referenced in Exhibit "A" together with all amendments and annexations thereto adopted prior to adoption of this Declaration.

Section 1.14. "Governing Documents" is a collective term that means and refers to this Declaration and to the Articles, the Bylaws and the Association Rules.

Section 1.15. "Improvements" is defined in Section 5.01, below.

Section 1.16. "Lot" means any parcel of real property designated by a number on any Subdivision Map for any portion of the Properties, excluding the Common Area.

Section 1.17. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the meeting in person or by proxy or casting written ballots equals or exceeds the minimum quorum requirement for Member action, as specified in the Bylaws or by California law.

Section 1.18. "Member" means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to Section 12.06, below.

Section 1.19. "Mortgage" means any security device encumbering all or any portion of the Properties, including any deed of trust. "Mortgagee" shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

Section 1.20. "Owner" means any person, firm, corporation or other entity which owns a fee simple interest in any Lot. Except where the context otherwise requires, the term "Owner" shall include the family, guests, tenants and invitees of an Owner.

Section 1.21. "Owner of Record" includes an Owner and means any person, firm, corporation or other entity in which title to a Lot is vested as shown by the Official Records of the Office of the County Recorder.

Section 1.22. "Regular Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.02, below. This type of Assessment is commonly known as annual dues.

Section 1.23. "Snowshoe Springs" means all parcels of real property (Common Area and Lots) described in Exhibit "B", together with all buildings, structures, utilities, Common Facilities, and other Improvements located thereon, and all appurtenances thereto.

Section 1.24. "Special Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.03, below.

Section 1.25. "Special Individual Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.04, below. This type of Assessment is commonly known as a fine.

Section 1.26. "Residence" means a private, single-family dwelling constructed or to be constructed on a Lot.

Section 1.27. "Subdivision Map" means the map for any portion of the Snowshoe Springs common interest development. The Subdivision Maps are listed in Exhibit B.

ARTICLE II

Property Rights and Obligations of Owners

Section 2.01. Owners' Nonexclusive Easements of Enjoyment. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Areas within Snowshoe Springs, including ingress and egress to and

from his or her Lot, which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) The right of the Association to manage and maintain the Common Areas and to impose reasonable restrictions on the right of Owners, tenants and others to access the Common Area wetlands and lake in order to protect water quality or other environmental considerations.

(b) The right of the Association to adopt Association Rules as provided in Section 3.07, below, regulating the use and enjoyment of the Properties for the benefit and well-being of the Owners in common, and, in the event of the breach of those rules or a breach of any other provision of the Governing Documents by any Owner or tenant, to initiate disciplinary action against the violating Owner or tenant in accordance with Section 12.06, below. Such action may include the levying of fines, the suspension of rights to use the Common Areas, the suspension of voting rights or, in the event of the non-payment of Assessments, the temporary suspension of water service to a developed Lot.

(c) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed by the Owners; provided, however, that no such dedication or transfer shall be effective unless an instrument, approved by at least two-thirds of the voting power of the Members, and their first Mortgagees consenting to such dedication or transfer has been Recorded. Furthermore, no dedication shall be permitted that impairs the ingress and egress to any Lot. The instrument approving the dedication may be executed in counterparts so long as each counterpart is in recordable form.

(d) All easements affecting the Common Area which are described in Article IX, below.

Section 2.02. Persons Subject to Governing Documents. All present and future Owners, tenants and occupants of Lots within the Properties shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time, unless a particular provision is specifically restricted in its application to one or more of such classes of persons (i.e. Owners, tenants, invitees, etc.). The acceptance of a deed to any Lot, the entering into a lease, sublease or contract of sale with respect to any Lot, or the occupancy of any Lot shall constitute the consent and agreement of such Owner, tenant or occupant that each and all of

the provisions of the Governing Documents, shall be binding upon him or her and that he or she will observe and comply with the Governing Documents.

Section 2.03. Delegation of Use.

(a) Delegation of Use and Leasing of Residences. The restrictions on multiple family occupancy imposed by this Section 2.03 are intended to protect, enhance and maintain the single family residential atmosphere which exists within Snowshoe Springs and to avoid an overburdening of Common Areas and Common Facilities. Any Owner may delegate his or her rights to use and enjoy the Common Area and Common Facilities to his or her family members, tenants, lessees or contract purchasers who reside in the Owner's Residence. Any rental or lease of a Residence for periods in excess of six (6) months may only be to a single family for Single Family Residential Use. Consistent with the vacation/resort location of the Properties, rentals to weekend visitors or occupants of Residences and seasonal rentals (such as ski leases) for periods of less than six (6) months duration shall not be subject to the Single Family Residential Use restriction of Section 8.01, below.

Any rental or lease of a Residence shall be subject to the provisions of the Governing Documents all of which shall be deemed incorporated by reference in the lease or rental agreement. Each Owner-lessor shall provide any tenant or lessee with a current copy of all Governing Documents or, in the alternative, a document prepared by the Association setting forth those Governing Document provisions that are most pertinent to tenants and lessees. Each Owner-lessor shall be responsible for compliance by the Owner's tenant or lessee with all of the provisions of the Governing Documents during the tenant's/lessee's occupancy and use of the Residence.

(b) Discipline of Lessees. Subject to subparagraph (c) below, in the event that any tenant or lessee fails to comply with the provisions of any Governing Document, the Association shall be entitled to take such corrective action as it deems necessary or appropriate under the circumstances which may include the suspension of water service and/or the imposition of fines and penalties against the Owner and/or tenant, or denial of use of the Common Areas.

(c) Due Process Requirements for Disciplinary Action. Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction to any property within Snowshoe Springs or to preserve

the rights of quiet enjoyment of other Owners, the Association shall have no right to initiate disciplinary action against an Owner-lessor (or the Owner's lessee or tenant) on account of the misconduct of the Owner's lessee or tenant unless and until the following conditions have been satisfied: (i) the Owner has received written notice from the Board or an authorized committee of the Board detailing the nature of the lessee's/tenant's alleged infraction or misconduct and advising the Owner of his or her right to a hearing on the matter in the event the Owner believes that remedial or disciplinary action is unwarranted or unnecessary; (ii) the Owner has been given a reasonable opportunity to take corrective action on a voluntary basis or to appear at a hearing, if one is requested by the Owner; and (iii) the Owner has failed to prevent or correct the tenant's objectionable actions or misconduct. Any hearing requested under this Section shall be conducted in accordance with Section 12.06, below.

Section 2.04. Obligations of Owners. Owners of Lots within the Properties shall be subject to the following:

(a) Owner's Duty to Notify Association of Tenants and Contract Purchasers. Each Owner shall, at the request of the Association, provide the secretary of the Association or the Association's property manager, if any, with the names of any contract purchaser or tenant residing on the Owner's Lot as well as a copy of any rental agreement. Each Owner, contract purchaser or tenant shall also notify the secretary of the Association of the names of all persons to whom the Owner, contract purchaser or tenant has delegated any rights to use and enjoy the Association's Common Areas. The purpose of this subparagraph (a) is to facilitate communications between the Association and persons residing within the development.

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

(c) Notification Regarding Governing Documents.

(i) As more particularly provided in California Civil Code section 1368, as soon as practicable before transfer of title or the execution of a real

property sales contract with respect to any Lot, the Owner thereof must give the prospective purchaser:

- (A) A copy of the Governing Documents;
- (B) The Association's most recent financial statement;
- (C) A true statement in writing from an authorized representative of the Association as to: (1) the amount of any unpaid Assessments that are due and payable with respect to the Lot in question together with information relating to late charges, attorneys' fees, interest, and costs of collection which, as of the date the statement is issued, are or may become a lien on the Lot being sold (the "delinquency statement"); and (2) the amount of the Association's current Regular and Special Assessments and fees; and
- (D) Any change in the Association's current Regular and Special Assessments and fees which have been approved by the Board but have not become due and payable as of the date the information is provided.

(ii) Within ten (10) days of the mailing or delivery of a request for the information described in subparagraph (c)(i), above, the Association shall provide the Owner with copies of the requested items. The Association shall be entitled to impose a fee for providing the requested items equal to (but not more than) the reasonable cost of preparing and reproducing the requested items.

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

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

(f) Joint Ownership of Lots. In the event of joint ownership of any Lot, the obligations and liabilities of the multiple Owners under the Governing

Documents shall be joint and several. Without limiting the foregoing, this subparagraph (f) shall apply to the obligation of Owners to pay Assessments.

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

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

ARTICLE III

Homeowners Association

Section 3.01. Association Membership. Every Owner of a Lot shall be a Member of the Association. Each Owner shall hold one membership in the Association for each Lot owned and the membership shall be appurtenant to such Lot. Accordingly, sole or joint ownership of a Lot shall be the sole qualification for membership in the Association and upon the sale of a Lot the appurtenant membership transfers to the new Owner(s) of that Lot. Persons or entities who hold an interest in a Lot merely as security for performance of an obligation are not Members until such time as the security holder acquires title to the Lot through foreclosure or deed in lieu thereof.

Section 3.02. Classes of Membership. The Association shall have two classes of membership and the rights, duties, obligations and privileges of the Members shall be as set forth in the Governing Documents.

Section 3.03. Voting Rights of Members. Each Member shall be entitled to one vote for each Lot owned by that Member. When more than one person holds an interest in any Lot, all such persons shall be Members, although in no event shall more than one vote be cast with respect to any Lot. Voting rights may be temporarily suspended under those circumstances described in Section 12.06, below.

Section 3.04. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Lots, both improved and unimproved, within the Properties and to enforce payment of such Assessments in accordance with Article IV, below. Any Assessments levied by the Association against its Members shall be levied in accordance with and pursuant to the provisions of this Declaration and in compliance with the laws of the State of California.

Section 3.05. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale of the Lot to which it is appurtenant and then, only to the purchaser. In the case of any sale or transfer of title, the membership appurtenant to the transferred Lot shall pass automatically to the titleholder on recording of a deed evidencing the transfer of title in the Official Records of the County. In the case of an encumbrance of such Lot, a Mortgagee does not have membership rights until he or she becomes an Owner by foreclosure or deed in lieu thereof. Tenants who are delegated rights of use pursuant to Section 2.03, above, do not thereby become Members, although the tenant and his or her family and guests shall, at all times, be subject to the provisions of all Governing Documents. Any attempt to make a prohibited transfer of membership rights is void. If any Owner fails or refuses to transfer the membership registered in his or her name to the purchaser of his or her Lot, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 3.06. Powers and Authority of the Association.

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

of the Association for the peace, health, comfort, safety or general welfare of the Owners. The specific powers of the Association and the limitations thereon shall be as set forth in Article IX of the Bylaws.

(b) Association's Right of Entry. The Association shall have the right to construct all public utilities and/or water lines, drainage ditches along the property line or otherwise through or across Lots when necessary, and to enter in and upon Lots to make any and all repairs to said public utilities, and/or water lines, and/or drainage ditches, and may grant this right to any public utility that is duly authorized to carry on its business under the laws of the State of California or to any mutual water company. No public utility line easement shall be granted under or through any residence or garage.

(i) Right of Entry, Generally. Without limiting the generality of the foregoing enumeration of corporation powers, the Association is hereby authorized and empowered directly or through its agents to enter any Lot when necessary to perform the Association's obligations under this Declaration, including: (i) obligations to enforce the architectural minimum construction standards, and land use restrictions of Articles V, VI, and VIII, below; (ii) any obligations with respect to construction, maintenance and repair of adjacent Common Facilities; or (iii) to make necessary repairs or maintenance that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, Association property or the Owners in common.

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

(A) The right of entry may be exercised immediately and without prior notice to the Owner or resident in case of an emergency originating in or threatening the Lot where entry is required or any adjoining Lots or Common Area. The Association's work may be performed under such circumstances whether or not the Owner or his or her lessee is present.

(B) In all non-emergency situations involving routine repair and/or maintenance activities, the Association, or its agents, shall furnish the Owner or his or her lessee with at least twenty-four (24) hours prior written notice of its intent to enter the Lot, specifying the purpose and scheduled time of such entry, and shall make every reasonable effort to perform its work and

schedule its entry in a manner that respects the privacy of the persons residing on the Lot.

(C) In all non-emergency situations involving access by the Association for purposes of enforcing the Governing Documents against an Owner in default, the Association's entry shall be subject to observance of the notice and hearing requirements imposed in Section 12.06, below.

(D) In no event shall the Association's right of entry hereunder be construed to permit the Association or its agents to enter any Residence without the Owner's express permission.

Section 3.07. Association Rules.

(a) Rule Making Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners ("Association Rules"). The Association Rules may concern, but need not be limited to: (i) matters pertaining to the maintenance, repair, management and use of the Common Area and Common Facilities by Owners, their tenants, guests and invitees, or any other person(s) who have rights of use and enjoyment of such Common Area and Common Facilities; (ii) architectural control and the rules of the Design Review Committee under Section 5.05, below; (iii) the conduct of disciplinary proceedings in accordance with Section 12.06, below; (iv) regulation of parking, animal ownership and other matters subject to regulation and restriction under Article VIII, below; (v) collection and disposal of refuse; (vi) minimum standards for the maintenance of landscaping or other Improvements on any Lot; and (vii) any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

Notwithstanding the foregoing grant of authority, the Association Rules shall not be inconsistent with or materially alter any provision of the other Governing Documents or the rights, preferences and privileges of Members thereunder. In the event of any material conflict between any Association Rule and any provision in another Governing Document, the conflicting provisions contained in the other Governing Document shall be deemed to prevail.

(b) Distribution of Rules. A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. This distribution to Owners shall be made whenever a

rule is first adopted or amend and whenever an Owner requests (in writing) that the Association provide a copy of the Rules as then in effect.

(c) Process for Adoption and Amendment of Rules. Association Rules may be adopted or amended from time to time by majority vote of the Board, provided, however, that no Association Rule or amendment thereto shall be adopted by the Board until at least thirty (30) days after the proposed rule or rule amendment has been published in the Association newsletter, if any, or otherwise communicated to the Owners in writing. The notice describing the proposed rule or amendment shall also set forth the date, time and location of the Board meeting at which action on the proposal is scheduled to be taken. This 30 day notification requirement shall not apply to rules relating solely to procedures for the conduct of Board meetings.

Any duly adopted rule or amendment to the Association Rules shall become effective immediately following the date of adoption thereof by the Board, or at such later date as the Board may deem appropriate. Any duly adopted rule or rule amendment shall be distributed to the Owners by mail.

Section 3.08. Breach of Rules or Restrictions. Any breach of the Association Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in Article XII, below.

Section 3.09. Limitation on Liability of the Association's Directors and Officers.

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

Without limiting the generality of the foregoing, this standard of care and limitation of liability shall extend to such matters as the establishment of the Association's annual financial budget, the funding of Association capital

replacement and reserve accounts, repair and maintenance of Common Areas and Common Facilities and enforcement of the Governing Documents.

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

(i) The act or omission was performed within the scope of the volunteer Board member's or officer's Association duties;

(ii) The act or omission was performed in good faith;

(iii) The act or omission was not willful, wanton, or grossly negligent;

(iv) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made general liability insurance with coverage of at least one million dollars (\$1,000,000).

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

ARTICLE IV

Assessments

Section 4.01. Assessments Generally.

(a) **Covenant to Pay Assessments.** Each Owner of one or more Lots, by acceptance of a deed or other conveyance therefor (whether or not it shall be so expressed in that deed or conveyance), covenants and agrees to pay to the Association: (i) Regular Assessments; (ii) Special Assessments; and (iii) Special Individual Assessments. Each Assessment shall be established and collected as provided in this Article.

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

(c) **Creation of Assessment Lien.** All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a charge on the Lot for which a lien may be recorded in the manner provided in Section 4.10(b)(i), below. Any lien for unpaid Assessments created pursuant to the provisions of this Article may be subject to foreclosure as provided in Section 4.10(b)(iii), below.

(d) **No Avoidance of Assessment Obligations.** No Owner may exempt himself/herself from personal liability for Assessments duly levied by the Association, nor release the Lot or other property owned by him/her from the liens and charges hereof, by waiver of the use and enjoyment of the Common

Area or any facilities thereon or by abandonment or non-use of his/her Lot or any other portion of the Properties.

Section 4.02. Regular Assessments.

(a) Preparation of Annual Budget; Establishment of Regular Assessments. Not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Facilities) by preparing and distributing to all Members a budget satisfying the requirements of Section 11.05 of the Bylaws. If the Board fails to distribute the budget for any fiscal year within the time period specified in the first sentence of this section, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the Members' approval in accordance with Section 4.08, below.

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

(c) Allocation of Regular Assessment. With the exception of those sums charged by the Association to Lot owners for use of the Association's water system, the total estimated Common Expenses of the Association, determined in accordance with subparagraph (a), shall be allocated among, assessed against, and charged in equal shares among all Lots in Snowshoe Springs and the Owners of those Lots. The Association shall be entitled to implement and impose a tiered structure for water use, which may exempt unimproved Lots and equitably allocate water use charges among those Lots receiving water service.

(d) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment roll which shall be maintained and available with the records of the

Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member. The Assessment roll shall show, for each Lot, the name and address of the Owner of Record, all Regular, Special and Special Individual Assessments levied against each Owner and his or her Lot, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by Section 2.04(c), above, shall be conclusive upon the Association and the Owner of such Lot as to the amount of such indebtedness appearing on the Association's Assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

(e) Mailing Notice of Assessment. Within the time requirements specified in subparagraph (a), above, the Board of Directors shall mail to each Owner, at the street address of the Owner's Lot, or at such other address as the Owner may from time to time designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year.

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

(g) Payment of Assessment. The total Regular Assessment levied against each Owner and his or her Lot shall be all due and payable to the Association in a single payment on or before June 1 of each year.

Section 4.03. Special Assessments.

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

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

(ii) Capital Improvements. The Board may also levy Special Assessments for additional capital improvements within the Common Area (i.e., improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities). The Special Assessment power conferred in this Article is not intended to diminish the Board's obligation to plan and budget for normal maintenance, replacement, and repair of the Common Area or existing Common Facilities through Regular Assessments (including the funding of reasonable reserves) and to maintain adequate insurance on the Common Area and existing Common Facilities in accordance with Article X, below.

(b) Special Assessments Requiring Membership Approval. The following Special Assessments require prior membership approval in accordance with Section 4.08, below: (i) any Special Assessments which, in the aggregate, exceed five percent (5%) of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied; and (ii) any Special Assessments imposed pursuant to subparagraph (a)(i) of this section when the Board has failed to distribute a budget to the Members within the time specified in Section 4.02(a), above. The foregoing Member approval requirements shall not apply, however, to any Special Assessment imposed to address any "emergency situation" as defined in Section 4.05, below.

(c) Allocation and Payment of Special Assessments. When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against and charged to each Owner and his or her Lot in an equal amount for each lot, whether developed or undeveloped. The Special Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner.

Special Assessments for purposes described in subparagraph (a)(i) of this section shall be due as a separate debt of the Owner and a lien against his or her

Lot, and shall be payable to the Association in equal monthly installments during the remainder of the then current fiscal year. Special Assessments for purposes described in subparagraph (a)(ii) shall be due as a separate debt of the Owner and a lien against his or her Lot, and shall be payable in full to the Association within thirty (30) days after the mailing of such notice or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment.

Section 4.04. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments. In addition to the Special Assessments levied against all Owners in accordance with Section 4.03, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (iii) below; provided, however, that no Special Individual Assessments may be imposed against an Owner pursuant to this section until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Section 12.06, below, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

(i) Damage to Common Area or Common Facilities. In the event that any damage to, or destruction of, any portion of the Common Area or the Common Facilities is caused by the willful misconduct or negligent act or omission of any Owner, any member of his or her family, or any of his or her tenants, guests, employees, licensees or invitees, the Board shall cause the same to be repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against that Owner as a Special Individual Assessment.

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses to: (A) accomplish the payment of delinquent Assessments, (B) perform any repair, maintenance or replacement to any portion of the Properties that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion or (C) otherwise bring the Owner and/or his or her Lot into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties

duly imposed as provided in this Declaration, title company fees, accounting fees, court costs and reasonable attorneys' fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(iii) Required Maintenance on Lots. If any Lot is maintained so as to become a nuisance, fire or safety hazard for any reason, the Association shall have the right to enter the Lot, correct the condition and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner. Any entry on the property of any Owner by the Association shall be effected in accordance with Section 3.06(b), above.

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

(c) Limitation on Right to Lien Lots For Special Individual Assessments. Only the following Special Individual Assessments may be collected with the exception of Special Individual Assessments imposed by the Board of Directors to recover reasonable late payment penalties for delinquent Assessments and/or charges to reimburse the Association for its reasonable costs (including attorneys' fees) of collecting delinquent Assessments, Special Individual Assessments shall not be recoverable through the imposition of a lien against the Owner's Lot enforceable through foreclosure, but the same may be recovered by the Association through other legal processes. Special Individual Assessments relating to delinquent Assessments shall be subject to imposition of a lien and enforceable through foreclosure or sale under a power of sale for failure of an Owner to pay such Assessment, all as more particularly provided in Section 4.10, below.

Section 4.05. Assessments to Address Emergency Situations. The requirement of a membership vote to approve (a) Regular Assessment increases in excess of twenty percent (20%) of the previous year's Regular Assessment, or (b) Special Assessments which, in the aggregate, exceed five percent (5%) of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied, shall not apply to Assessments which are necessary

to address emergency situations. For purposes of this section, an emergency situation is any of the following:

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

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

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

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

Section 4.08. Notice and Procedure for Member Approval Pursuant to Sections 4.02 and 4.03. If Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 4.02 and 4.03, above, the affirmative vote required to approve the increase shall be a Majority of a Quorum of the Members. The quorum required for such membership action shall be a majority of the Members.

Section 4.09. Maintenance of Assessment Funds.

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

(b) Expenditure of Assessment Funds. Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such

adjustments. If the proceeds of any Special Assessment exceed the requirement of which such Assessment was levied, such surplus may, in the Board's discretion, be: (i) returned proportionately to the contributors thereof; (ii) reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, underfunded; or (iii) credited proportionately on account of the Owners' future Regular Assessment obligations.

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

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

(d) Reserve Funds. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund.

The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Properties, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this subparagraph (d). This Special Assessment is subject to the limitation imposed by California Civil Code section 1366 and Section 4.03(b), above, unless the Special Assessment is to pay for legal costs associated with litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace, or maintain. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

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

Interest accrued on reserve funds, net of income tax liabilities (if any) shall be added to the accumulated reserves. All interest earned on money held in reserve funds shall be applied to the reserve fund on which it is earned, except that taxes on that income shall be paid from that interest.

Section 4.10. Collection of Assessments; Enforcement of Liens.

(a) Delinquent Assessments. If any installment payment of a Regular Assessment or lump sum or installment payment of any Special Assessment or Special Individual Assessment assessed to any Owner is not paid within fifteen (15) days after the Assessment becomes due, the payment shall be delinquent and the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board of

Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code sections 1366(c) and 1366.1 or comparable successor statutes.

(b) Effect of Nonpayment of Assessments.

(i) Creation and Imposition of a Lien for Delinquent Assessments. As more particularly provided in California Civil Code section 1367 or comparable successor statute, the amount of any delinquent Regular or Special, or Special Individual Assessment, together with any late charges, interest and costs (including reasonable attorneys' fees) attributable thereto or incurred in the collection thereof, shall become a lien upon the Lot of the Owner so assessed only when the Association Records a Notice of Delinquent Assessment executed by an authorized representative of the Association, setting forth: (A) the amount of the delinquent Assessment(s) and other sums duly imposed pursuant to this Article and California Civil Code section 1366; (B) the legal description of the Owner's Lot against which the Assessments and other sums are levied; (C) the name of the Owner of Record of such Lot; (D) the name and address of the Association; and (E) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Association to enforce the lien by sale. Upon payment in full of the sums specified in the Notice of Delinquent Assessment, the Association shall Record a further notice stating the satisfaction and release of the lien thereof. The Association's right to impose a lien for Special Individual Assessments shall be subject to the limitations imposed by Section 4.04(c), above.

(ii) Remedies Available to the Association to Collect Assessments. The Association may bring legal action against the Owner personally obligated to pay the delinquent Assessment, foreclose its lien against the Owner's Lot or accept a deed in lieu of foreclosure. Foreclosure by the Association of its lien may be by judicial foreclosure or by nonjudicial foreclosure by the trustee designated in the Notice of Delinquent Assessment or by a trustee substituted pursuant to California Civil Code section 2934a. Any sale of a Lot by a trustee acting pursuant to this section shall be conducted in accordance with California Civil Code sections 2924, 2924b and 2924c applicable to the exercise of powers of sale in mortgages or deeds of trust. In addition, if an Owner is delinquent in the payment of water charges, the Association may suspend water service until such time as the delinquent sums are paid in full.

(iii) Nonjudicial Foreclosure. Nonjudicial foreclosure shall be commenced by the Association by Recording a Notice of Default, which notice shall state: (A) all amounts which have become delinquent with respect to the Owner's Lot and the costs (including attorneys' fees), penalties and interest that have accrued thereon; (B) the amount of any Assessment which is due and payable although not delinquent; (C) a legal description of the property with respect to which the delinquent Assessment is owed; and (D) the name of the Owner of Record or reputed Owner thereof. The Notice of Default shall also state the election of the Association to sell the Lot or other property to which the amounts relate and shall otherwise conform with the requirements for a notice of default under California Civil Code section 2924c, or comparable successor statute.

The Association shall have the rights conferred by California Civil Code section 2934a to assign its rights and obligations as trustee in any nonjudicial foreclosure proceedings to the same extent as a trustee designated under a deed of trust, and for purposes of section 2934a, the Association shall be deemed to be the sole beneficiary of the delinquent Assessment obligation. Furthermore, in lieu of an assignment of trusteeship, the Association shall be entitled to employ the services of a title insurance company or other responsible person authorized to serve as a trustee in nonjudicial foreclosure proceedings to act as an agent on behalf of the Association in commencing and prosecuting any nonjudicial foreclosure hereunder.

The Association or its assignee shall mail a copy of the Notice of Default to the Owner or reputed Owner of the subject Lot at the Owner's last address appearing on the books or records of the Association, and to any person to whom the giving of a notice of default is required by applicable provisions of California Civil Code section 2924b. Following receipt of the Association's notice, the Owner and junior encumbrances shall have reinstatement rights identical to those provided by law for trustors or mortgagors, which rights must be exercised during the period specified by law for reinstatement of obligations secured by deeds of trust.

After the lapse of such time as may then be required by law following the Recording of a Notice of Default under a deed of trust, the Association or its assignee may give Notice of Sale in the manner and for the period required in the case of deeds of trust. After the giving of the Notice of Sale, the Association, or its assignee, without demand on the Owner, may sell the Lot at the time and place fixed in the Notice of Sale, at public auction to the

highest bidder. At the Trustee's sale, the Trustee shall have the right to require every bidder to show evidence of his or her ability to deposit with the Trustee the full amount of his or her final bid in cash or a bank or savings and loan certified check and to require the last and highest bidder to deposit the full amount of his or her final bid in cash or a bank or savings and loan association certified check. The Association or its assignee may postpone the noticed sale by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement.

The Association shall deliver to the purchaser at such foreclosure sale the Association's deed conveying the Lot so sold, but without covenant or warranty, express or implied. The recitals in such deeds shall be conclusive proof of the truthfulness thereof. Any person, including the Association, may bid on the subject property and purchase the same at such sale.

After deducting from the sale proceeds all costs, fees, and expenses incurred by the Association, the net proceeds shall be applied to the payment of all sums secured by the Association's lien at the time of sale, including interest, costs and attorneys' fees, and the remainder, if any, shall be disbursed to the person or persons legally entitled thereto.

(iv) Actions for Money Judgment. In the event of a default in payment of any Assessment, the Association, in its name but acting for and on behalf of all other Owners, may initiate legal action, in addition to any other remedy provided herein or by law, to recover a money judgment or judgments for unpaid Assessments, costs and attorneys' fees without foreclosure or waiver of the lien securing same.

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

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

(b) The Association's Assessment lien shall be extinguished as to all delinquent sums, late charges, interest and costs of collection incurred prior to

the sale or transfer of a Lot pursuant to a foreclosure or exercise of a power of sale by the holder of a prior encumbrance (but not pursuant to a deed-in-lieu of foreclosure). A "prior encumbrance" means any first Mortgage or other Mortgage or lien Recorded against the Lot at any time prior to Recordation of the Association's Assessment lien (see Section 4.12, below).

(c) No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale, or otherwise, shall relieve the new Owner of such Lot (whether it be the former beneficiary of the first Mortgage or other prior encumbrance or a third party acquiring an interest in the Lot) from liability for any Assessments which thereafter become due with respect to the Lot or from the lien thereof.

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

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

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

Section 4.13. 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, such taxes shall be included in the Regular Assessments imposed pursuant to Section 4.02, above, and, if necessary, a Special Assessment may be levied against the Lots in an amount equal to such taxes to

be paid in two installments, thirty (30) days prior to the due date of each tax installment.

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

ARTICLE V

Architectural Control

Section 5.01. Approval of Improvements by Board or Design Review Committee.

(a) Approval Generally. Before commencing construction or installation of any Improvement within the Properties, the Owner planning such Improvement must submit a written request for approval to the Board of Directors or its duly appointed Design Review Committee, if such a committee is established pursuant to Section 5.02, below, and Article IX of the Bylaws. The Owner's request shall include structural plans and specifications satisfying the minimum requirements specified in the Architectural Rules (see Section 5.05, below). Unless the Board's approval of the proposal is first obtained, no work on the Improvement shall be undertaken. The Board shall base its decision to approve, disapprove or conditionally approve the proposed Improvement on the criteria described in Section 5.06, below.

(b) Definition of "Improvement". The term "Improvement" as used herein includes, without limitation, the construction, installation, alteration or remodeling of any buildings, exterior walls, decks, fences, septic system, landscaping, landscape structures, skylights, solar heating equipment, spas, antennas, utility lines or any other structure of any kind; provided, however, that improvements to the interior of any Residence shall not be considered an "Improvement," as defined in this Article.

(c) Modifications to Approved Plans Must Also Be Approved. Once a proposed work of Improvement has been duly approved by the Board, no material modifications shall be made in the approved plans and specifications therefor and no subsequent alteration, relocation, addition or modification shall be made to the work of Improvement, as approved, without a separate submittal

to, and review and approval by, the Board. If the proposed modification will have, or is likely to have, a material affect on other aspects or components of the work, the Board, in its discretion, may order the Owner and his or her contractors and agents to cease working not only on the modified component of the Improvement, but also on any other affected component. The restrictions of this subparagraph (c) shall also apply to any proposed modification of any Residence, fence or other structure from its appearance or location as originally constructed by the Declarant.

In the event that it comes to the knowledge and attention of the Association, its Design Review Committee, or the agents or employees of either that a work of Improvement, or any modification thereof, is proceeding without proper approval, the Association shall be entitled to exercise the enforcement remedies specified in Section 5.11, below, including, without limitation, ordering an immediate cessation and abatement of all aspects of the work of Improvement until such time as proper architectural review and approval is obtained.

Section 5.02. Composition of the Design Review Committee. If the Board of Directors elects to establish an Design Review Committee pursuant to Article IX of the Bylaws, the Committee shall be composed of three (3) or more members of the Association appointed by the Board. In selecting Members for the Committee, the Board shall endeavor to select individuals whose occupations or education will provide technical knowledge and expertise relevant to matters within the Committee's jurisdiction. Committee members shall serve one-year terms subject to the Board's power to remove any Committee member and to appoint his or her successor. Neither the members of the Committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto. If the Board establishes a Committee, it shall have those powers which are specifically designated by the Board in the resolution establishing the Committee. If the Board establishes a Committee, all references in the following sections to the Board shall be deemed to be references to the Committee unless the context or the Board's resolution creating the Committee provide otherwise.

Section 5.03. Duties. The Board shall have the duty to consider and act upon the proposals and plans for Improvements submitted to it pursuant to this Declaration, to adopt Architectural Rules pursuant to Section 5.05, below, and to carry out all other architectural review duties imposed upon it by this Declaration.

Section 5.04. Meetings. The Board shall meet from time to time as necessary to properly perform the architectural review functions described in this Article. The vote or written consent of a majority of the Board shall constitute the action of the Association. The Board shall keep and maintain a written record of all actions taken, and actions on architectural matters may be undertaken by the Board at its regular Board meetings.

The Applicant shall be entitled to appear at any meeting of the Board at which his or her proposal has been scheduled for review and consideration. The Applicant shall be entitled to be heard on the matter and may be accompanied by his or her architect, engineer and/or contractor, if any. Other Owners whose Lots may be affected by the proposed Improvement (in terms of the view or solar access of their Lot, noise or other considerations) shall also be entitled to attend the meeting.

Reasonable notice of the time, place and proposed agenda for the review of architectural matters shall be communicated before the date of the meeting to any Applicant whose application is scheduled to be heard.

Section 5.05. Architectural Rules. The Board of Directors may, from time to time, adopt, amend and repeal rules and regulations to be known as "Architectural Rules." The Architectural Rules shall interpret and implement the provisions hereof by setting forth: (a) the standards and procedures for architectural review, including the required content of Improvement plans and specifications; (b) guidelines for architectural design, placement of any work of Improvement or color schemes, exterior finishes and materials and similar features which are recommended or required for use in connection with particular Improvement projects within the Properties; and (c) the criteria and procedures for requesting variances from any property use restrictions or minimum construction standards that would otherwise apply to the proposed Improvement under the Governing Documents (see Section 5.12, below). Notwithstanding the foregoing, no Architectural Rule shall be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Architectural Rules and this Declaration, the provisions of the Declaration shall prevail.

Section 5.06. Basis for Approval of Improvements. When a proposed work of Improvement is submitted to the Board of Directors for review, the Board shall grant the requested approval only if, in its sole discretion, the Board makes the following findings regarding the proposed project:

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

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

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

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

The Board shall be entitled to determine that a proposed Improvement or component thereof is unacceptable when proposed on a particular Lot, even if the same or a similar Improvement/component has previously been approved for use at another location within the Properties if factors such as drainage, topography or visibility from roads, Common Areas or other Lots or prior adverse experience with the product or components used in construction of the Improvement, design of the Improvement or its use at other locations within the Properties militate against erection of the Improvement or use of a particular component thereof on the Lot involved in the Owner's submittal.

In approving a request for construction of an Improvement, the Board may condition approval upon the adoption of modifications in the plans and specifications or observance of restrictions as to location, noise abatement or similar mitigating conditions.

Section 5.07. Time Limits for Approval or Rejection. Within thirty (30) days after submission of plans and specifications satisfying the requirements of the Architectural Rules, the Board shall return one set of such plans to the Applicant, with either written notice of approval or disapproval or with written suggestions of changes required for approval accompanying the returned set of plans. If the Board recommends that the plans and specifications be modified, the Applicant may implement such changes to the plans and within thirty (30) days resubmit plans incorporating such changes for approval to the Board,

which shall not unreasonably withhold its approval so long as the Applicant has complied in all material respects with the requested changes. If no written notice of approval or disapproval is received by the Applicant within thirty (30) days after the Owner's plans and specifications (or revisions thereto) are submitted to the Board, the plans shall be deemed to have been approved as submitted.

If the Board establishes a Design Review Committee, the Committee's decisions shall be deemed to be recommendations to the Board which shall be placed on the agenda for confirmation, modification or denial at the next scheduled Board meeting and the 30-day period specified herein for Association action shall be extended to include the days from the Committee's action until the next regular meeting of the Board.

Section 5.08. Proceeding With Work. Upon receipt of approval of an Improvement project from the Board of Directors, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction pursuant to the approval. In all cases, work on an Improvement project shall commence within one year from the date of such approval. If the Owner fails to comply with this paragraph, any approval given pursuant to this Article shall be deemed revoked unless the Board, upon written request of the Owner prior to the expiration of the initial one-year period, extends the time for commencement or completion. No such extension shall be granted except upon a finding by the Board that there has been no change in the circumstances upon which the original approval was granted and that the Owner has a bona fide intention and ability to complete the Improvement project within the time specified in the extension request.

Section 5.09. Failure to Complete Work. Unless the Owner has been granted an extension of time to complete the project by the Board, exterior construction must be finished within two (2) years after construction has commenced, except and for so long as such completion is rendered impossible or would result in great hardship to the Owner because of strikes, fires, national emergencies, natural calamities, or other supervening forces beyond the control of the Owner or his or her agents. In the case of building Improvements the requirements of this section shall be deemed to have been met if, within the one-year construction period, the Owner has completed construction of the building's foundation and all exterior surfaces (including the roof, exterior walls, windows and doors).

If the Owner fails to comply with this section, the Board shall proceed in accordance with the provisions of 5.10(c) and (d) below as though the failure to complete the Improvement was a noncompliance with approved plans.

Section 5.10. Inspection of Work by the Board or its Design Review Committee. Inspection of the work relating to any approved Improvement and correction of defects therein shall proceed as follows:

(a) During the course of construction, representatives of the Board shall have the right to inspect the job site to confirm that the work of Improvement is proceeding in accordance with the approved plans and specifications.

(b) Upon the completion of any work of Improvement for which architectural approval is required under this Article, the Owner shall give the Board of Directors a written notice of completion.

(c) Within thirty (30) days thereafter, the Board may inspect the Improvement to determine whether it was constructed, reconstructed, altered or refinished in substantial compliance with the approved plans. If the Board finds that the Improvement was not erected, constructed or installed in substantial compliance with the Owner's approved plans, then within the 30-day inspection period the Board shall give the Owner a written notice of noncompliance detailing those aspects of the project that must be modified, completed or corrected. If the violation or nonconforming work is not corrected, the Board shall have the enforcement rights and remedies set forth in Section 5.11, below.

(d) If for any reason the Board fails to notify the Owner of any noncompliance within thirty (30) days after receipt of the Owner's notice of completion, the Improvement shall be deemed to have been constructed in accordance with the approved plans for the project, unless it can be demonstrated that the Owner knew of the noncompliance and intentionally misled the Board with respect thereto.

Section 5.11. Enforcement of Architectural Compliance Matters.

(a) In addition to other enforcement remedies set forth in this Declaration, the Board shall have the authority to order an abatement ("red tag") of any construction, alteration or other matter for which approval is required, to the extent that it has not been approved by the Board or if it does not conform to the plans and specifications submitted to and approved by the Board. If an

Improvement project is red tagged, the Owner and his or her contractor shall cease all construction activity until such time as the issue giving rise to the red tag order is resolved. The red tag notice shall clearly state the reasons why the abatement has been ordered.

(b) No work for which approval is required shall be deemed to be approved simply because it has been completed without a complaint, notice of violation, or commencement of a suit to enjoin such work. If any legal proceeding is initiated to enforce any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorneys' fees in addition to the costs of such proceeding.

(c) If the Owner fails to remedy any noncompliance of which notice has been given within thirty (30) days from the date of such notification, or if the Owner feels that the project has been red tagged without justification, the Board shall set a date on which a hearing before the Board shall be held regarding the alleged noncompliance. The hearing shall be conducted in accordance with Section 12.06, below.

(d) The approval by the Board of any plans, drawings or specifications for any work of Improvement done or proposed, or for any other matter requiring the Board's approval under this Declaration, or any waiver thereof, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval by the same or some other Owner. Different locations for Improvements, the size of the structure, proximity to other Residences or Common Facilities and other factors may be taken into consideration by the Board in reviewing a particular submittal.

Section 5.12. Variances. The Board of Directors, in its sole discretion, shall be entitled to allow reasonable variances in any procedures specified in this Article, any minimum construction standards specified in Article VI, or in any land use restrictions specified in Article VIII to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardship to Applicants, provided all of the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a minimum construction standard or a property use restriction that would otherwise be applicable under this Declaration, the Board must conduct a public hearing on the proposed variance after giving prior written

notice to the Board and to all Owners residing within the lesser of fifty (50) feet or two Lots away from the Lot where the Improvement is proposed to be erected. The notice shall also be posted in the Association's principal office within the Properties. The notice shall be posted and mailed to the interested Owners at least fifteen (15) days prior to the date when the Board is scheduled to act on the requested variance. No decision shall be made with respect to the proposed variance until the 15-day comment period has elapsed.

(b) If the requested variance pertains to any material Improvement or project, the Board must make a good faith written determination that the variance is consistent with one or more of the following criteria: (i) the requested variance will not constitute a material deviation from any restriction contained herein or that the variance proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) that the variance relates to a required land use restriction or minimum construction standard otherwise applicable hereunder that is unnecessary or burdensome under the circumstances; or (iii) that the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance with respect to any other Lot or Common Area within the Properties.

Section 5.13. Compliance Certificate. Within thirty (30) days after written demand is delivered to the Board by any Owner, and upon payment to the Association of a reasonable fee (as established from time to time by the Board), the Board shall record an compliance certificate, executed by any two of its members, certifying (with respect to any Lot owned by the Applicant) that as of the date thereof, either: (a) all Improvements made and other work completed by the Owner comply with this Declaration; or (b) such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements or work and set forth with particularity the basis of such noncompliance. Any purchaser from the Owner, or from anyone deriving any interest in the Lot through the Owner, shall be entitled to rely on the Association's compliance certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners and any persons deriving any interest through them.

Section 5.14. Limitation on Liability. Neither the Association, nor the Board or the Design Review Committee (if any) or any member thereof, shall be liable to any Owner for any damage, loss or prejudice suffered or claimed on account of any mistakes in judgment, negligence or nonfeasance arising out of: (a) the approval or disapproval of any plans, drawings and specifications,

whether or not defective; (b) the construction or performance of any Improvement project, whether or not pursuant to approved plans, drawings or specifications; or (c) the execution and filing of an estoppel certificate pursuant to Section 5.13 above, whether or not the facts therein are correct; provided, however, that such member has acted in good faith on the basis of such information as he or she possessed at the time the act or omission occurred.

Section 5.15. Compliance With Governmental Regulations. Review and approval by the Board of any proposals, plans or other submittals pertaining to Improvements shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements, the responsibility for which shall lie solely with the Owner who desires to construct, install or modify the Improvement.

ARTICLE VI

Minimum Construction Standards

Unless a variance is requested from, and granted by, the Design Review Committee in accordance with Section 5.13, above, Improvements constructed on any Lot on or after the date when this Declaration is recorded in the Official Records of the County shall conform to the following minimum construction standards:

Section 6.01. Minimum Size of Residences. No residence having a ground-floor area of less than seven hundred fifty (750) square feet (exclusive of garage, open porches, terraces, stoops, and the like) shall be constructed or placed upon any Lot within Snowshoe Springs.

Section 6.02. Set-Back Requirements. No building, including a deck attached to a building, shall be erected on any Lot nearer than twenty (20) feet to the front property line, nor shall any building be erected on any Lot nearer than ten (10) feet to any side or rear lot line, without the prior written consent of the Association.

Section 6.03. Restriction on Further Subdivision of Lots. No residence shall be erected upon any Lot resulting from rearrangement or subdivision of original Lots, as shown upon any recorded Subdivision Map for Snowshoe Springs, unless approved by the Association.

Section 6.04. Used or Temporary Structures. Any used buildings or structures, intended for use as a Residence placed on any Lot shall comply with all provisions of Articles V and VI. No tent, trailer, garage, or other outbuildings, temporary or permanent, shall be used as a dwelling house, except for a limited time, during the erection of a dwelling. Regarding temporary quarters for visitors, see Section 8.08, below.

Section 6.05. Mobile Homes. No mobile home shall be permitted on any lot.

Section 6.06. Fences and Walls. No fence, boundary, wall, or hedge, other than an open sightless wire fence surrounding a tennis court, badminton court, and the like shall have a greater height than six (6) feet. No such fence, wall, or hedge situated within twenty (20) feet of any front property line shall be at a greater height than three (3) feet, nor shall any tight board fence be erected within twenty (20) feet of any front property line.

Section 6.07. Tree Removal. Only such trees and limbs thereof may be removed as are necessary for the construction of the dwelling and appurtenant buildings, for the installation of utilities, and for the safety of any building located on any Lot; provided, however, that prior to any such removal, notice shall be given to the Association and the Association's written approval of the removal shall be obtained.. After a dwelling is constructed, no tree with a trunk diameter of eight inches or more (measured three (3) feet above grade) shall be removed for any purpose without the prior written approval of the Committee. With the exception of maintenance to conform to fire prevention requirements, tree crowning, drastic pruning, removal of diseased trees, and thinning to restore view or sunlight is subject to written approval of the Association.

In addition, when in the opinion of the Committee, the proposed removal will have a major impact on the use or enjoyment of adjacent owners, the owner proposing the removal shall obtain written consent to the drawn plans from those neighbors. In such instances, neighboring property owners will be contacted by mail and given a time period of thirty (30) days to respond to the Committee. If agreement cannot be reached, the question shall be referred to the Board of Directors for a decision.

Any unapproved removal of a tree with a diameter over eight inches (measured three (3) feet above grade) shall be subject to fine as specified in the Rules of the Association.

It is understood and agreed that cutting and/or trimming of trees necessary for the public utility to properly maintain their lines shall be allowed in order that satisfactory service may be maintained in the area.

Section 6.08. Septic Systems. Unless and until county or utility sewage collection becomes available and its use is approved by the Declarant in writing, sewage disposal systems shall be limited to septic tank and leaching systems. Individual sewage disposal systems shall be constructed in accordance with the recommendations contained in Special Bulletin 56A, State Department of Public Health, or any amendment thereto, or addendum thereto. Sewage disposal systems on lots situated above roadways must be kept at least twenty-five (25) feet back from road cuts on embankments. Sewage disposal systems shall be kept at least one hundred (100) feet away from any spring. The Association's Design Review committee may require Owner's to present evidence that the installation of the Owner's septic system has been inspected and approved by the County.

Section 6.09. Prohibition of Private Water Systems. No private water systems shall be allowed.

Section 6.10. Roofing Materials. Wood or shingle or composition roofing materials shall be treated with fire retardant materials. Any metal roofing shall be nonreflective. Roof colors shall be as those specified for exterior finishes in Section 6.11.

Section 6.11. Colors and Exterior Finishes. No reflective finishes (other than glass) shall be used on exterior surfaces (other than surfaces of hardware fixtures). Generally, exterior colors shall be restricted to those found in the immediate vicinity of the residence and colors found in nature will be favored.

Section 6.12. Exterior Lighting and Fixtures. Outdoor lights must be enclosed in a manner that directs the light in a specific area without causing a visual impairment to passing motorists or a nuisance to neighboring properties. The issue of whether a nuisance exists shall be determined by the Design Review Committee in its sole discretion.

Section 6.13. Height and Eave Requirements. The mean height of a home may not exceed thirty-five (35) feet. A maximum eave encroachment of two feet (2'0") is allowed.

Section 6.14. Storage of Personal Property and Construction Materials on Lots.

(a) Personal property on any Lot shall be stored neatly and shall be located entirely within the Owner's residence, garage, other enclosed storage areas, or neatly stored in an appropriate location consistent with the intention of this restriction to avoid having stored materials become a visual or aesthetic nuisance to the neighborhood. The Design Review Committee may also approve other methods of adequately screening stored personal property. The issue of whether a nuisance exists and/or whether a proposed screening method or structure is adequate shall be determined by the Design Review Committee in its sole discretion and on a case-by-case basis. It is acknowledged that screening approved in one instance may not be appropriate or adequate in other locations due to such factors as topography, the location of neighboring structures, trees, bushes or landscaping, or prior adverse experience and property owner complaints.

(b) The Association shall have the right to establish and maintain within the Common Areas appropriate storage yards and storage buildings for the maintenance of materials and equipment used by the Association in connection with its planting, building, repair, maintenance and preservation of the structures, landscaping and other Improvements within the Common Areas which the Association is obligated to repair and maintain.

(c) No storage of construction materials or other personal property shall be permitted on any unimproved Lot, unless (i) the unimproved Lot is utilized as an incorporated yard area of the adjacent improved Lot; or (ii) the materials are being stored in connection with a pending construction project that has received proper Design Review Committee approval.

Section 6.15. Antennas and Similar Devices. Antennas or satellite dishes for customary use shall be situated in such a way that they are inconspicuous and unobtrusive. The issue of whether an antenna or satellite dish is obtrusive shall be determined by the Design Review Committee in its sole discretion and on a case-by-case basis.

Section 6.16. Excavations. No work or exploration for any minerals or drilling for any minerals or mining of any minerals or quarrying of any rock, minerals, soil, or mineral of any nature shall be conducted on any Lot nor shall

any excavation of any nature be made upon the Properties or any portion thereof, except in connection with the installation of utility service, drainage lines, excavation incident to the grading and preparation of building sites, and the construction of dwellings. Excavation may commence forty-eight (48) hours after plans have been approved by the Design Review Committee, provided no appeal to the project has been received (see Section 5.05(f), above [this cross-reference does not work]). Underground utility trenches shall be dug so as to minimize damage to adjacent natural vegetation. Excavations and grading in connection with the construction or relocation of driveways are subject to the Committee approval requirements of this section.

Section 6.17. Permitted Hours of Construction Activity. Without the prior written consent of the Association, loud outdoor construction and maintenance activities shall take place only between the hours of 7:00 A.M. and 8:00 P.M., Monday through Friday and 8:00 A.M. to 7:00 P.M. on Saturday and Sunday.

Section 6.18. Restrictions Regarding Construction Vehicle Access. To preserve the natural vegetation at the construction site, vehicular access to the project Lot shall be restricted to the area of the intended driveway. In addition, the work area and heavy equipment movement on the Lot shall be limited to the footprint of the improvement and an additional area, not to exceed twelve and one-half (12 ½) feet outside the foundation footprint, unless a larger area exists without natural vegetation or the area will be incorporated in a landscape plan approved by the Committee.

ARTICLE VII

Association and Owner Maintenance Responsibilities

Section 7.01. Common Areas. The Association shall be solely responsible for all maintenance, repair, upkeep and replacement of all portions of the Common Areas. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any Improvement upon, or shall create any excavation or fill or change the natural or existing drainage of any portion of the Common Area. In addition, no person shall remove any tree, shrub or other vegetation from, or plant any tree, shrub, or other vegetation upon the Common Area without express approval of the Association.

Prudent use of herbicides: Use of chemicals to control foliage growth in the common areas, including Lake Snowshoe, shall be avoided. When it is deemed that chemical suppression of growth is necessary for normal maintenance and enjoyment, effort shall be made to use the least intrusive chemical available. The product and application means chosen shall be that most expected to accomplish the immediate goal with minimum harm to mammals, birds, fish, or frogs, or the ecology downstream from the application site.

Section 7.02. Owner Maintenance Responsibility. Each Owner shall be responsible for the maintenance and repair of his or her residence and Lot.

Section 7.03. Association Recovery of Costs of Certain Repairs and Maintenance. If the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder, is caused through the willful or negligent acts of an Owner, his or her family, guests, tenants, or invitees, and is not covered or paid for by insurance policies maintained by the Association or the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Section 4.04, above.

Section 7.04. Cooperative Maintenance Obligations. To the extent necessary or desirable to accomplish the Association's maintenance and repair obligations hereunder, individual Owners shall cooperate with the Association and its agents and maintenance personnel in the prosecution of its work.

Section 7.05. Drainage Structures, Ditches and Swales.

(a) All drainage structures, culverts and canals improved by the Association for the major collection of storm runoff and any natural drainage courses within Common Areas shall be maintained regularly by the Association.

(b) Except as provided in subparagraph (a), above, each Owner shall keep drainage courses, ditches and swales on his or her Lot free and clear of all obstructions, and shall, in cooperation with contiguous property Owners (including the Association as to any contiguous parcels it owns), maintain all such drainage ditches, swales and culverts common to their Lots in good order.

(c) No Owner or resident shall alter or obstruct a natural drainage course, or materially add to the natural water volume of the drainage course

without making adequate provisions with respect to neighboring Lots and Common Areas. Any such alterations, obstructions, or additions to water volume shall be considered a work of Improvement that is subject to prior review and approval by the Design Review Committee.

ARTICLE VIII

Use of Properties and Restrictions

In addition to the restrictions established by law or Association Rules promulgated by the Board of Directors (consistent with this Declaration), the following restrictions are hereby imposed upon the use of Lots, Common Areas and other parcels within the Properties.

Section 8.01. Lots Restricted to Single Family Residential Use. No building, other than one single family dwelling and appurtenant building including garage for private use, shall be erected upon any Lot, nor shall any house constructed on any Lot be used for any purpose other than a dwelling, appurtenant building, or garage for private use.

Section 8.02. Sign Restrictions. No advertising signs shall be displayed on any Lot or posted within or upon any of the Properties except that an Owner may post on his or her lot a single "For Rent," "For Lease," or "For Sale" sign of reasonable dimensions and appearance as stated in the Association Rules. An Owner may also display a political sign of reasonable dimensions for a reasonable period of time prior to the election to which the sign pertains (and removed promptly following the election).

Section 8.03. Commercial Activities. Businesses operated on any lot or residence in Snowshoe Springs must comply with the following conditions:

(a) Location of Business. A residential occupation shall be located within the residence, garage, or workshop. The business use must be subservient to the use of the property for residential purposes. At no time shall the area allocated to the business exceed more than 25% of the building area on the parcel. For example, if there is a garage and house on the property with a combined square footage of two thousand (2,000) square feet, the area devoted to the business is limited to five hundred (500) square feet.

(b) Traffic Generation. No business shall be permitted when it may be reasonably determined that the success of the business is based on the number of clients or customers coming to the residence in order to conduct business. It is understood that virtually all businesses require occasional customer visitors to the place of business; however, in the case of residential business users, this should clearly be the exception rather than the rule.

(c) Potential Nuisance. Residential business uses are subservient to other residential uses in the general vicinity. Residential businesses shall be operated in a manner so that business use is not the cause of repeated and legitimate complaints from neighboring owners about noise, dust, odor, or appearance.

(d) Change in Appearance. No alteration, addition, or new construction shall be permitted which would cause the appearance of the property to assume any aspect of housing a business.

(e) Signs. No advertising or identification signs pertaining to the business will be allowed.

(f) Employees. No persons, other than members of the immediate family residing in the home, may be employed as part of the business conducted in the residence. This section is not intended to limit the number of employees of the business who may work elsewhere and occasionally come to the residence in the course of business.

(g) Contractors, Truck Operators, Heavy Equipment Operators or Appliance Repair Businesses. A proprietor of one of the aforementioned businesses is permitted to use the provisions of this section provided that the following standards are satisfied, on an ongoing basis:

(i) Material Storage. Materials used on a job must be stored entirely within the house, garage, or workshop on the lot or at a storage facility off the premises.

(ii) Contractor Vehicles. Light commercial and utility vehicles (maximum one ton rating) used by the proprietor for travel from home to the job site may be kept at the residence on a regular basis.

(iii) Heavy Equipment, Commercial Trailers, Backhoes, Loaders or Trucks Over One Ton. Heavy equipment and/or commercial equipment may not be stored, repaired or parked at the residence or on any road easement. A single piece of snow removal equipment may be kept, but shall be parked as inconspicuously as possible on the property.

Section 8.04. Mobile Homes. No mobile homes, whether on slab or foundation, may be permitted as a permanent dwelling on any lot.

Section 8.05. Parking and Storage of Vehicles. The following parking and vehicle restrictions shall exist within Snowshoe Springs:

(a) All driveways and garages shall be maintained in a neat and orderly condition.

(b) No motor vehicle shall be constructed, reconstructed, or repaired within the Properties and no dilapidated or inoperable vehicle, including vehicles without wheel(s) or an engine, shall be stored on the Properties; provided, however that the provisions of this section shall not apply to minor maintenance or emergency vehicle repairs of reasonable duration.

Section 8.06. Recreational Vehicle Storage. Owners are encouraged to consult and work cooperatively with their neighbors on the suitability and appropriateness of storage of recreational vehicles, camper shells, boats, trailers, and similar vehicles, so that they are parked or screened to provide the least possible visual impact to neighboring properties.

Section 8.07. Pets and Animal Restrictions. The following restrictions regarding the care and maintenance of pets within the Properties shall be observed by each Owner and resident.

(a) No animals or fowl of any description shall be raised, housed, or kept on any Lot except that dogs and cats or other common household pets that are of such nature as not to interfere with the safety and comfort of neighboring residents may be kept, provided that they are not bred or maintained at Snowshoe Springs for any commercial purpose.

The board may determine whether an animal is an annoyance or nuisance in its sole discretion and on a case-by-case basis.

(b) Dogs shall only be allowed on the common areas when they are leashed or otherwise under the supervision and restraint of their owners. No pets are allowed in the area surrounding Lake Snowshoe.

(c) Pet owners are responsible for the prompt removal and disposal of pet wastes deposited by their pets in Snowshoe Springs.

(d) Each person bringing or keeping a pet on the Properties shall be solely responsible for the conduct of those pets. The Association, its Board, officers, employees, and agents shall have no liability (whether by virtue of this Declaration or otherwise) to any Owners, their family members, guests, invitees, tenants and contract purchasers for any damage or injury to persons or property caused by any pet.

(e) The Board of Directors shall have the right to establish and enforce additional rules and regulations, defining in a uniform and nondiscriminatory manner, what constitutes a "reasonable number" of pets depending on their size, disposition and/or maintenance requirements and imposing standards for the reasonable control and keeping of household pets in, upon, and around the Properties to ensure that kept pets and animals do not interfere with the quiet and peaceful enjoyment of the Properties by the other Owners and residents.

(f) The Board of Directors shall have the right to require proof of vaccination of any pet.

Section 8.08. Temporary Quarters. If a motor home, trailer, recreational vehicle or other temporary living quarters are maintained at a construction site, the same shall be maintained in a manner which does not become a nuisance to neighboring properties and the unit shall be connected to an approved sanitary system. A construction shed may be placed on a lot and remain there temporarily during the course of active construction of a private residence.

In accordance with local laws or ordinances (if any) relating to such matters as the disposal of refuse and effluent, recreational camping with tents or recreational vehicles will be allowed on any Lots for a maximum of thirty (30) consecutive days. As an enforcement remedy, the Association shall be entitled to prohibit camping on a Lot for a period not to exceed two years, in the event that it is determined, after notice and the opportunity for a hearing as provided in Section 12.06, below that an Owner or the tenants, guests or invitees of an Owner are violating the spirit and intent of this restriction by camping on a Lot for

extended periods with occasional absences from the Lot at approximately 30 day intervals.

Section 8.09. Granny Units. No more than one kitchen facility shall be installed or maintained in any residence. However, this restriction shall not prohibit construction of servant's quarters or "in-law" units for members of the Owner's family. These units shall not be rented to other parties who are not members of the Owner's family or domestic employees of the Owner.

Section 8.10. Common Areas. The Common Areas shall be preserved as open space and used for recreational purposes and other purposes incidental and ancillary to the use of Lots. Such use shall be limited to the private use for aesthetic and recreational purposes by the Members, their tenants, families and guests, subject to the provisions of the Governing Documents. No Improvement, excavation, or work which in any way alters any Common Area or Common Facility from its natural or existing state shall be made or done except by the Association and then only in strict compliance with the provisions of this Declaration.

Section 8.11. Prohibition of Noxious Activities. No illegal, noxious or offensive activities shall be carried out or conducted upon any Lot or Common Area nor shall anything be done within the Properties which is or could become an unreasonable annoyance or nuisance to neighboring property Owners. Without limiting the foregoing, no Owner shall permit noise, including, but not limited to barking dogs, amplifier systems, or un-muffled motor vehicles or power tools, to emanate from an Owner's Lot or from activities within the Common Area, which would unreasonably disturb any other Owner's or tenant's enjoyment of his or her Lot or the Common Area.

Section 8.12. Debris and Garbage. No refuse pile, garbage, obnoxious or offensive material shall be allowed to be placed or to remain anywhere within the Properties and the Owner of any Lot or residence shall cause all refuse and other like material to be stored and disposed of by and in accordance with the accepted sanitary practice. In the event that the Owner of any Lot fails or refuses to keep the Lot or exterior premises of the Owner's residence free of all refuse piles or other unsightly growth or objects, then the Association or their successors and assigns, have the right to enter upon the land and remove the same at the expense of the Lot Owner who shall repay the same on demand and that entry shall not be deemed as trespass. Any entry by the Association shall be effected in accordance with Section 3.06(b), above.

Section 8.13. Lot Splitting, Combining, and Severance of Interests, Voting Privilege. No Lot may be further subdivided into two or more smaller buildable lots, even if each of the resulting Lots exceeds the minimum lot size permitted by local zoning ordinances.

No Lots, as shown on any Subdivision Map for any portion of the Properties may be combined, so as to reduce the number of Lots within Snowshoe Springs, without the prior approval of the Association's Board, which approval shall not be unreasonably withheld; provided, however, that the combined Lots shall continue to be assessed for Regular and Special Assessments at the same rate that would have applied to the combined Lots separately, so that Lot mergers or combinations do not adversely affect the revenue base of the Association.

When a lot is split, the vote formerly associated with that Lot shall cease to exist.

Section 8.14. Variances. Upon application by any Owner, the Board of Directors shall be authorized and empowered to grant reasonable variances from the property use restrictions set forth in this Article, if specific application of the restriction will, in the sole discretion of the Board, either cause an undue hardship to the affected Owner or fail to further or preserve the common plan and scheme of development contemplated by this Declaration. In considering and acting upon any request for a variance, the Board shall follow the procedures set forth in Section 5.15, above, for the granting of architectural variances.

Section 8.15. Enforcement of Property Use Restrictions. The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and tenants with the environmental standards and property use restrictions contained in this Declaration. Accordingly, in the event that the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action under Section 12.06, below, the Owner or Tenant responsible for the violation shall receive written notice of the infraction and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). The notice shall describe the noncomplying condition, request that the Owner or tenant correct the condition within a reasonable time specified in the notice, and advise the Owner or tenant of his or her right to be heard on the matter.

ARTICLE IX Easements

Section 9.01. Blanket Utility Easement. Such easements and rights of way as may be shown and delineated on the Subdivision Maps of Snowshoe Springs are especially reserved for the erection, construction, and maintenance of poles, wires, and conduit for electricity, telephone, and other public services and utilities, drainage ditches, and foot and bridle paths. There is hereby created a blanket easement upon, across, over and under all of the Common Areas for ingress, egress, installation, replacing, repairing and maintaining all utilities, including but not limited to water, sewers, gas, telephones, drainage and electricity and the master television antenna or cable television system. By virtue of this easement, it shall be expressly permissible for the providing utility company to erect and maintain the necessary equipment and underground facilities on the Common Area. Notwithstanding the foregoing, no sewer, electrical lines, water lines, or other utilities may be installed or relocated on the Properties except as initially designed and approved by the Declarant or thereafter approved by the Board of Directors. The easements provided for in this section shall in no way affect any other Recorded easement on the Properties.

Section 9.02. Other Easements. Each Lot and its Owner, and the Association as to the Common Area, are hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the Properties and each Lot and Common Area as shown on the Subdivision Map.

Section 9.03. Priority of Easements. Wherever easements granted to the County are, in whole or in part, coterminous with any other easements, the easements of the County shall have and are hereby granted priority over the other easements in all respects.

ARTICLE X Insurance

Section 10.01. Types of Insurance Coverage. The Association shall purchase, obtain and maintain, with the premiums therefor being paid out of Common Funds, the following types of insurance, if and to the extent such

insurance, with the coverages described below, is available at a reasonable premium cost:

(a) Fire and Casualty Insurance. A policy of fire and casualty insurance naming as parties insured the Association and any Mortgagee of the Common Area, and containing the standard extended coverage and replacement cost endorsements and such other or special endorsements as will afford protection and insure, for the full insurable, current replacement cost (excluding foundations and excavation, but without deduction for depreciation) as determined annually by the insurance carrier, all Common Facilities and the personal property of the Association for or against the following:

(i) Loss or damage by fire or other risks covered by the standard extended coverage endorsement.

(ii) Loss or damage from theft, vandalism or malicious mischief.

(iii) Such other risks, perils or coverage as the Board of Directors may determine.

Such policy or the endorsement made a part thereof shall, to the extent available, provide that the insurer issuing the policy agrees to abide by the decision of the Association made in accordance with the provisions of Article XI, below as to whether or not to repair, reconstruct or restore all or any damaged or destroyed portion of the Common Facilities.

(b) Public Liability and Property Damage Insurance. To the extent such insurance is reasonably obtainable, a policy of comprehensive public liability and property damage insurance naming as parties insured the Association, each member of the Board of Directors, any manager, the Owners and occupants of Lots, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the ownership and use of the Common Area and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than \$1 million covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for nonowned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location and use.

(c) Directors' and Officers' Liability Insurance. To the extent such insurance is reasonably obtainable, the Association shall purchase and maintain in effect one or more policies of insurance providing individual liability coverage for persons serving as officers and directors of the Association for negligent acts or omissions in their official capacities with minimum coverage of at least one million dollars (\$1,000,000.00).

(d) Additional Insurance and Bonds. To the extent such insurance is reasonably obtainable, the Association may also purchase with Common Funds such additional insurance and bonds as it may, from time to time, determine to be necessary or desirable, including, without limiting the generality of this section, demolition insurance, flood insurance, and workers' compensation insurance. The Board shall also purchase and maintain fidelity bonds or insurance in an amount not less than one hundred percent (100%) of each year's estimated annual operating expenses and shall contain an endorsement of any person who may serve without compensation. The Board shall purchase and maintain such insurance on personal property owned by the Association and any other insurance, including directors and officers liability insurance, that it deems necessary or desirable.

Section 10.02. Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by Section 10.01, above, is for any reason not available, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage described above. The Board shall notify the Owners of any material adverse changes in the Association's insurance coverage.

Section 10.03. Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

Section 10.04. Trustee. All insurance proceeds payable under Section 10.01, above, may, in the discretion of the Board of Directors, be paid to a trustee to be held and expended for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear. The trustee shall be a commercial bank in the County that agrees in writing to accept such trust.

Section 10.05. Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 10.01, above. The Board is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

Section 10.06. Insurance on Lots and Residences. An Owner may carry whatever personal liability, property damage liability, fire and casualty insurance with respect to his or her Lot, Residence and personal property as the Owner desires. The Association shall have no responsibility for the adequacy or extent of such insurance coverage.

ARTICLE XI Damage or Destruction

Section 11.01. Common Facilities; Bids and Determination of Available Insurance Proceeds. In the event any Common Facilities are ever damaged or destroyed, then, and in such event, as soon as practicable thereafter the Board of Directors shall: (a) obtain bids from at least two reputable, licensed contractors, which bids shall set forth in detail the work required to repair, reconstruct and restore the damaged or destroyed portions of the Common Facilities to substantially the same condition as they existed prior to the damage and the itemized price asked for such work; and (b) determine that amount of all insurance proceeds available to the Association for the purpose of effecting such repair, reconstruction and restoration.

Section 11.02. Common Facilities; Sufficient Insurance Proceeds. Subject to the provisions of Section 11.01, above, if, in the event of damage to or destruction of any portion of any Common Facility, the insurance proceeds available to the Association are sufficient to cover the costs of repair, reconstruction and restoration, then the Association may cause such facilities to be repaired, reconstructed and restored to substantially the same condition in which they existed prior to the loss; provided, however, that in the event of destruction of all or substantially all of a Common Facility, the Association shall not be obligated to restore the damaged Common Facility to its prior appearance and condition if the Board's opinion, architectural or design modifications to the

Facilities will result in providing the Members with an improved facility which is suitable for substantially the same use and enjoyment as the destroyed facility.

Section 11.03. Damage or Destruction of Residences. In the event of damage or destruction by fire or other casualty affecting a Residence, the Owner thereof shall, within twelve (12) months thereafter, either:

(a) Diligently commence to rebuild the Residence in accordance with the terms hereof, including, without limitation, the architectural review provisions of Article V, above; or

(b) Clear and level the Lot, removing all wreckage, debris and remains of the Residence therefrom and leaving the same in a level, clean condition.

ARTICLE XII

Breach and Default

Section 12.01. Remedy at Law Inadequate. Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration are inadequate and that the failure of any Owner, tenant, occupant or user of any Lot, or any portion of the Common Area or Common Facilities, to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

Section 12.02. Nuisance. Without limiting the generality of the foregoing Section 12.01 above, the result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 12.03. Costs and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party hereto under this

Declaration, the court may award to the prevailing party in such action such attorneys' fees and other costs as it may deem just and reasonable.

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

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

Section 12.06. Rights and Remedies of the Association.

(a) Rights Generally. In the event of a breach or violation of any Association Rule or of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such Rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use recreation Common Facilities or suspension of the Owner's voting rights as a Member; provided, however, the Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this section.

The decision of whether it is appropriate or necessary for the Association to take enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Board or its duly authorized enforcement committee. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement as exist by virtue of California Civil Code section 1354 or otherwise by law.

(b) Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally removed trees). Once imposed, a fine or penalty may be collected as a Special Individual Assessment.

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

(d) Limitations of Disciplinary Rights.

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

(ii) Monetary Penalties. Monetary penalties imposed by the Association: (A) for failure of a Member to comply with the Governing Documents; (B) as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Area or Common Facilities caused by a Member; or (C) in bringing the Member and his or her Lot into compliance with the Governing Documents, may not be characterized nor treated as an Assessment which may become a lien against the Member's Lot

enforceable by a sale of the Lot in nonjudicial foreclosure; provided, however, that this limitation on the Association's lien rights shall not apply to charges imposed against an Owner consisting of reasonable late payment penalties to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in the Association's efforts to collect delinquent Assessments.

(iii) Hearings. No penalty or temporary suspension of rights shall be imposed pursuant to this Article unless: (A) the Owner alleged to be in violation is given at least fifteen (15) days prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Board of Directors with respect to the alleged violation(s) at a hearing conducted at least five (5) days before the effective date of the proposed disciplinary action; and (B) the Board has determined that the Owner has, in fact, violated the Governing Documents. Without limiting the foregoing, under certain circumstances an Owner can be determined to be in violation of the Governing Documents by virtue of the conduct or actions of the Owner's tenant, family members, guests and/or invitees.

Notwithstanding the foregoing, under circumstances involving conduct that constitutes: (A) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (B) a traffic or fire hazard; (C) a threat of material damage to, or destruction of, the Common Area or Common Facilities; or (D) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or tree removal violations), the Board of Directors, or its duly authorized agents, may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Association, in writing, within five (5) days following the Association's disciplinary action), or on its own initiative, conduct a hearing as soon thereafter as reasonably possible.

If the Association acts on its own initiative to schedule a hearing, notice of the date, time and location of the hearing shall accompany the notice of disciplinary action. If the accused Owner desires a hearing, a written request therefor shall be delivered to the Association no later than five (5) days following the date when the fine is levied.

The hearing shall be held at the next regularly scheduled board meeting that is at least fifteen (15) days following the date of the disciplinary action or fifteen (15) days following receipt of the accused Owner's request for a hearing, whichever is later. Under such circumstances, any fine or other disciplinary action shall be held in abeyance and shall only become effective if affirmed at the hearing. At the hearing the accused shall be given the opportunity to be heard, including the right to present evidence and to present or question witnesses. The Board shall notify the accused Owner, in writing, of the Board's decision within five business days following conclusion of the hearing. In no event shall the effective date of any disciplinary action commence sooner than five (5) days following conclusion of the hearing unless (i) the hearing merely affirms summary disciplinary action initiated pursuant to the immediately preceding paragraph or (ii) earlier commencement is necessary to preserve the quiet enjoyment of other residents or to prevent further damage to, or destruction of, the Properties or any portion thereof.

Notwithstanding the foregoing, enforcement of specific violations of architectural requirements relating to Improvement projects submitted to, and reviewed by, the Design Review Committee shall remain the jurisdiction of the Design Review Committee, as provided in Article V.

(e) Notices. Any notice required by this Article shall, at a minimum, set forth the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation of the Governing Documents and a reference to the specific Governing Document provision alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice; provided, however, that if notice is given by mail it shall be sent by first-class or certified mail sent to the last address of the Member shown on the records of the Association.

(f) Rules Regarding Disciplinary Proceedings. The Board, or a Covenants Committee appointed by the Board to conduct and administer disciplinary hearings and related proceedings pursuant to Section 12.07, below, shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Association Rules.

Section 12.07. Court Actions. Court actions to enforce the Governing Documents may only be initiated on behalf of the Association by resolution of the Board. Prior to the filing of any court action seeking declaratory or injunctive

relief to interpret or enforce the Governing Documents (including either such action coupled with a claim for monetary damages not in excess of \$5,000), the Association shall first comply with the provisions of California Civil Code section 1354 relating to alternative dispute resolution. The Association's own notice and hearing procedures may be drafted to satisfy these statutory requirements.

ARTICLE XIII

Notices

Section 13.01. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

If to any Owner: To the permanent residence address or street address of his or her Lot or to such other address as he or she may from time to time designate in writing to the Association.

If to the Association: Snowshoe Springs, at the principal office of the Association (or to such other address as the Association may from time to time designate in writing to the Owners)

Section 13.02. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-Owners of any Lot, to any general partner of a partnership which is the Owner of Record of the Lot, or to any officer or agent for service of process of a corporation which is the Owner of Record of the Lot, shall be deemed delivered to all such co-Owners, to such partnership, or to such corporation, as the case may be.

Section 13.03. Deposit in United States Mails. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered four (4) days after deposit in the United States mail in the County.

ARTICLE XIV

No Public Rights in the Properties

Nothing contained in this Declaration shall be deemed to be gift or dedication of all or any portion of the Properties other than streets to the general public or for any public use or purpose whatsoever.

ARTICLE XV

Amendment of Declaration

Section 15.01. Amendment in General.

(a) Board's Authority To Adopt Amendments to Reflect Changes in Law. The Board of Directors may, by a vote of a two-thirds majority of all directors, adopt amendments to this Declaration when an amendment is needed to conform a particular provision or provisions of the Declaration to changes in applicable California State statutory law, and the amended provision was drafted to accurately state the statutory law as previously in effect. Before entertaining a motion to approve any such amendments both of the following three conditions must be satisfied: (i) the Board shall have received a written opinion from the Association's legal counsel confirming that a change or changes in California statutory law necessitates a corresponding amendment to this Declaration in order to make the provision(s) an accurate statement of the underlying statutory requirement(s) and that the revised statutory laws pertain to matters which the Association is bound to observe; (ii) the Board has posted notice at the Association's principal office for at least forty-five (45) days a notice of intention to adopt the amendment, which shall present the text of the proposed amendment, together with a copy of the opinion of counsel; and (iii) following expiration of the forty-five (45) day notice period, action on the amendment shall be taken at a duly noticed regular meeting of the Board.

(b) Amendment by Approval of the Members. Except as otherwise provided in subparagraph (a), above, this Declaration may only be amended or revoked in any respect by the vote or assent by written ballot of the holders of not less than a majority of the voting power of the Members of the Association.

Section 15.02. Effective Date of Amendment. The amendment will be effective upon the Recording a Certificate of Amendment, duly executed and certified by the president and secretary of the Association, setting forth in full the amendment so approved and that the approval requirements of Section 15.01,

above, have been duly met. If the consent or approval of any governmental authority or other entity is required under this Declaration to amend or revoke any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained.

Section 15.03. Reliance on Amendments. Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE XVI

General Provisions

Section 16.01. Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with, and shall benefit and burden the Lots and the Common Area as herein provided, and shall inure to the benefit of and be binding upon the Owners, the Association, its Board of Directors, and its officers and agents, and their respective successors in interest, for the term of sixty (60) years from the date of the Recording of this Declaration. After the expiration of the initial term, the term of this Declaration shall be automatically extended for successive periods of ten (10) years each unless, within six (6) months prior to the expiration of the initial 60-year term or any such 10-year extension period, a recordable written instrument, approved by Owners entitled to vote and holding at least a majority of the voting power of the Association terminating the effectiveness of this Declaration, is Recorded.

Section 16.02. Annexation of Additional Property.

(a) Scope of Article/Nature of Annexation. For purposes of this section, an annexation is defined as any addition of property to the Properties included within the jurisdiction of this Declaration and of the Association. Once annexation occurs, the newly annexed territory, and the Owners of property therein, shall have the same rights, duties, and obligations as the Owners of any other property included within the Properties; subject to any modification of those rights, duties and/or obligations imposed by a Declaration of Annexation recorded pursuant to subparagraph (e), below. Any owner of real property which is contiguous to any border of the Properties can make a written request to the Board of Directors that a proposed annexation be submitted to the Members for approval in accordance with subparagraphs (b) through (d), below. For purposes of this section, a parcel or parcels of property shall be considered

contiguous to the Properties and, thus, eligible for annexation if the property shares a common boundary with any portion of the Properties or with any other parcel ("adjoining parcel") which shares a common border with the Properties and is proposed for annexation contemporaneously with the adjoining parcel. Parcels proposed for annexation must be separate legal parcels and all governmental approvals required as a condition for annexation must be obtained by the owner of the proposed annexation parcel or parcels (collectively, the "Annexation Parcel") at his or her sole cost and expense.

(b) Application for Annexation. In order to initiate a membership vote on the proposed annexation, the owner or owners of the Annexation Parcel shall present a written proposal for annexation to the Board of Directors which shall include at least the following:

(i) A copy of the proposed Declaration of Annexation (see subparagraph (e), below) which shall be Recorded upon approval of the proposed annexation by the Board and the Members;

(ii) A detailed description of the intentions of the owner of the Annexation Parcel with respect to the development, subdivision, and use of such parcel, including any special development conditions imposed by the local governmental agency in connection with the approval of a subdivision map for the Annexation Parcel or any proposal to create any local districts or County Service Areas with jurisdiction over the Annexation Parcel or any portion thereof;

(iii) If any additional Common Areas or Common Facilities are proposed within the Annexation Parcel, detailed financial budgets and projections disclosing the maintenance, repair, operations, and capital reserve obligations which are likely to be incurred by the Association as a result of the annexation and the proposed method of allocating assessments to defray those anticipated expenses.

(c) Board Approval. Upon receipt of a complete application for annexation, the Board shall have a period of ninety (90) days to evaluate and act upon the proposal. The Board's action shall be to: (a) approve the proposal and call for a membership vote thereon by written ballot in accordance with subparagraph (d), below; (b) disapprove the proposal; or (c) approve the proposal subject to the satisfaction of specified conditions. Unless Board approval is obtained, no annexation proposal need be presented to the Members

unless a petition requesting a membership vote on the matter, signed by at least five percent (5%) of the membership is presented to the Board (see Section 4.06 of the Bylaws).

(d) Membership Approval Required. In addition to receiving Board approval in accordance with subparagraph (c), above, any proposed annexation must also be approved by at least a majority of the voting power of the Members of the Association. The Member vote shall be conducted by written ballot in accordance with Section 4.06 of the Bylaws and the solicitation materials accompanying the ballot shall include a copy of the proposed Declaration of Annexation, any financial analysis prepared in accordance with subparagraph (b)(iii), above, and any other information considered by the Board to be necessary or appropriate for an informed decision by the Members.

(e) Declaration of Annexation. Any annexations of real property to the Properties authorized under subparagraphs (c) and (d), above, shall be effected by Recording a Declaration of Annexation, or other similar instrument, with respect to the Annexation Parcel. The Declaration of Annexation: (i) shall be executed by the owner of the Annexation Parcel; (ii) shall extend the general plan and scheme of this Declaration to the Annexation Parcel; and (iii) may contain such additions to, and modifications of, the covenants, conditions, easements and restrictions contained in this Declaration as may be necessary to reflect the different character or nature of development, if any, of the Annexation Parcel (such as the construction of townhouse, condominiums or commercial structures), or any allocation of Assessments which differs from the allocation provided in Article IV, above, so long as the supplemental restrictions were submitted to the Members for consideration at the time their votes were solicited and the supplemental restrictions are consistent with the general plan and scheme of this Declaration and all applicable laws and governmental regulations. Any such supplemental declaration may set forth use restrictions and the design and building standards which shall apply to the Annexation Parcel or may give blanket approval for development of the Annexation Parcel by the owner or developer thereof in accordance with specific architectural plans and drawings which are submitted by the owner of the Annexation Parcel together with the supplemental declaration.

The Recording of a Declaration of Annexation shall constitute and effectuate the annexation of the Annexation Parcel to the Properties and thereafter the Annexation Parcel shall be subject to, and encompassed within, the general plan and scheme of this Declaration. Lots within the Annexation Parcel

shall thereupon become subject to Assessment by the Association and to the functions, powers, and jurisdiction of the Association, and the Owners of Lots within the Annexation Parcel shall automatically become Members of the Association. Any Common Areas (including private roads) which are included within the Annexation Parcel shall be conveyed to the Association, free of all liens and encumbrances, other than liens, rights-of-way, or other encumbrances disclosed on the preliminary title report for the Annexation Parcel and approved by the Association. The conveyance to the Association of any Common Areas included within the Annexation Parcel shall occur immediately following Recordation of the Declaration of Annexation unless otherwise agreed in writing by the owner of the Annexation Parcel and the Board of Directors.

Section 16.03. Construction.

(a) Restrictions Construed Together. All of the covenants, conditions and restrictions of this Declaration shall be liberally construed together to promote and effectuate the fundamental concepts of the development of the Properties as set forth in the Recitals of this Declaration. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision in a subsequent application or any other provision hereof.

(b) Restrictions Severable. Notwithstanding the provisions of subparagraph (a) above, the covenants, conditions and restrictions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

(c) Singular Includes Plural. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine or neuter shall each include the masculine, feminine and neuter, as the context requires.

(d) Captions. All captions or titles used in this Declaration are intended solely for convenience of reference and shall not affect the interpretation or application of any of the substantive terms or provisions of this Declaration.

(e) Exhibits. All exhibits to which reference is made herein are deemed to be incorporated herein by reference, whether or not actually attached.