



Lake California

PROPERTY OWNERS ASSOCIATION, INC.

DECLARATION OF RESTRICTIONS
RESTATED BY-LAWS

pages 1-50
pages 1-26

Supplement to the Second Restated Declaration of Restrictions for Lake California, recorded December 4, 2001 as document number 017265 in book 2094 at pages 112 to 162 (The CC&Rs)

California Civil Code Sections 4000 through 6150, known as the Davis Stirling Act, supersedes multiple sections of the CC&Rs for Lake California Property Owners Association, Inc. Any section of the CC&Rs that is consistent with the Davis Stirling Act is fully enforceable and is not included in this supplement. Sections of the CC&R's that are inconsistent with the Davis Stirling Act, or other sections of California Civil Code are addressed within this supplement for the convenience of the members.

Voting Rules:

The current section of the CC&Rs for voting rules for the Homeowners Association is 3.3. The primary effect of the current section is to allow the voting rules as stated in the Bylaws, Article 4, to control.

The Davis Stirling Act, Section 5105 adds additional rules to the election process, but generally requires that members are treated equally in regards to accessing or utilizing POA assets for the purpose of campaigning or advocating a point of view.

Section 5105 adds the following sub-sections:

- (a)(1) Requires that if a candidate or member is given access to association media for purposes reasonably related to the election, all candidates may have access to such media.
- (a)(2) Requires that all candidates have equal access to the common area meeting space.
- (a)(3) Allows the CC&R's to specify qualifications for candidates for the board and other elected position, but does not allow for requirements that prevent a member from nominating themselves.
- (a)(4) Allows the CC&R's to specify qualifications for voting, the voting power of each member, proxy use and the voting procedure.
- (a)(5) Allows the CC&R's to specify a method of selecting third parties to be inspectors of the elections.
- (a)(6) Allows the inspector to appoint and oversee additional vote counters provided they are independent third parties.

Annual Assessment Increases:

The current section of the CC&Rs for the Assessment is 4.5(5). Section 4.5(5) allows the POA to increase the Annual Assessment pursuant to California law and the CC&Rs as written, but primarily with only a majority vote of the owners.

Section 5605 of the Davis Stirling Act adds prerequisites to increasing the Annual Assessment including requiring that the board fully comply with sections 1, 2, 4, 5, 6, 7, and 8 of subdivision b of Section 5300 of the Davis Stirling Act prior to increasing the Assessment. Section 5605 further caps the increase in Annual Assessment at 20% above the previous year. Section 5300 is discussed in greater detail later in the section titled Annual Policy Statement.

Delinquent Assessments:

The current section of the CC&Rs that control Delinquent Assessments is 4.11. Under 4.11, the Association is able to place a lien on the property of an owner who is delinquent in their assessments owed to the association.

Davis Stirling significantly changes the requirements of this section through the action of five different Sections of California code.

First, through Section 5670, a meet and confer requirement is added, mandating that the Association must offer to participate in dispute resolution that must be completed prior to adding a lien.

Second, Section 5673 adds a requirement that any new lien recorded for assessments shall require a majority vote of the directors in an open meeting and that those meeting minutes be recorded.

Third, Section 5705 adds new requirements in to the procedure for foreclosing and selling the property, and allows the owner of the property to request a meet and confer option, requires the board to vote to foreclose and dictates that the owner of the property be served notice in accordance with the service of civil summons pursuant to Section 415.10 of Chapter 4, of Title 4 of Part 2 of the Code of Civil Procedure.

Fourth, Section 5715 adds a right of redemption after a foreclosure sale that persists for 90 days after the sale. This section further creates a requirement that the notice of sale must include a statement that the property is being subject to the right of redemption.

Fifth, Section 5720 bars the association from liening and foreclosing on a property for an assessment of less than \$1,800.00. The \$1,800.00 limit relates to the delinquent regular or special assessments, and does not include late charges, fees and collection of costs, nor attorney's fees. Section 5720 has further restrictions on the collection of late charges under

\$1,800.00 allowing such a debt to be collected only through small claims court, liens or any other manner provided by law, except for judicial or nonjudicial foreclosure.

Modular or Prefabricated Homes:

Section 6.6 of the CC&Rs bars the placement on any lot of a modular or prefabricated housing unit assembled off the building site. Pursuant to California Civil Code § 714.5, The covenants, conditions, and restrictions or other management documents shall not prohibit the sale, lease, rent, or use of real property on the basis that the structure intended for occupancy on the real property is constructed in an offsite facility or factory, and subsequently moved or transported in sections or modulars to the real property. This statute supersedes contrary provisions in section 6.6 of the CC&Rs, however, the offsite constructed home must still conform to the other requirements of the Architectural Committee.

Solar Water Heating:

Section 6.9 of the CC&R's allows the Architectural Committee to adopt reasonable regulations on the use of solar heating systems. California Civil Code §714(d)(1)(A) allows such reasonable regulations to be enforced, provided that the rules do not increase the cost of a solar heating system by more than 10% of the cost of the system, and in no cases over \$1,000.00. The regulations also cannot decrease the efficiency of the solar energy system in an amount exceeding 10%.

The same general rule applies to solar energy systems. California Civil Code §714(d)(1)(B) states that associations cannot impose requirements that will decrease efficiency by more than 10% as originally specified and proposed or increase system costs by more than \$1,000 from those as originally specified and proposed. So, as long as the restrictions are reasonable, such restrictions may be maintained.

Pets:

Section 8.5 of the CC&Rs controls pet and animal restrictions and broadly allows the POA to establish and enforce rules about pets.

Section 4715 of the Davis Stirling Act limits the restrictions that the POA can enforce. Under Davis Stirling the CC&Rs' can only go as low as one pet per owner and bars any new rules on pet ownership from being retroactively applied to existing pet owners.

Signs:

Section 8.6 of the CC&Rs restricts the displaying of signs within the POA, and bars signs except for those necessary for legal proceedings, signs that cannot be barred by law, reasonable signs for the purpose of advertising the lot for sale or rent and other necessary signs for navigating the POA.

Section 4710 of the Davis Stirling Act bars the CC&Rs from prohibiting the posting of noncommercial signs, posters, flags or banners except as required for the protection of public health or safety or if the sign would violate local, state or federal law. Section 4710 limits the construction material of the sign and size of the sign.

Antennas:

Section 8.9 of the CC&Rs allows the Board to adopt rules regarding the installation and maintenance of antennas and satellite dishes. Section 4725 of the Davis Sterling Act limits the effectiveness of any rules adopted by the board, stating that any such rule that prohibits or restricts the installation of a video or television antenna including a satellite dish within the development, where the dish would not be visible from any street or common area, is void and unenforceable when applied to a video or television antenna with a diameter or diagonal measurement of 36 inches or less, unless otherwise prohibited or restricted by law.

Alternative Dispute Resolution:

Section 13.8 of the CC&Rs controls Alternative Dispute Resolution and the bulk of 13.8 aligns with Article 3, Sections 5930-5960 of the Davis Stirling Act. Section 5965 however requires that the POA provide every member with a summary of the provisions of Article 3 of the Davis Stirling Act annually that specifically references Article 3 and the rights and privileges therein. Such summary must be included in the annual policy statement as discussed below.

Annual Budget Report:

The POA must provide an annual budget report pursuant to Article 7 of the Davis Stirling Act, Section 5300. The annual budget report must be made available to the members and shall include;

- A pro forma operating budget showing the estimated revenue and expenses on an accrual basis.
- A summary of the associations reserves prepared pursuant to Davis Stirling Section 5565 which requires specific information be provided including the current cost, life and use of each major of each major asset, the estimate of the amount necessary to repair, replace, restore or maintain the major assets, the actual amount held to make such repairs or replacements and other such budget items.
- A summary of the reserve funding plan adopted by the board pursuant to Section 5550.
- A statement on if the board has determined to defer or not undertake repairs or replacement of any assets, including the justification for not doing such repairs.
- A statement if the board as determined or anticipates the need of any special assessments to repair, replace or restore assets.
- A statement which explains how the board will fund reserves to repair or replace assets.

- A statement addressing the procedures used for calculating the reserves to defray the future repairs or replacement of assets.
- A statement as to whether the association has any outstanding loans with a term of more than a year, including the loan information.
- A statement summarizing the insurance held by the association including the insurer, limits and type of insurance as well as the extensive statement explaining the insurance provided in Section 5300 (b)(9) of the Davis Stirling Act.
- Further the report will include a financial statement prepared by a licensed CPA if the gross income exceeds \$75,000 for the year.
- The annual budget report must be distributed to the members within 30-90 days of the end of the fiscal year, and will further include the information required by Section 5310.

Upon completion of the report, the POA may deliver either the full report or a summary of the report to the POA members, provided the summary includes a general description of the report. Instructions on how to request a complete copy at no cost must be printed on the front page of the summary in at least 10 point bold.

Annual Policy Statement

In addition to an annual budget report, section 5310 of the Davis Sterling act requires an annual policy statement. Such policy statement must be distributed to the members within 30 to 90 days before the end of the POA's fiscal year and shall include the following information.

- The name and address of the person designated to receive official communications to the association, pursuant to Section 4035.
- A statement explaining that a member may submit a request to have notices sent to up to two different specified addresses, pursuant to subdivision (b) of Section 4040.
- The location, if any, designated for posting of a general notice, pursuant to paragraph (3) of subdivision (a) of Section 4045.
- Notice of a member's option to receive general notices by individual delivery, pursuant to subdivision (b) of Section 4045.
- Notice of a member's right to receive copies of meeting minutes, pursuant to subdivision (b) of Section 4950.
- The statement of assessment collection policies required by Section 5730.
- A statement describing the association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments.
- A statement describing the association's discipline policy, if any, including any schedule of penalties for violations of the governing documents pursuant to Section 5850.
- A summary of dispute resolution procedures, pursuant to Sections 5920 and 5965.
- A summary of any requirements for association approval of a physical change to property, pursuant to Section 4765.
- The mailing address for overnight payment of assessments, pursuant to Section 5655.

- Any other information that is required by law or the governing documents or that the board determines to be appropriate for inclusion.

The annual policy statement shall be made available to the members pursuant to Section 5320.

If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.1 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Lake California

Property Owners Association, Inc

Cottonwood CA 96022

BULK RATE
POSTAGE PAID
COTTONWOOD, CA
PERMIT NO. 13

CERTIFICATE OF SECRETARY

I, Harold Reeves, hereby certify:

I am the secretary of the Lake California Property Owners Association, Inc., a California nonprofit mutual benefit corporation, and

The foregoing First Amendment to the Third Restated Bylaws including one (1) page, excluding this page, is a true and correct copy of the amendment to the bylaws adopted by the members of the corporation pursuant to written ballot May 2003.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the corporation this 17th day of March 2004.

LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION, INC.

By Harold Reeves
Harold Reeves, Secretary

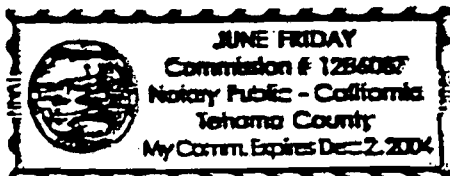
SEAL

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
) ss.
COUNTY OF Tehama)

On March 17, 2004, before me, June Friday, a Notary Public in and said County and State, personally appeared Harold Reeves, personally known to me (or proved on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/~~she~~ executed the same in his/~~her~~ authorized capacity, and that by his/~~her~~ signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



June Friday
NOTARY PUBLIC
My Commission Expires 12-02-04

017265

BOOK 2094 PAGE 112

RECORDING REQUESTED BY, AND
WHEN RECORDED, RETURN TO:

LAKE CALIFORNIA PROPERTY OWNERS
ASSOCIATION, INC.
c/o STEIN & BAYDALINE LLP
Attn: Deon R. Stein, Esq.
895 University Avenue
Sacramento, CA 95825

RECORDED AT REQUEST OF
LAKE CALIF. PROP. OWNERS ASSN.
at 5 min. past 11A M

DEC 4 2001

OFFICIAL RECORDS
TEHAMA COUNTY, CALIFORNIA
MARY ALICE GEORGE
Recorder
Fee \$ 157-

52

(Space Above For Recorder's Use)

**SECOND RESTATED
DECLARATION OF RESTRICTIONS
FOR
LAKE CALIFORNIA**

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FOR
LAKE CALIFORNIA

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EXHIBIT "A" Legal Description of the Development

SECOND RESTATED DECLARATION OF RESTRICTIONS FOR LAKE CALIFORNIA

This Second Restated Declaration of Restrictions for Lake California (the "Declaration") is made by LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION, INC., a California nonprofit mutual benefit corporation (the "Association").

RECITALS

A. The Association is an "association", as that term is defined in California Civil Code Section 1351(a), which has been created to manage that certain common interest development located in Tehama County, California, commonly known as Lake California, which is more particularly described in attached Exhibit "A" (the "Development").

B. The Association executed that certain First Restated Declaration of Restrictions of Lake California Property Owners' Association, which was Recorded on July 16, 1990, in Book 1273, Page 275, of the Official Records of Tehama County, California (the "Original Declaration").

C. The Original Declaration establishes certain limitations, easements, covenants, restrictions, conditions, liens, and charges which run with and are binding upon all parties having or acquiring any right, title, or interest in the real property comprising the Development.

D. The Members, constituting at least 51% of the voting power of the Members, desire to amend, restate and supersede the Original Declaration pursuant to Article XIX thereof.

NOW, THEREFORE, it is hereby declared as follows:

1. The Original Declaration is hereby amended, restated and superseded in its entirety to read as set forth in this Declaration.

2. All of the real property comprising the Development constitutes a "planned development", as that term is defined in California Civil Code Section 1351(k).

3. All of the real property comprising the Development is held and owned and shall be held, owned, operated, managed, conveyed, hypothecated, encumbered, leased, used, occupied, and improved subject to the following covenants, conditions, and restrictions, all of which are declared and agreed to be in furtherance of a plan and purpose of protecting, preserving, and enhancing the value, desirability, and attractiveness of the Development and every part thereof, and of fostering the development, management, improvement, enjoyment, and sale of the real property comprising the Development and any part thereof.

4. All of the covenants, conditions, and restrictions set forth in this Declaration shall constitute enforceable equitable servitudes as provided in California Civil Code Section 1354, shall constitute covenants that shall run with the real property comprising the Development, and shall be binding upon and inure to the benefit of each Owner of any portion of such real property or of any interest therein and their heirs, successors, and assigns.

ARTICLE 1 DEFINITIONS

1.1 Absolute Majority. "Absolute Majority" shall mean a majority of the Total Voting Power of the Association.

1.2 Additional Charges. "Additional Charges" shall mean all costs, fees, charges, and expenditures, including without limitation, interest, late charges, attorneys' fees, Recording and filing fees, and all other costs actually incurred by the Association in collecting and/or enforcing payment of Assessments, fines, and/or penalties.

1.3 Architectural Committee. "Architectural Committee" or "Committee" shall mean the Committee created pursuant to Article 5 of this Declaration and Article 10 of the Bylaws.

1.4 Articles. "Articles" shall mean the Articles of Incorporation of the Association, as they may be amended from time to time, and as filed with the Office of the Secretary of State of California.

1.5 Assessment. "Assessment" shall mean a charge levied by the Association against an Owner and his or her Lot as provided in Article 4 of this Declaration. "Assessment" shall include any or all of the following:

(1) Annual Assessments, which shall have the meaning set forth in Section 4.5 of this Declaration.

(2) Enforcement Assessments, which shall have the meaning set forth in Section 4.8 of this Declaration.

(3) Reimbursement Assessments, which shall have the meaning set forth in Section 4.7 of this Declaration.

(4) Special Assessments, which shall have the meaning set forth in Section 4.6 of this Declaration.

1.6 Association. "Association" shall mean Lake California Property Owners Association, Inc., its successors and assigns.

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

1.8 Bylaws. "Bylaws" shall mean the Bylaws of the Association as they shall be adopted by the Board of Directors and Members and any duly-adopted amendments thereof.

1.9 Capital Improvement. "Capital Improvement" shall mean the original construction of an improvement that did not previously exist, as distinguished from the repair, upgrading, or replacing of an existing improvement.

1.10 Commercial Lot. "Commercial Lot" shall mean any Lot within the Development that is zoned for commercial purposes.

1.11 Common Area. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners and Residents of the Development. The Common Area owned by the Association at the time of the Recordation of this Declaration includes without limitation the following facilities and improvements:

- (1) A 110-acre lake;
- (2) A clubhouse consisting of a bar, kitchen and dining facilities;
- (3) Various parks and greenbelt areas consisting of various ponds, campground areas, picnic and play areas, tennis courts and swimming pools;
- (4) A private airport;
- (5) A marina with boat ramp access to the Sacramento River, commonly known as "Steelhead Landing";
- (6) A stables area with barns, corrals and similar outbuildings;
- (7) An RV storage facility;
- (8) Maintenance and equipment storage buildings;
- (9) An entry gate facility; and
- (10) A building known as Goff Hall.

1.12 Contract Purchaser/Contract Seller. "Contract Purchaser" and "Contract Seller" shall mean the purchaser and the seller, respectively, under an installment land contract in which title to the property is transferred after the final installment payment is made.

1.13 County. "County" shall mean the County of Tehama, State of California.

1.14 Declaration. "Declaration" shall mean this instrument, as it may be amended from time to time.

1.15 Development. "Development" shall mean all the real property described in the Declaration comprising the Lake California planned development, including such additions thereto as may hereafter be brought within the jurisdiction of the Association.

1.16 Governing Documents. "Governing Documents" shall mean the Articles, Bylaws, Declaration, and Rules, and the policies and resolutions duly adopted by the Board and distributed to the Members.

1.17 Lot. "Lot" shall mean any plot of land shown upon any Recorded subdivision map for any portion of the Development, with the exception of the Common Area.

1.18 Maintenance. "Maintenance" shall mean the act of caring for property and keeping it in its existing state, preserving it from failure or deterioration, including painting, caulking, cleaning, and minor, non-structural upkeep.

1.19 Member. "Member" shall mean an Owner.

1.20 Member in Good Standing. "Member in Good Standing" shall mean a Member who is current in the payment of all Assessments levied against the Member with respect to the Lot to which such membership is appurtenant, and who is not subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Governing Documents.

1.21 Mortgage. "Mortgage" shall mean a deed of trust as well as a mortgage in the conventional sense. "First Mortgage" shall mean any Recorded Mortgage with first priority over other Mortgages.

1.22 Mortgagee. "Mortgagee" shall mean a beneficiary under a deed of trust as well as a mortgagee under a mortgage.

1.23 Owner. "Owner" shall mean the Record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Development, including Contract Sellers, but excluding Contract Purchasers and excluding those having such interest merely as security for the performance of an obligation. For purposes of any vote requiring approval of a specified percentage of the Owners, each Lot shall have one vote, regardless of the numbers of co-Owners of such Lot.

1.24 Record. "Record" shall mean, with respect to any document, the recordation or filing of such document in the Office of the County Recorder.

1.25 Repair. "Repair" shall mean the minor restoration of property that is torn, broken, or otherwise damaged, or has sustained wear, tear, or deterioration such that minor restoration is necessary.

1.26 Replacement. "Replacement" shall mean substantial reconstruction, restoration, or substitution of the whole or a substantial part of property that has been damaged or destroyed through usage or through hazard or catastrophe such that it is no longer useable or serviceable in its current condition.

1.27 Residence. "Residence" shall mean a residential structure located upon a Lot which is designed for human residential use and occupancy. The term "Residence" includes each separate dwelling when in a multi-unit structure.

1.28 Resident. "Resident" shall mean any person who resides on a Lot within the Development whether or not such person is an Owner as defined in Section 1.23 of this Declaration.

1.29 Rules. "Rules" shall mean the rules and regulations governing the use, occupancy, management, administration, and operation of the Development or any part thereof as adopted and published by the Board of Directors from time to time.

1.30 Simple Majority. "Simple Majority" shall mean a majority of the votes represented and voting at a meeting at which a quorum is present or by written ballot in conformity with California Corporations Code Section 7513 in which the number of votes cast by ballot equals or exceeds the number required to establish a quorum.

1.31 Subdivision Map. "Subdivision Map" shall mean the Recorded subdivision map(s) for any portion of the Development.

1.32 Total Voting Power. "Total Voting Power" shall mean the total number of votes of all Members entitled to vote at a particular time, calculated on the basis of one vote for each Lot, excluding any Lots as to which an Owner is not then a Member in Good Standing.

ARTICLE 2 PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT

2.1 No Partition. There shall be no judicial partition of the Development or any part thereof, nor shall any Owner or any person acquiring any interest in the Development or any part thereof seek any judicial partition thereof; provided, however, that if any Lot shall be owned by two or more co-tenants as tenants in common or as joint tenants, nothing herein contained shall be deemed to prevent a judicial partition by sale as between such co-tenants.

2.2 Common Area. Subject to the provisions of the Declaration, the Common Area shall be held, maintained, and used to meet the common interests of the Members

of the Association, and their families, tenants, resident Contract Purchasers, and guests as provided in the Governing Documents.

2.3 Owners Non-Exclusive Easements of Enjoyment. Every Owner shall have a non-exclusive right and easement of enjoyment in and to the Common Area, including ingress and egress to and from his or her Lot, which shall be appurtenant to and pass with the title to every Lot, subject to the following provisions:

(1) The right of the Association to assign, rent, license, lease, charge reasonable admission and other fees for, and to otherwise designate and control the use of any unassigned parking and storage spaces and to charge reasonable admission and other fees or to limit the number of guests of Members who may use of any recreational facilities situated upon the Common Area;

(2) The right of the Association to adopt Rules as provided in Section 3.5 of this Declaration, regulating the use and enjoyment of the Development for the benefit and well-being of the Owners in common;

(3) The right of the Association, as may be more particularly addressed in the Bylaws, to suspend an Owner's right to use the recreational facilities for any period during which any Assessment against such Owner's Lot remains unpaid and/or for infraction of the Governing Documents;

(4) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area, and in aid thereof and subject to approval of the Members as set forth in Section 3.10 of this Declaration, to mortgage, pledge, encumber, or otherwise hypothecate the Common Area and facilities thereon as security for money borrowed by the Association; provided, however, that the rights of any mortgagee of the Common Area shall be subordinate to the rights of the Owners hereunder; and further provided that any such indebtedness shall be considered an expense of the Association for purposes of the Special Assessment provisions of Section 4.6 of this Declaration; and

(5) The right of the Association, as set forth in Article 10 of this Declaration, to grant easements and rights of way in, on, over, or under the Common Area subject to such conditions as may be agreed to by the Board;

(6) 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. Such instrument may be executed in counterparts so long as each counterpart is in recordable form; The right of the Association or its authorized agents, as provided in this Declaration, to perform its obligations under this Declaration, including obligations with respect to construction, maintenance, repair, or replacement for the benefit of the Common Area or the Owners in common.

2.4 Delegation of Use. Any Owner may delegate his rights of use and enjoyment, including easements, in the Development to the members of his family, tenants, Contract Purchasers, guests and invitees, subject to the terms of the Governing Documents. Upon the leasing or renting of a Lot, or upon occupancy of a Lot by a Contract Purchaser, the Owner shall be deemed to have delegated and assigned all such rights exclusively to the tenants or Contract Purchasers of such Lot. Each Owner shall notify the Secretary of the Association of the names of any tenants or any such Contract Purchasers of such Owner's Lot. Each Owner, tenant, or Contract Purchaser shall also notify the Secretary of the Association of the names of all members of his or her household to whom such Owner, tenant, or Contract Purchaser has delegated any rights of enjoyment in the Development as provided herein and the relationship which each such person bears to such Owner, tenant, or Contract Purchaser. Any rights of enjoyment delegated pursuant to this section are subject to suspension to the same extent that rights of Owners are subject to suspension as provided in the Governing Documents.

2.5 Common Area Construction. Except as may be authorized by the Board, no person or entity, other than the Association or its duly-authorized agents, shall construct, reconstruct, refinish, alter, or maintain any improvement upon the Common Area, or shall make or create any excavation or fill upon the Common Area, or shall change the natural or existing drainage of the Common Area, or shall plant, remove, or destroy any seed, plant material, tree, shrub, or other vegetation upon the Common Area.

2.6 Mechanic's Liens. In the event there shall be Recorded against the Common Area a Notice of Mechanic's Lien for, or purporting to be for, labor or materials alleged to have been furnished or delivered for any Owner within the Development or his or her Lot, such Owner shall forthwith cause such lien to be discharged by payment, bond, or otherwise. If the Owner fails to cause the lien to be discharged, the Board may send written notice to the Owner specifying that unless the Owner causes the lien to be discharged within five (5) days from the date of such notice, the Board may cause the lien to be discharged. Within such five (5) day period, the Owner shall be permitted a hearing before the Board regarding the validity of such lien and any offsets or defenses thereto. At that time, the Board shall determine whether the lien adversely and improperly affects and encumbers the rights and interests of the Association or the other Owners. If the Board of Directors determines that the lien does adversely and improperly affect and encumber such rights and interests and that adequate protection of such rights and interests has not been provided, the Board may cause the lien to be discharged by payment, bond, or otherwise. The Board shall have the right to levy a Reimbursement

Assessment against the Owner responsible for causing the lien to be discharged in an amount equal to all amounts paid by the Association together with interest thereon at the legal rate and all costs and expenses paid or incurred in connection therewith, including reasonable attorneys' fees.

ARTICLE 3 HOMEOWNERS ASSOCIATION

3.1 Management and Operation. The Association shall manage and operate the Development in accordance with the applicable provisions of the Governing Documents and the applicable provisions of California law. The Association shall have all of the powers set forth in the Governing Documents together with general power to do any and all things that a nonprofit mutual benefit corporation may lawfully do under the laws of the State of California, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Governing Documents.

3.2 Membership. Every Owner of a Lot shall be a Member of the Association and shall remain a Member thereof until such time as his or her Lot ownership ceases for any reason. Membership shall be appurtenant to and may not be separated from ownership of a Lot and shall not be transferred, encumbered, pledged, alienated, or otherwise hypothecated in any way, except in connection with the sale or encumbrance of the Lot to which it is appurtenant.

3.3 Voting. Except as otherwise provided in Article 4 of the Bylaws and as required by law, only Members in Good Standing shall be entitled to vote, and only one vote shall be cast for each Lot, as more particularly set forth in the Bylaws.

3.4 Board of Directors. The affairs of the Association shall be managed by or under the direction of a Board of Directors. The number and qualifications of Directors shall be as established in the Bylaws, and the members of the Board shall be elected as provided in the Bylaws. The Board of Directors shall have all of the powers and duties set forth in any provision of the Governing Documents, including without limitation such powers and duties as may be expressly set forth in this Declaration.

3.5 Association Rules.

(1) 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 (the "Rules"). The Rules may concern, but need not be limited to: (i) matters pertaining to the maintenance, repair, management and use of the Common Area and the facilities thereon by Owners, their tenants, guests and invitees, or any other person(s) who have rights of use and enjoyment of such Common Area and facilities; (ii) architectural control and the rules of the Architectural Committee under Section 5.5 of this Declaration; (iii) the conduct of disciplinary proceedings in accordance with the applicable provisions of the Governing Documents; (iv) regulation of parking, pet ownership and other matters subject to regulation and restriction under Article VIII of this Declaration; (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 Rules shall not be inconsistent with or materially alter any provision of the other Governing Documents or the rights and privileges of Members thereunder. In the event of any material conflict between any Rule and any provision of the other Governing Documents, the conflicting provisions contained in the other Governing Documents shall be deemed to prevail.

(2) Distribution of Rules. A copy of the Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. A copy of the Rules shall also be available and open for inspection during normal business hours at the principal office of the Association.

(3) Adoption and Amendment of Rules. Rules may be adopted or amended from time to time by majority vote of the Board, provided, however, that no Rule or amendment thereto shall be adopted by the Board until at least 30 days after the proposed rule or rule amendment has been: (i) published in the Association newsletter, if any, or otherwise communicated to the Owners in writing; and (ii) posted in the Association's principal office. The notice describing the proposed rule or amendment shall also set forth the date, time and location of the Board meeting at which action on the proposal is scheduled to be taken.

Any duly adopted rule or amendment to the 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.

(4) Breach of Rules or Restrictions. Any breach of the Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in Article 13 of this Declaration.

3.6 Assessments. The Board shall have the power and duty to levy and collect Assessments, as more particularly set forth in Article 4 of this Declaration.

3.7 Insurance. The Board shall procure and maintain liability insurance and property insurance as it shall deem proper and as more particularly set forth in the Bylaws.

3.8 Acquisition of Property. The Board acting on behalf of the Association shall have the power to acquire (by gift, purchase, or otherwise), own, hold, improve, build upon, operate, and maintain real or personal property in connection with the affairs of the Association.

3.9 Capital Improvements. The Board of Directors shall have the power and authority to provide for the construction, reconstruction, installation, or acquisition of capital improvements upon the Common Area, provided that in any fiscal year expenditures for capital improvements shall not exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year except upon the approval of an Absolute Majority of the Members. This limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital improvements so long as the expenditure is for the purpose for which the fund was established.

3.10 Mortgage of Association Real Property. Upon approval of an Absolute Majority of the Members, the Board acting on behalf of the Association shall have the power and authority to mortgage, pledge, encumber, or otherwise hypothecate the Common Area and facilities thereon as security for money borrowed by the Association.

3.11 Access. The Board and its duly authorized agents or representatives shall have the right, after reasonable notice to the Owner thereof, to enter any Lot for the purpose of performing the maintenance authorized herein or for any other purpose reasonably related to the performance by the Association or the Board of their responsibilities.

ARTICLE 4 ASSESSMENTS AND LIENS

4.1 Covenant of Owner. Each Owner of a Lot within the Development, by acceptance of a deed or other conveyance thereof, whether or not it shall be so expressed in such deed or conveyance, shall be deemed to have covenanted and agreed to pay to the Association: (i) Annual Assessments, (ii) Special Assessments, (iii) Reimbursement Assessments, and (iv) Enforcement Assessments levied by the Association as hereinafter provided, together with all Additional Charges. Such deed or conveyance shall be deemed

to vest in the Association the right and power to initiate all actions and procedures as the Board shall deem necessary or appropriate for the collection of such Assessments and Additional Charges and for the enforcement of the liens hereinafter provided for.

Each Owner of a Commercial Lot further covenants and agrees to pay to the Association an annual business license fee, which shall not be more than the Tehama County license fee.

Each Assessment levied by the Association under this article, together with all Additional Charges, shall be a separate, distinct, and personal debt and obligation of the Owner against whom it is assessed, and shall bind his or her heirs, devisees, personal representatives, successors, and assigns. Such obligation to pay Assessments and Additional Charges and the right and power of the Association to initiate all actions and procedures for collection shall run with the land, so that each successive Owner or Owners of Record of any Lot shall, in turn, become liable to pay all such Assessments and Additional Charges assessed during the time he or she is Record Owner of such Lot. After an Owner transfers of Record any Lot he or she owns, he or she shall not be liable for any Assessments levied thereafter with respect to such Lot. Such Owner shall remain personally liable, however, for all unpaid amounts due and owing at the time of transfer, together with Additional Charges accruing until time of collection. A Contract Seller of any Lot shall continue to be liable for all Assessments and Additional Charges until a conveyance by deed of such Lot is Recorded.

4.2 Creation of Lien. Each Assessment levied by the Association pursuant to this Declaration, together with all Additional Charges, shall be a charge upon the land and upon levy shall be secured by a continuing lien upon the property against which such Assessment is levied. The Association shall have a separate lien and a separate lien is hereby created upon each Lot to secure the payment of any such Assessments and Additional Charges as may be levied under this Declaration. The lien provided for herein shall continue to secure all Assessments and Additional Charges levied upon any Lot notwithstanding the transfer of Record title to such Lot, and any such transfer shall be subject to the Association's lien, provided that, prior to such transfer, a Notice of Delinquent Assessment has been Recorded as provided in this Declaration and by law. The priority of all such liens on each Lot shall be in inverse order so that upon the foreclosure of the lien for any particular charge on any Lot, any sale of such Lot pursuant to foreclosure of the lien will be made subject to all liens securing the respective monthly Assessments and Additional Charges on such Lot for succeeding months.

4.3 Purpose of Assessments. The Assessments levied by the Board shall be used exclusively to pay for the costs of management and operation of the Development, of conducting the business and affairs of the Association, to promote the recreation, health, safety, welfare, benefit, and interests of the Owners and Residents in the Development, and for the improvement and maintenance of the Common Area and, to the extent provided for in the Governing Documents or by law, of the Lots situated within the

Development or which, in the opinion of the Board, shall be deemed to be necessary or proper for the management of the Development or of the affairs of the Association, or the benefit of the Lot Owners, or for the enforcement of the Governing Documents.

4.4 Authority of the Board. The Board shall have the power and the duty to levy Annual and Special Assessments sufficient to meet the Association's obligations under the Governing Documents and applicable law.

4.5 Annual Assessment.

(1) Calculation of Estimated Requirement. Not later than forty-five (45) days prior to the beginning of each fiscal year, the Board shall complete and distribute to all Owners an estimate of the net funds required by the Association for such fiscal year, including a reasonable amount allocated to contingencies and to a reserve fund for restoration, repair, and/or replacement of those components for which the Association is responsible and which must be repaired or replaced on a periodic basis; to manage, administer, operate, and maintain the Development; to conduct the affairs of the Association; and to perform all of the Association's duties in accordance with this Declaration.

(2) Allocation of Annual Assessment. Except as noted in the second sentence of this subparagraph (b), the Board shall allocate and assess the amount of estimated required funds equally among the Lots. Multi-Family Lots which are improved with more than one Residence shall be assessed as if each Residence were a separate Lot.

(3) Payment of Annual Assessment. Unless the Board shall designate otherwise, Annual Assessments shall be levied on an annual basis and shall be due and payable annually on or before the first day of the Association's fiscal year.

(4) Surplus Funds. If, as of the end of any fiscal year, there is a surplus of cash in the Association's current maintenance and operating account, as reflected in the Association's financial statement for such fiscal year, such surplus shall be applied to reserves unless some other disposition of such surplus funds is determined by the vote of the Members.

(5) Increases in Annual Assessment. Pursuant to California Civil Code Section 1366(b), and except in the case of an emergency situation as defined in California Civil Code Section 1366 and as otherwise provided by law, the Board shall not increase the Annual Assessment for any fiscal year above the amount of the Annual Assessment for the preceding fiscal year by more than the maximum amount permitted by law, except upon the approval of Owners, constituting a quorum, casting a majority of the votes. For purposes of the preceding sentence, a quorum means more than fifty percent (50%) of the Owners.

4.6 Special Assessments.

(1) Purpose of Special Assessments. If at any time during any fiscal year the Annual Assessment proves inadequate for any reason, including nonpayment of any Owner's share thereof or the unexpected repair, replacement, or reconstruction of improvements located in the Development, or if funds are otherwise required for any authorized activity of the Association, the Board may levy a Special Assessment in the amount of such actual or estimated inadequacy or cost.

(2) Allocation of Special Assessments. Special Assessments shall be allocated and assessed among the Lots in the same manner as Annual Assessments.

(3) Approval of Special Assessments. Except in the case of an emergency situation as defined in California Civil Code Section 1366, in any fiscal year the Board may not levy Special Assessments which, in the aggregate, exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, except upon the approval of Owners, constituting a quorum, casting a majority of the votes. For purposes of the preceding sentence, a quorum means more than fifty percent (50%) of the Owners.

4.7 Reimbursement Assessments. The Association shall levy a Reimbursement Assessment against any Owner and his or her Lot if a failure by such Owner, or any person or pet for whom the Owner is responsible, to comply with any provision of the Governing Documents has necessitated or resulted in an expenditure of funds by the Association to deal with such lack of compliance or to bring such Owner or his Lot into compliance. A Reimbursement Assessment shall include any costs, including attorneys' fees, incurred by the Association, including costs of collecting from an Owner any amount which the Owner is obligated to pay to the Association. A Reimbursement Assessment shall be due and payable to the Association when levied.

4.8 Enforcement Assessments. The Board may levy an Enforcement Assessment (and any fine imposed by the Board in accordance with the provisions of the Governing Documents shall be deemed to be such an Enforcement Assessment), for violation of any of the provisions of the Governing Documents. Any Enforcement Assessment shall be due and payable to the Association when levied.

4.9 Failure to Fix Assessments. The failure or omission by the Board to fix or levy any Annual Assessment provided for by the terms of this Declaration before the expiration of any fiscal year, for that fiscal year or the next fiscal year, shall not be deemed either a waiver or a modification in any respect of the provisions of this Declaration, or a release of any Owner from the obligation to pay Assessments or any installment thereof for that or any subsequent year, but the amount of the Annual Assessment fixed for the

preceding fiscal year shall be the amount of the Annual Assessment for the ensuing fiscal year until a new Annual Assessment is levied.

4.10 Offsets. All Assessments levied by the Board shall be payable in the full amount specified, including any Additional Charges imposed as provided by the terms of this Declaration, and no offsets against any such amounts shall be permitted for any reason whatsoever, including without limitation a claim that the Association has failed to properly exercise its duties of maintenance or enforcement.

4.11 Delinquent Assessments. Any installment or other portion of an Assessment not paid within fifteen (15) days after its due date shall be delinquent and shall be subject to interest and late charges not to exceed the maximum rate permitted by law, as well as all other Additional Charges. The Board, on behalf of the Association, may enforce the payment of any delinquent Assessment plus Additional Charges by bringing an action at law against any Owner personally obligated to pay the same, or by foreclosing the lien against the Owner's Lot by judicial or non-judicial foreclosure, except as prohibited by law.

Prior to Recording a Notice of Delinquent Assessment, the Association shall provide notice to the Owner as required by California Civil Code Section 1367(a) or other applicable statute. The Notice of Delinquent Assessment shall be mailed in the manner set forth in California Civil Code Section 2924b to all record owners of the Lot no later than ten (10) days after Recordation as required by California Civil Code Section 1367(b). No procedures shall be initiated to foreclose the lien securing any Assessment levied under this article until after the expiration of thirty (30) days following the Recording of a lien created pursuant to California Civil Code Section 1367(b) or other applicable statute. Except as prohibited by law, upon the Recording of the Notice of Delinquent Assessment referred to above, the Association may, at its option, declare the entire balance of all sums then due or to become due from the Owner, immediately due and payable, which total sum may then be included in any suit, action, or other procedure initiated to collect such sums, including all Additional Charges.

4.12 Power of Sale. Each Owner does hereby appoint the Association as trustee to enforce and to foreclose any lien which is established pursuant to the terms of this Declaration, by private power of sale, as provided in Division III, Part 4, Title 14, Chapter 2, Article 1, of the California Civil Code, and does further grant to the Board of Directors, on behalf of the Association, the authority and power to sell the Lot of such Owner in the event of any default in payment of any Assessments or Additional Charges levied against such Lot, for lawful money of the United States, to the highest bidder, to satisfy such lien.

The Association, as trustee for the remaining Owners, or any other Owner, may purchase the Lot at the sale. The Board may commence any procedure for the collection of delinquent Assessments upon its own decision. The remedies provided in this Declaration for collection of delinquent Assessments shall be cumulative and not exclusive.

4.13 Certificate of Satisfaction and Release of Lien. Upon payment in full of a delinquent Assessment, including any Additional Charges, or the satisfaction thereof, the

Board shall Record, in the same manner as the Notice of Delinquent Assessment, a further certificate stating the satisfaction thereof and the release of the lien.

4.14 Priority. Except as otherwise expressly provided by law, the lien securing each of the Assessments provided for under this article shall have priority as of the date of Recording of the original Declaration applicable to the Development over all other liens and encumbrances applicable to the Lots; provided, however, that such Assessment lien shall be subordinate to the lien of any First Mortgage Recorded against the Lot; and provided, further, that such subordination shall apply only to the Assessments which have become due and payable prior to the sale of such property pursuant to a decree of foreclosure of any such First Mortgage, or pursuant to a power of sale contained in any such First Mortgage. Such foreclosure sale shall not relieve such property from liability for any Assessments and Additional Charges thereafter becoming due, nor from the lien of any subsequent Assessment.

4.15 Association Funds. Unless otherwise determined by the Board, the Association shall maintain at least two separate accounts in one or more banks or other depositories selected by the Board, which accounts shall be clearly designated LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION OPERATING ACCOUNT and LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION RESERVE ACCOUNT. The Assessments collected by the Association shall be properly deposited into such accounts. The Assessments collected by the Association shall be used for the purposes set forth in Section 4.3 of this Declaration.

4.16 Waiver of Exemptions. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this article, the benefit of any homestead or exemption laws of the State of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed pursuant to the terms of this article.

4.17 Property Exempt From Assessments. The following property subject to this Declaration shall be exempt from the Assessments, Additional Charges, and liens created herein:

- (1) All property owned by, or dedicated to and accepted by the County or other local public authority;
- (2) Any Lot which is owned by the Association as a result of the Association having acquired such Lot through foreclosure; provided, however, that such exemption shall be applicable only during the period in which the Association is Record Owner of such Lot; and
- (3) All Common Area.

ARTICLE 5 ARCHITECTURAL COMMITTEE

5.1 Submission of Plans and Specifications. Except for improvements made or constructed by or on behalf of the Association, no building, fence, wall, obstruction, balcony, screen, patio cover, tent, awning, carport cover, tank, improvement or other structure of any kind or any landscaping shall be commenced, erected, painted or maintained within, or removed from, the Development, nor shall any exterior addition to or change or alteration therein be made, until the plans and specifications showing the nature, kind, shape, color, height, size, materials, and location of the same shall have been submitted to and approved in writing by the Architectural Committee in accordance with Section 5.8 of this Declaration.

5.2 Establishment. The Board shall appoint an Architectural Committee consisting of five (5) Members of the Association. The Board shall also appoint two (2) alternate Committee members who may be designated by the Committee to act as substitute on the Committee in the event of absence or disability of any Committee member. All Committee members and alternates serve at the pleasure of the Board. If at any time there shall not be a duly constituted Architectural Committee, the Board shall exercise the functions of the Architectural Committee in accordance with the terms of this article.

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. If reasonably possible, at least two members of the Committee shall have the professional degree or other background in design, land planning, engineering, architecture, law or some other field, which is related to the functions to be performed by the Committee. If the requirements imposed by the preceding sentence cannot be satisfied for any reason, the Committee may establish a client relationship with a California licensed architect for the purpose of rendering advice with respect to plan submittals and other review matters before the Committee. Failure to comply with the requirements of this section shall not affect the validity of any actions of the Committee with respect to specific submittals.

5.3 Duties. It shall be the duty of the Committee to consider and act upon proposals or plans submitted to it pursuant to the terms of this article to perform other duties delegated to it by the Board, and to carry out all other duties imposed upon it by this Declaration.

5.4 Meetings. The Committee shall meet as necessary to properly perform its duties hereunder. The vote or written consent of a majority of the members shall

constitute an act by the Committee. The Committee shall keep and maintain a record of all actions taken by it at such meetings or otherwise. The Committee members shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred by them in the performance of any Architectural Committee function.

The Owner-applicant shall be entitled to appear at any meeting of the Committee at which the Owner's proposal has been scheduled for review and consideration. The Owner shall be entitled to be heard on the matter and may be accompanied by his or her architect, engineer and/or contractor. Other Owners whose properties may be affected by the proposed improvement (in terms of the view or solar access or this Lot, noise or other considerations) shall also be entitled to attend the meeting.

Reasonable notice of the time, place and proposed agenda for Architectural Committee meetings shall be communicated before the date of the meeting to any Owner-applicant whose application is scheduled to be heard.

5.5 Architectural Rules. The Committee may, from time to time, and subject to the Board's approval, adopt, amend, and repeal rules and regulations to be known as "Architectural Rules." The Architectural Rules shall interpret and implement the provisions of this article by setting forth the standards and procedures for Committee review and guidelines for architectural design, placement of buildings and other structures, lot splits and mergers, setbacks, and landscaping, color schemes, exterior finishes and materials, and similar features which are recommended for use in the Development; provided, however, that the Architectural Rules shall not be in derogation of the minimum standards required by this Declaration.

5.6 Application. Any Owner proposing to perform any work of any kind whatever, which requires prior approval pursuant to this article, shall apply for approval by notifying the Association, in writing, of the nature of the proposed work and furnishing such information and documentation as the Committee or Board may require.

5.7 Fees; Deposits. The Committee may charge a reasonable fee or fees for its review of architectural or landscaping applications, drawings, plans, and specifications which may include the cost of retaining outside consultants including but not limited to architects, engineers, soils experts, or contractors. The Committee may also require Owners to submit a deposit: (i) to assure full compliance with the Governing Documents, including without limitation the Construction and Architectural Standards, (ii) to assure proper and timely completion of the works of improvement in accordance with approved plans and specifications, and (iii) to reimburse the Association for any damage to roadways and other Common Area facilities resulting from the construction project.

5.8 Grant of Approval. The Committee shall grant the requested approval only if:

(1) The Owner shall have complied with the provisions of Section 5.1 above;

(2) The Committee shall find that the plans and specifications conform to this Declaration and to the Architectural Rules in effect at the time such plans were submitted to the Committee; and

(3) The Committee shall determine that the proposed improvements would be consistent with the standards of the Development and the purposes of this Declaration as to quality of workmanship, design and materials, as to harmony of exterior design with the existing structures, and as to location with respect to topography and finished grade elevations.

5.9 Form of Approval. All approvals and rejections of requests for approval shall be in writing; provided, however, that any request for approval which has not been acted upon within forty-five (45) days from the date of submission thereof to the Committee shall be deemed approved as submitted if receipt of the request for approval by the Committee was evidenced by a writing signed by or on behalf of the Committee; otherwise, the request shall be deemed to have been disapproved.

5.10 Appeals. Appeals from decisions of the Architectural Committee may be made to the Board of Directors. The Rules shall contain procedures to process appeals pursuant to this section.

5.11 Commencement. Upon receipt of approval pursuant to Sections 5.8 and 5.9 above, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement and completion of all installation, construction, reconstruction, refinishing, alterations, and excavations pursuant to such approval, commencement to occur, in all cases, within six (6) months from the date of such approval. In the case of original construction on a vacant Lot, "commencement of construction" shall mean at least the completion of grading and the pouring of all or substantially all foundations for any improvements. If the Owner shall fail to comply with this section, any approval previously given shall be deemed revoked unless the Committee, upon written request of the Owner made prior to the expiration of the time for commencement, extends the time for such commencement.

5.12 Completion. The Owner shall, in any event, complete the installation, construction, reconstruction, refinishing, or alteration of any such improvement within one (1) year after commencing construction thereof (or in the case of projects under construction when this Declaration is Recorded, within one (1) year after the date of Recordation), except and for as long as such completion is rendered impossible or would

result in great hardship to the Owner due to strikes, fires, national emergencies, natural calamities, or other supervening forces beyond the control of the Owner or his agents. If an Owner fails to comply with this section, the Committee shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of Section 5.13, below, as though the failure to complete the improvements was a non-compliance with approved plans.

5.13 Inspection. Inspection of work and correction of defects therein shall proceed as follows:

(1) Upon the completion of any installation, construction, reconstruction, alteration, or refinishing of the exterior of any improvements, or upon the completion of any other work for which approved plans are required under this article, the Owner shall give written notice thereof to the Committee.

(2) Within thirty (30) days thereafter, the Committee, or its duly authorized representative, may inspect such improvement to determine whether it was installed, constructed, reconstructed, altered, or refinished to substantial compliance with the approved plans. If the Committee finds that such installation, construction, reconstruction, alteration, or refinishing was not done in substantial compliance with the approved plans, it shall notify the Owner in writing of such non-compliance within such thirty (30) day period, specifying particulars of non-compliance and shall require the Owner to remedy such non-compliance.

(3) If the Owner shall have failed to remedy such non-compliance upon the expiration of thirty (30) days from the date of such notification, the Committee shall notify the Board in writing of such failure. The Board shall then set a date on which a hearing before the Board shall be held regarding the alleged non-compliance. The hearing date shall be not more than thirty (30) nor less than fifteen (15) days after notice of the non-compliance is given to the Board by the Committee. Notice of the hearing date shall be given at least ten (10) days in advance thereof by the Board to the Owner, to the Committee and, in the discretion of the Board, to any other interested party.

(4) At the hearing the Owner, the Committee and, in the Board's discretion, any other interested person, may present information relevant to the question of the alleged non-compliance. After considering all such information, the Board shall determine whether there is a non-compliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If non-compliance exists, the Board shall require the Owner to remedy or remove the same within a period of not more than forty-five (45) days from the date of the Board's ruling. If the Owner does not comply with the Board's ruling within such period or within any extension of such period as the Board, in its discretion, may grant, the Board, at its option, may either remove the non-complying improvement or remedy

the non-compliance and all expenses incurred in connection therewith shall be assessed against the Owner as a Reimbursement Assessment.

(5) If, for any reason, the Committee fails to notify the Owner of any non-compliance within sixty (60) days after receipt of a notice of completion from the Owner, the improvement shall be deemed to be in accordance with the approved plans.

5.14 Preliminary Approval. Any Owner proposing to construct improvements requiring the prior approval of the Committee may apply to the Committee for preliminary approval by submission of preliminary drawings of the proposed improvements in accordance with the Architectural Rules. The purpose of the preliminary approval procedure is to allow an Owner proposing to make substantial improvements an opportunity to obtain guidance concerning design considerations before expending substantial sums for plans and other exhibits required to apply for final approval. Application for preliminary approval shall be considered and disposed of as follows:

(1) Within forty-five (45) days after proper application for preliminary approval, the Committee shall consider and act upon such request. The Committee shall grant the approval only if the proposed improvement, to the extent its nature and characteristics are shown by the preliminary application, would be entitled to a final approval on the basis of a full and complete application. In granting or denying approval, the Committee may give the applicant such directions concerning the form and substance of the final application for approval as it may deem proper or desirable for the guidance of the applicant.

(2) Any preliminary approval granted by the Committee shall be effective for a period of ninety (90) days from the date of the issuance thereof. During such period, any application for final approval, which consists of proposed improvements in accordance with the provisions of the preliminary approval, and is otherwise acceptable under the terms of this Declaration, shall be approved by the Committee.

(3) In no event shall any preliminary approval be deemed to be an approval authorizing installation or construction of the subject improvements.

5.15 Variances. The Board, in its sole discretion, shall be entitled to allow reasonable variances in the Construction and Architectural Standards specified in Article 6 of this Declaration, in any use restrictions specified in Article 8 of this Declaration, or in the Architectural Rules, to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardship to Owner-applicants, provided all of the following conditions are met:

(1) If the requested variance will necessitate deviation from, or modification of, a property use restriction or a Construction and Architectural

Standard 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 of Lots located within 200 feet of the subject Lot.

The notice shall also be posted in the Association's principal office within the Development. The notice shall be posted and mailed to the interested Owners at least 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. The procedure set forth in this subparagraph (a) does not apply to requests for exceptions to the Architectural Rules.

(2) 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 proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) the variance relates to a requirement, land use restriction or Construction and Architectural Standard otherwise applicable hereunder that is unnecessary or burdensome under the circumstances; or (iii) 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 Development.

5.16 Non-Waiver. The approval by the Committee of any plans, drawings, or specifications for any work done or proposed, or for any other matter requiring the approval of the Committee under this Declaration, 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.

5.17 Liability. Neither the Board, the Committee nor any member thereof shall be liable to the Association or to any Owner for any damage, loss, or prejudice suffered or claimed on account of: (i) the approval or disapproval of any plans, drawings, and specifications, whether or not defective; (ii) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; or (iii) the development of any property within the Development; provided, however, that the Committee or such member has acted in good faith on the basis of such information as may be possessed by it or him. Without in any way limiting the generality of the foregoing, the Committee, or any member thereof, may, but is not required to, consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications, or any other proposal submitted to the Committee. Every purchaser, by acquiring title to a Lot or portion thereof agrees not to bring any action or suit against the Board, the Committee, or their members seeking to recover any such damages.

5.18 Compliance With Governmental Requirements. The application to the Association and the review and approval of any proposals, plans, or other submittals shall

in no way be deemed to be satisfaction of/or compliance with any building permit process or any other governmental requirements, the responsibility for which lies solely with the respective Owner, nor shall it constitute the assumption of any responsibility by or impose any liability on the Board, the Committee, or their members as to the accuracy, efficacy, or sufficiency thereof.

ARTICLE 6 CONSTRUCTION AND ARCHITECTURAL STANDARDS

Improvements constructed on any Lot shall conform to the following Construction and Architectural Standards, as more fully delineated in the Architectural Rules, unless a variance is requested from and granted in accordance with Section 5.15 of this Declaration.

6.1 Height of Structure. No Residence or other structure or improvement on any Lot shall be constructed having a height of more than one story; provided, however, that a two-story structure may be built if such a height is permissible by law and the Architectural Committee determines that the proposed height is compatible with the physical site involved and will not unreasonably impair the view or solar access of Residences constructed on neighboring Lots.

6.2 No Obstruction on Lakefront Property Lines. In order to preserve the natural quality and aesthetic appearance of the existing geographic areas within the Development, all property lines abutting to any lake shall be kept free and open and no fences shall be permitted on any such Lot lines except where, in the opinion of the Committee, a fence or other enclosure, as a structure or aesthetic feature of a design concept, will contribute to and be in keeping with the character of the area.

6.3 Lot Combinations. Two or more contiguous Lots owned by the same person may be combined only with the Architectural Committee's prior written approval of the combination and the proposed use. If the Committee approves the combination and the proposed use, the Lots and the Owner thereof shall remain responsible for the payment of the full share of Assessments as to each of the Lots until completion of construction on the resultant parcel, even if the resultant parcel is assessed by the County as a single parcel for property tax billings. Thereafter, the resultant parcel shall be treated as a single Lot for the purpose of applying this Declaration to the resultant parcel. If a Lot combination is approved by the Committee, the Owner shall nevertheless remain responsible for securing all requisite governmental approvals prior to commencement of construction. Any parcel which had been created by merger of two or more Lots pursuant to this section may be subdivided only with the Committee's prior written approval so long as (i) the resultant parcels are equivalent in size to, or larger than, the parcels which were originally combined, and (ii) the Owner pays the Association all back Assessments that would have been payable on the original Lots dating back to the date the combined parcel commenced paying a single Assessment.

6.4 Minimum Square Footage Requirements.

(1) Single Family Lots. Each Residence constructed on any Lot (other than a Multi-Family Lot) shall have a fully enclosed floor area (exclusive of roofed or unroofed porches, decks, terraces, garages, or other outbuildings) of not less than 1,000 square feet.

(2) Multi-Family Lots. Each separate Residence constructed on any Multi-Family Lot shall have a fully enclosed floor area (exclusive of roofed or unroofed porches, decks, terraces, garages, carports, parking spaces, storage area or other outbuildings) of not less than 1,000 square feet.

6.5 Setback and Location of Structure. No building shall be located nearer to the front, side, or rear Lot line or nearer to the side street line than the building setback lines as set forth in the Architectural Rules.

6.6 No Temporary Structures, Modular or Prefabricated Housing or Mobile Homes. No recreational vehicle, trailer, mobile home, camper, tent, shack, used structures, structures of a temporary character, or other outbuildings shall be placed, maintained or occupied on any Lot at any time as a Residence. No modular housing unit or prefabricated housing unit assembled off the building site shall be permitted to be placed on any Lot. The Committee may grant permission for any such temporary structure or trailer for storage of materials only during construction.

6.7 Utility Lines. All utility lines running from overhead utility poles within the Development to improvements constructed on any Lot shall be placed underground.

6.8 No Used Buildings or Structures. No used buildings or structures shall be placed on any Lot.

6.9 Solar Heating Systems. Subject to limitations imposed by California law, the Committee shall be entitled to adopt, as part of the Architectural Rules, reasonable regulations regarding the installation of solar heating systems. These rules may include limitations on placement and design of such systems to the extent necessary to avoid an unsightly appearance from neighboring Lots or Common Area.

6.10 Colors and Exterior Finishes. No reflective finishes (other than glass) shall be used on exterior surfaces (other than surfaces of hardware fixtures), including but without limitation, the exterior surfaces of any of the following: roofs, all projections above roofs, retaining walls, doors, trim, fences, pipes, equipment, mailboxes and newspaper tubes. No exterior finishes shall be used without approval of the Committee. Generally, colors shall be restricted to those found in the immediate vicinity of the Residence and colors found in nature will be favored. The Committee shall be authorized, as part of the Architectural Rules, to adopt a chart of approved colors and stains for exterior finishes. If

the Committee adopts such a chart, the Committee shall still have the power to approve a color or a stain, which is not on the chart.

6.11 Patios, Walkways and Driveways. All driveways, patio, and walks materials shall be architecturally compatible to the design of the main structure. No gravel/oil and chip/natural soil or any unsecured finish is permitted without specific prior approval of the Committee.

6.12 Water Systems and Pools. No individual water supply system or swimming pool shall be permitted on any Lot unless such system is designed, located and constructed in accordance with the requirements, standards and recommendations of the appropriate public health authority and the Committee. Approval of such systems as installed shall also be obtained, if required, by any responsible governmental agency.

6.13 Garages. Each Residence shall have at least a two-car (400 S.F., 20' x 20' minimum) garage which may be either of an attached or detached design. The garage must be of the same design and material as the Residence. In addition, Multi-Family Lots shall have one additional parking space per Residence.

6.14 Parking. Each Lot shall have appropriate off-street parking for guests.

6.15 Landscaping. As noted in Section 5.1 of this Declaration, landscaping is a matter, which is subject to review and regulation by the Committee. A landscape plan is required in conjunction with the construction of any Residence.

6.16 Commercial Lots. Development of any construction upon Commercial Lots shall be of the kind and quality permitted by the County and the Architectural Rules specifically addressed to Commercial Lots.

6.17 Removal of Trees. No tree over three (3) inches in diameter, measured at a point twelve (12) inches above the ground, may be removed from any Lot without the prior written consent of the Committee. The site plan for any proposed work of construction shall, among other things, clearly identify all trees that will be removed by installation of the proposed improvement.

6.18 General Construction Prohibitions and Requirements. The following general prohibitions and requirements shall prevail as to construction and related activities conducted on any Lot within the Development:

- (1) No Residence shall be occupied until the same has been completed (except for landscaping) in accordance with its plans and specifications and has been approved for occupancy by all required County governmental agencies.

(2) No Residence may be used as a model house without the prior written approval of the Committee for such use.

(3) No portion of the Development shall be used for the storage of building materials other than in connection with approved construction. All construction debris shall be picked up and deposited daily in an appropriate container.

ARTICLE 7 MAINTENANCE OF PROPERTY

7.1 Association Responsibility for Common Area. The Association shall be solely responsible for all maintenance, repair, upkeep and replacement of the Common Area and all facilities, improvements, and landscaping thereon (except as provided in Section 7.4(a) of this Declaration), including private streets, private driveways, walks and utility facilities (except for those utility facilities which are maintained by public or private utility companies or agencies), and all other real and/or personal property that may be acquired by the Association. 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.

7.2 Authority for Entry onto Lots. The Association or its agents may enter any Lot whenever such entry is necessary, in the Board's sole discretion, in connection with the performance of any maintenance, repair, construction, or replacement for which the Board is responsible or which it is authorized to perform. Such entry shall be made with as little inconvenience to the Residents as practicable and only upon reasonable advance written notice of not less than twenty-four (24) hours, except in emergency situations.

7.3 Association Liability. The Association shall not be responsible or liable for any maintenance, repair, or replacement of a Lot or any improvement thereon, except to the extent that the need for such maintenance, repair, or replacement results from the negligence or fault of the Association, its employees, contractors, or agents.

7.4 Owner Responsibility.

(1) Maintenance of Lots. Each Owner shall be responsible for the maintenance, repair and replacement of such Owner's Lot and all improvements (including all landscaping) thereon. Each Owner of a Lot which is improved with a Residence is responsible for maintaining the landscaping on, or eliminating the weeds from, that portion of Common Area between such Owner's Lot and the front and side frontage streets. All screening and fencing must be maintained in a good

sound structural manner, and painted fences must be painted periodically so they do not appear shabby or unkept.

(2) Compliance With Architectural Provisions. An Owner's right and responsibility for maintaining, repairing or replacing any portions of such Owner's Lot shall be subject to any applicable provisions of the Governing Documents relating to landscaping and architectural control, including Article 5 of this Declaration.

7.5 Board Discretion. The Board shall have the right to determine whether any maintenance, repair, or replacement, which is the responsibility of an Owner, is necessary to preserve the appearance and value of the property within the Development or any portion thereof and may notify an Owner of the work the Board deems necessary. In the event an Owner fails to perform such work within thirty (30) days after notification by the Board to the Owner, the Board may, after written notice to the Owner and the right of a hearing before the Board, cause such work to be done and charge the cost thereof to the Owner as a Reimbursement Assessment.

7.6 Owner Liability. In the event the need for any maintenance, repair, or replacement is caused by the willful or negligent act or omission of an Owner or an Owner's family, tenants, Contract Purchaser, guests, invitees, or animals, the cost of such maintenance, repair, or replacement, including the cost of materials, labor, supplies, and services shall be charged to, and paid by, such Owner in the form of a Reimbursement Assessment.

In the event that any Owner fails to properly maintain his or her landscaping and the same becomes a fire hazard, a nuisance or unsightly, or if an Owner fails to install landscaping in connection with initial construction within the time limits set forth in this Declaration, the Association or the Architectural Committee may either cause the appropriate work to be done at the Owner's expense (recoverable through imposition of a Reimbursement Assessment), or require the Owner to post a bond for any uncompleted landscaping improvements in an amount not to exceed the estimated cost thereof, as determined by the Association. If the Association elects to undertake maintenance work on an Owner's behalf, then at least 30 days prior to the date work is to be done, written notice must be hand delivered or mailed by first-class mail to the Owner at his or her last address as shown by the Association's records. The notice shall recite the nature of any work to be performed, the reasons therefor, and the date, time and place at which the Owner may be heard by the Board, either orally or in writing, regarding the propriety of the work. If a hearing is requested, the hearing shall be held not less than five days prior to the date the work is scheduled to be done.

ARTICLE 8 USE RESTRICTIONS

8.1 Disclosure of Multiple Zoning Designations. Lots within the Development have various zoning designations, including without limitation single family residential, duplex, neighborhood commercial, apartment, public facility, general recreation and aviation commercial.

8.2 Rental of Residences. Subject to the provisions of the Governing Documents and this section, an Owner shall have the right to lease his or her Residence or commercial structure, provided (i) the Owner notifies the Board of the name of the tenants and the members of the tenants' household and the duration of the lease, and provides the Board with a copy of the signed lease, and (ii) there is a written lease or rental agreement for a term of at least three (3) months which expressly provides that the agreement is subject to the provisions of the Governing Documents and that the breach of any provision of the Governing Documents shall constitute a default under the lease.

(1) Owner's Responsibility for Tenant's Actions. Each Owner leasing a Residence shall be strictly responsible and liable to the Association for the actions of such Owner's tenant(s) in or about all Lots and Common Area and for each tenant's compliance with the provisions of all Association Governing Documents. An Owner leasing or renting a Residence shall provide the tenant(s) with copies of the Governing Documents and all subsequent amendments.

(2) Association's Enforcement Rights. In the event a tenant's conduct involves damage or misuse of any Common Area or facilities on any Common Area or constitutes an unreasonable nuisance to Residents, the Association shall be entitled to, but shall have no obligation to, maintain an eviction action against such tenant to the same extent as the Owner of the Lot, the Association being deemed to be a third party beneficiary of any lease or rental agreement involving any Lot within the Development. The Association's right to maintain an eviction action shall arise only in the event that (i) the Association has given notice to the Owner detailing the nature of the infraction and the Owner has had a reasonable opportunity to take corrective action or to appear before the Board to present arguments as to why eviction by the Association is not necessary, and (ii) the Owner has not taken action to prevent and/or correct the actions of the tenant giving rise to the damage or nuisance.

(3) Indemnification of Association. Every Owner of a Lot that is occupied by persons other than the Owner pursuant to a lease or otherwise, agrees to and shall indemnify and defend the Association, its officers, directors, and agents and shall hold them harmless from any cost, loss, claim, or damages of any kind, including but not limited to attorneys' fees arising out of the conduct or presence of the occupants of the Lot upon the Development, including any such arising or alleged to have arisen out of the enforcement or non-enforcement by the Association of the Governing Documents against such occupants. Without limiting the generality of the foregoing, all costs, including attorneys' fees incurred by the

Association to enforce the Governing Documents against such occupants, including eviction as provided herein, shall be reimbursed to the Association by the Owner and may be assessed by the Association as a Reimbursement Assessment.

8.3 Use of Common Area. All use of Common Area is subject to the Governing Documents. Without limiting the generality of the foregoing, no alterations or additions to the Common Area shall be permitted without the prior written approval of the Board; nothing shall be altered, constructed, placed, kept, stored, parked, planted on, or removed from the Common Area without the prior written consent of the Board; and the Common Area shall be kept free of rubbish, debris, and other unsightly or unsanitary materials. Each Owner shall avoid causing any damage to the Common Area.

8.4 Prohibition of Noxious Activities. No noxious, harmful, or offensive activities shall be conducted upon or within any part of the Development, nor shall anything be done thereon which may be or become a nuisance, or cause unreasonable embarrassment, disturbance, or annoyance to any Residents of the Development, or which shall in any way interfere with their use of the Common Area and facilities thereon or the use and enjoyment of their Lots or Residences. Without limiting any of the foregoing, no Resident shall permit noise, including but not limited to the barking of dogs, to emanate from the Resident's Lot, which would unreasonably disturb another Resident's enjoyment of his or her Lot or of the Common Area. Each Owner and Resident shall comply with all requirements of all federal, state, and local governmental authorities and all laws, ordinances, rules and regulations applicable to his or her Lot and Residence.

8.5 Animals. The Board shall have the right to establish and enforce additional rules and regulations imposing standards for the reasonable control and keeping of animals in, upon and around the Development to ensure that the same do not interfere with the quiet and peaceful enjoyment of the Development by the other Owners and residents.

8.6 Signs. No sign of any kind shall be displayed to the public view from any portion of the Development except that this limitation shall not apply to:

- (1) Signs required by legal proceedings;
- (2) Signs which by law cannot be prohibited;
- (3) A single sign of reasonable dimensions and design, complying with the provisions of any applicable ordinance and the Architectural Rules and reasonably located on a Lot advertising the Lot for sale or rent;
- (4) A single identification sign which has been approved by the Architectural Committee located on a Lot identifying the number or address of the Lot and/or the names of the occupants;

(5) Signs approved by the Association located at or near any entrance to the Development identifying the Development;

(6) Signs required for traffic control and regulation of streets or open areas within the Development; and

(7) Signs on the Common Area as approved by the Board for a purpose reasonably related to the affairs of the Association.

8.7 Business Activities. No business of any kind shall be established, maintained, operated, permitted, or conducted within the Development except: (i) on Residential Lots, such professional and administrative professions as may be permitted by applicable governmental ordinances and provided that there shall be no external evidence thereof, (ii) care facilities to the extent specifically authorized by statute, including family day care centers and community care facilities as provided in subsections (a) and (b) of this section, and (iii) on Commercial Lots, such businesses as may be approved in writing by the Board, subject to the limitations set forth in subsection (c) of this section and in the Rules.

(1) **Family Day Care Centers.** No family day care center for children shall be permitted within the Development except as specifically authorized by California Health and Safety Code Section 1597.40 and other applicable state statutes. The owner/operator of any permitted day care facility shall provide the Association with prior written notice as to its operation, and comply with all local and state laws regarding the licensing and operation of a day care center and, in addition, shall:

(1) Name the Association as an additional insured on the liability insurance policy or bond carried by the owner/operator of the day care center, as provided under California Health and Safety Code Section 1597.531. This subsection is intended to be and shall be conclusively deemed to be the written notice to the operator or owner from the Association as specified in California Health and Safety Code Section 1597.231;

(2) Defend, indemnify and hold the Association harmless from any claim, demand, loss, liability action or cause of action arising out of the existence and operation of the day care center;

(3) Abide by and comply with all of the Association's Rules;

(4) Supervise and be completely responsible at all times for children for whom day care services are provided while they are within the Development; and

(5) Cooperate with the Association if the Association's insurance agent or carrier requires proof of insurance, proof of the agreement of the owner or operator of the center to these conditions, or other reasonable requests.

(2) Community Care Facilities. Except for residential facilities defined as community care facilities under California Health and Safety Code Section 1502, serving six (6) or fewer persons, no health care facilities operating as a business or charity and serving the sick, elderly, disabled, handicapped or retarded shall be permitted in the Development. The owner/operator of any such community care facility shall comply with all local and state laws regarding the licensing and operating of such a community care facility, and, in addition, to the extent permitted by applicable laws, shall:

(1) Name the Association as an additional insured on the liability insurance policy or bond carried by the owner/operator of such a community care facility;

(2) Defend, indemnify and hold the Association harmless from any claim, demand, loss, liability action or cause of action arising out of the existence and operation of such a community care facility;

(3) Abide by and comply with all of the Association's Rules as applied to Residences in the Development in a general manner;

(4) Supervise and be completely responsible for occupants of such a residential facility at all times while they are within the Development; and

(5) Cooperate with the Association if the Association's insurance agent or carrier requires proof of insurance, proof of the agreement of the owner or operator of such a community care facility to these conditions, or other reasonable requests.

(3) Prohibited Uses. Notwithstanding the foregoing, whether or not permitted by zoning or use standards of the County, the following types of uses are prohibited:

(1) Junk or salvage operations, including junk yards and vehicle or equipment disassembly repair, maintenance or storage;

(2) Manufacturing, refining and/or storage of petroleum products, chemicals, petrol-chemicals or any radioactive materials, unless such activities are done in strict compliance with all applicable governmental regulations and approved by the Board;

(3) Slaughterhouses, tanneries, rendering operations, barns, stables or dairy operations;

(4) Paper manufacturing, foundries, metal machining shops, heavy industrial or manufacturing;

(5) "Adult entertainment", including without limitation the sale, exhibition or viewing of nudity, or pornographic or obscene material;

(6) Mobile home parks or trailer courts, either temporary or permanent;

(7) Labor camps;

(8) Drilling for and/or removal of oil, gas, or other hydrocarbon substances;

(9) Commercial excavation of building or construction materials or quarrying of any material;

(10) Dumping, disposal, incineration or reduction of garbage, sewage, offal, dead animals, or refuse;

(11) Smelting of iron, tin, zinc or other ores;

(12) Any use or operation prohibited by law.

(13) Any other use which will be offensive to other Owners or occupants by reason of odor, fumes, dust, smoke, noise, electro-mechanical or electro-magnetic disturbances, radiation, pollution, risk of fire or explosion or any other nuisance within the Development or to surrounding property.

8.8 Trash Disposal. The Board may adopt Rules regarding trash disposal within the Development.

8.9 Antennas. The Board may adopt Rules regarding the installation and maintenance of antennas and satellite dishes.

8.10 Drainage Structures, Ditches and Swales. Each Owner shall keep drainage ditches and swales located on his or her Lot free and unobstructed and in good repair and shall provide for the installation of such culverts upon his or her Lot as may be reasonably required for proper drainage. This requirement shall not apply to ditches, swales, culverts,

and canals improved by the Association for common water collection. Such Association improvements shall be maintained by the Association.

8.11 Mineral Exploration. Exclusive of the local public water authority, no Lot shall be used to explore for or to remove any water, oil, hydrocarbons, or minerals of any kind without the approval of the Board, and then only as permitted by State, County and/or local ordinance.

8.12 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment as is usual or customary in connection with the construction, use, maintenance or repair of a private Residence or appurtenant structures within the Development.

8.13 Diseases and Pests. No Owner shall permit any thing or condition to exist upon such Owner's Lot which shall induce, breed, or harbor infectious plant diseases, rodents or noxious insects.

8.14 Parking and Vehicle Restrictions. Without limiting the general powers of the Board, the Board shall have the power and authority to adopt, promulgate, and enforce Rules relating to parking, vehicles, equipment and storage and shall have the power to impose fines and other sanctions for violations of provisions of the Governing Documents relating to such matters. Such power shall include the power and authority to cause the towing, at the vehicle owner's expense, of vehicles which are parked within the Development in violation of any of the provisions of the Governing Documents, provided that towing of vehicles of guests and other non-Residents of the Development shall be subject to the provisions of applicable law. Costs incurred by the Association relating to the towing and/or storage of any vehicle parked in violation of any provision of the Governing Documents shall be assessed as a Reimbursement Assessment against the Lot Owner responsible or whose household members, tenants, Contract Purchasers, or guests are responsible for the presence of such vehicle.

8.15 Hazards. Nothing shall be done, placed, or kept within the Development that will increase the rate of insurance or result in the cancellation of insurance under any insurance policy maintained by the Association, or which will be in violation of any governmental statute, ordinance, rule, or regulation.

8.16 Restriction on Further Subdivision and Severability. Except as provided in Section 6.3 of this Declaration, no Lot may be further subdivided for any reason other than to combine the portions of such divided Lot with an adjacent Lot or Lots for the purpose of creating a larger parcel. Any such divided Lot shall be tied by covenant or merged with the Lot or Lots to which it is being combined, and the resulting merged parcel shall thereafter be assessed, and shall be entitled to voting rights, as if it were one Lot. No Owner of a Lot within the Development shall be entitled to sever that Lot from the Common Area portion of the Development.

8.17 Use of Private Streets in Common Area. Private streets within the Development shall not be used for recreational purposes, including "joy riding" or racing. Motorcycles, mopeds, and cars shall be allowed on such private streets only for ingress and egress and only if they are in compliance with all Department of Motor Vehicle regulations for operation on public streets.

ARTICLE 9 LAKES AND LAKEFRONT LOTS

9.1 Ownership of Lake. The water in and the land under any lake located within the boundaries of the Development, whether now in existence or to be constructed, are or will be owned by the Association. The location of any such lake and its maximum water elevation of spillway level shall be as shown on the Subdivision Maps. The title acquired by a grantee of Declarant, and to any successors or assigns of such grantee, to any Lot that is contiguous to any lake shall extend only to the rear Lot line.

9.2 Limitations on Water Rights. No Owner of a Lot contiguous to a lake or stream shall have any rights with respect to such lake or stream, the land thereunder, the water therein, or its or their elevation, use or condition, nor shall such Owner have any riparian rights incident or appurtenant thereto. No person shall acquire or be divested of title to any land in the Development by accretion (addition of portions of soil, by gradual deposition through the operation of natural causes), reliction (gradual exposure of land by recession of lake water), submergence or changing water levels.

9.3 Right to Remove Accretions. The Association shall have the right at any time to dredge or otherwise remove any accretion or deposit from any lakefront Lot in order that the shoreline of the lake to which such Lot is contiguous may be moved inland toward or to, but not inland beyond, the boundary of such Lot as it would be established if the water elevation in such lake was two vertical foot above the maximum water elevation at spillway level indicated on the relevant Subdivision Map. Title shall pass with such dredging or other removal as by erosion.

9.4 Non-responsibility for Damages. The Association shall not be liable for damages caused naturally by erosion, washing or other action of the water of any lake or stream within the Development.

9.5 Right to Change Level of Lake. The Association shall have the right to raise and lower the water level of any lake in the Development; provided, however, that such right shall not permit raising the water level over two vertical feet above the normal lake elevation as shown on the Subdivision Maps.

9.6 Obligation of Lakefront Lots to Avoid Pollution. No weeds, rubbish, debris, chemical substances, organic or inorganic materials shall be permitted to accumulate on

any Lot or parcel abutting any lake so as to render such Lots or parcels unsanitary, unsightly or noxious in any way, nor shall any such materials, substances or pollutants be permitted to enter the waters of any lake.

ARTICLE 10 EASEMENTS

10.1 Easements in General. In addition to all easements reserved and granted on the Subdivision Map and the easements provided in Article 2 of this Declaration, there are hereby specifically reserved and granted for the benefit of the Lots and Lot Owners in common and for each Lot and Lot Owner severally, and for the Association, the easements identified in this article.

10.2 Street Easements. Each Owner and the Association shall have and is hereby granted a nonexclusive easement for street, roadway and vehicular traffic purposes over and along the private streets and paved parking areas within the Development, subject to termination of such easement and the rights and restrictions set forth in this Declaration. The nonexclusive easement granted hereby to each Owner and to the Association is subject to the offer of dedication of such streets made upon the Subdivision Maps and upon complete or partial acceptance of such offer by the County, such easement shall terminate and be of no further force or effect as to those streets or portions thereof accepted by the County.

10.3 Blanket Utility Easement. There exists a blanket easement upon, across, over and under all of the Development 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 Development except as initially designed and approved by the Declarant or thereafter approved by the Association's Board of Directors.

Every Lot that is crossed by a sanitary sewer shall be subject to an easement for the installation, operation, maintenance repair, renewal replacement, relocation or removal of such sanitary sewer, which easement shall be a strip of land that is ten feet in width, measured five feet on each side of the center line of the sewer pipe.

On each Lot, the right-of-way and easement areas reserved by the Declarant or dedicated to public utility purposes shall be maintained continuously by the Lot Owner, but no structures, plantings or other material shall be placed or permitted to remain, or other activities undertaken, which may: (a) damage or interfere with the installation or maintenance of utilities; (b) change the direction of flow, or obstruct or retard drainage

channels in the easement areas; or (c) damage and interfere with established slope ratio or create erosion or sliding problems.

The easements provided for in this section shall in no way affect any other easement on or affecting any portion of the Development.

10.4 Maintenance and Drainage Easements. The Association has the following easements and/or rights-of-way:

- (1) For the use and maintenance of drainage courses of all kinds designated on the Map as "Drainage Easements";
- (2) For maintenance and permanent stabilization control of slopes in the slope-control areas designated on the Map as "Slope Easements";
- (3) For lake and shoreline maintenance and control along the lakefront portion of each Lot contiguous to a lake shoreline to the extent of ten (10) feet in width designated on the Map as "Utility Maintenance Easements";
- (4) A blanket easement in favor of the Association, its officers, agents and employees, to enter in and cross over the Common Area and any Lot to perform its maintenance and repair duties as provided herein; and
- (5) For the installation and maintenance of utilities infrastructure improvements over and under strips of land six (6) feet in width along side and rear property lines and ten (10) feet in width along the front property line of each lot.

10.5 Flowage Easements. Every numbered Lot in the Development that lies contiguous to a lake shall be subject to a flowage easement to an elevation on the Lot equal to the high water elevation of such lake as stated on the Subdivision Map and regulated by the Association in accordance with Section 9.5 of this Declaration.

10.6 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 Development and each Lot and Common Area as shown on the Subdivision Map.

10.7 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 such other easements in all respects.

ARTICLE 11 INSURANCE

11.1 Types of Insurance Coverage. The Association shall purchase, obtain and maintain, with the premiums therefor being paid 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:

(1) 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:

- (1) 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 12 of this Declaration as to whether or not to repair, reconstruct or restore all or any damaged or destroyed portion of the Common Facilities.

(2) 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 Association 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 non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to projects of others and any other liability

or risk customarily covered with respect to projects similar in construction location and use.

(3) 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 and flood insurance. The Board shall also purchase and maintain workers compensation insurance and fidelity bonds or insurance in an amount not less than 100 percent 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.

11.2 Coverage Not Available. In the event any insurance policy or any endorsement thereof, required by Section 11.1 of this Declaration 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 herein above, described. The Board shall notify the Owners of any material adverse changes in the Association's Insurance coverage.

11.3 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.

11.4 Trustees. All insurance proceeds payable under Section 11.1 of this Declaration, and subject to the rights of the Mortgagees under Section 11.6 of this Declaration, 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 Tehama County that agrees in writing to accept such trust.

11.5 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 11.1 of this Declaration. 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.

11.6 Distribution to Mortgagees. Subject to the provisions of Article 14 of this Declaration, any Mortgagee has the option to apply insurance proceeds payable on account of a Lot in reduction of the obligation secured by the Mortgage of such Mortgagee.

ARTICLE 12 DAMAGE OR DESTRUCTION OF BUILDINGS; CONDEMNATION

12.1 Damage or Destruction of Common Area Facility. The following rules shall apply in the event of damage to, or destruction of, a Common Area facility, by fire or other casualty:

(1) Bids and Determination of Available Insurance Proceeds. As soon as practicable after the casualty, the Board of Directors shall (i) obtain bids from at least two reputable, licensed contractors which bids shall set forth in detail the work required to repair, to demolish, or to rebuild and the itemized price for such work, and (ii) determine the amount of insurance proceeds available to the Association for the purpose of effecting the repair, demolition, or rebuilding.

(2) Rebuild with Insurance Proceeds. If at least 90% of the estimated cost of the repair, or the reconstruction of a substantially similar facility, can be funded through insurance proceeds, then the Board shall have the authority to undertake the repair or reconstruction without the obligation to obtain membership approval.

(3) Insurance Proceeds Insufficient or Reconstruction Not Desired. If insurance proceeds are less than 90% of the estimated cost of the repair or reconstruction of a substantially similar facility, or if the Board recommends not reconstructing a substantially similar facility in place of the damaged or destroyed facility, then a Simple Majority of the Owners shall determine whether (i) to repair, reconstruct and restore the damaged or destroyed Common Area facility to its prior appearance and condition; (ii) to provide an improved and/or alternate Common Area facility, or (iii) to demolish and to remove the damaged or destroyed improvements from the Common Area and to level and to landscape the sites thereof. If the Owners decide to repair, reconstruct and restore the damaged or destroyed Common Area facility to its prior appearance and condition, or to provide an improved and/or alternate Common Area facility, the Board shall levy a Special Assessment to fund the work, subject to the Board's obligation to obtain membership approval if required pursuant to Section 4.6(c) of this Declaration.

12.2 Damage or Destruction of Residences.

(1) Obligation to Rebuild or Clear Lot. In the event of damage to, or destruction of, a Residence, a Commercial Building or any Multiple Family Residential Structure by fire or other casualty, the Owner or Owners thereof shall either:

(1) Diligently commence to rebuild the structure in accordance with this Declaration and the Architectural Rules; or

(2) Clear and level the Lot, removing all wreckage, debris and other evidence of damage to the property.

The time limitations for action hereunder can be modified, in the discretion of the Architectural Committee, if necessary to accommodate delays due to weather or other factors. Any request for additional time shall be submitted to the Committee in accordance with Section 5.11 of this Declaration.

(2) Architectural Committee Approval. Any Owner whose structure has suffered damage shall apply to the Committee for approval of plans for the reconstruction, rebuilding, or repair of the structure. Application for such approval shall be made in writing together with full and complete plans, specifications, working drawings and elevations showing the proposed reconstruction and the end result thereof. The Committee shall grant such approval only if the design proposed by the Owner would result in a finished structure in harmony with the exterior design of other Residences or adjoining Multi-Family residential units within the Development.

(3) Time Limitation for Reconstruction or Removal. The Owner(s) of any damaged structure shall be obligated to proceed with all due diligence hereunder, and shall commence reconstruction or removal of the damaged structures within three months after the damage occurs and, if rebuilding, shall complete reconstruction within one year after the damage occurs.

12.3 Condemnation of Common Area. If all or part of the Common Area shall be taken or condemned by any authority having the power of eminent domain, all compensation and damages for or on account of the taking of the Common Area, exclusive of compensation for consequential damages to certain affected Lots, shall be payable to the Association as trustee for all Owners and mortgagees according to the loss of damages to their respective interest in the Common Area. The Association, acting through its Board of Directors, shall have the right to act on behalf of the Owners with respect to the negotiation, settlement and litigation of the issues with respect to the taking and compensation affecting the Common Area. Each Owner hereby designates and appoints the Association as his or her attorney-in-fact for such purposes.

ARTICLE 13 ENFORCEMENT

13.1 Violations as Nuisance. Every act or omission constituting or resulting in a violation of any of the provisions of the Governing Documents shall be deemed to constitute a nuisance and, in addition to any other remedies which may be available, such nuisance may be terminated or prevented by the Association or its Officers or Board of Directors or by any Owner; provided, however, that the Board shall not be obligated to take action to terminate or prevent a particular violation if, in the exercise of its discretion, the Board determines that acting to terminate or prevent such violation is not likely to foster or protect the interests of the Association and its Members as a whole.

13.2 Violation of Law. Any violation of a state, municipal or local law, ordinance or regulation pertaining to the ownership, occupancy, or use of any property within the Development is hereby declared to be a violation under this Declaration and subject to any and all of the enforcement procedures set forth herein.

13.3 Owners' Responsibility for Conduct and Damages. Each Owner shall be fully responsible for informing members of his or her family and his or her tenants, Contract Purchasers, and guests of the provisions of the Governing Documents, and shall be fully responsible for the conduct, activities, any Governing Document violation of any of them, and for any damage to the Development or the Association resulting from the negligent or intentional conduct of any of them or any of their animals. If a Lot is owned jointly by two or more persons, the liability of each Owner in connection with the obligations imposed by the Governing Documents shall be joint and several.

13.4 No Avoidance. No Owner may avoid the burdens or obligations imposed by the Governing Documents through non-use of any Common Area facilities or by abandonment of his or her Lot.

13.5 Rights and Remedies of the Association.

(1) Rights Cumulative. The Association, its Directors, Officers, or agents, and any Owner shall have the right to enforce any and all provisions of the Governing Documents by any proceeding at law or in equity, or through the use of such other remedies as are available and deemed appropriate by the Board. Each remedy provided is cumulative and not exclusive.

(2) Imposition of Sanctions. In the event of a breach or infraction of any provision of the Governing Documents by an Owner, members of an Owner's family, or his or her tenants, Contract Purchasers, or guests, the Board shall have the power to impose a sanction against the Owner who is responsible for such breach or infraction. A sanction may include, but shall not necessarily be limited to, the imposition of a monetary penalty and/or the suspension of an Owner's rights as a Member of the Association, including an Owner's voting rights or an Owner's right

to use the recreational or community facilities on the Common Area. Imposition of a sanction shall be effective only after notice and an opportunity for hearing as provided in the Bylaws. Any monetary penalty imposed pursuant to this section shall not exceed the amount for each violation, as set forth in the Bylaws. The payment of any such monetary penalty may be enforced as an Enforcement Assessment as provided in Article 4 of this Declaration as well as in any manner permitted by law. Further, each Owner shall be obligated to pay Reimbursement Assessments levied by the Board for reimbursement of any costs incurred by the Association relating to violation of any provisions of the Governing Documents by such Owner's family, tenants, Contract Purchasers, guests or other invitees, or any of their animals.

(3) Inadequacy of Legal Remedy. Except for the non-payment of any Assessment levied pursuant to the provisions of Article 4 of this Declaration, it is hereby declared that a remedy at law to recover damages for a default in the performance of any of the terms and provisions of any of the Governing Documents or for the breach or violation of any such provisions is inadequate and that the failure of any Owner or a member of the family of any Owner or an Owner's tenants, guests, or animals or any other occupant or user of any of the property within the Development to comply with any provision of the Governing Documents may be enjoined in any judicial proceedings initiated by the Association, its Officers or Board of Directors, or by any Owner or by their respective successors in interest.

(4) Limitation on Disciplinary Rights. The Association shall not have the power and authority to cause a forfeiture or abridgment of a Member's right to the full use and occupancy of his or her Lot as the result of the failure by such Owner, members of such Owner's family, or his or her tenants, guests or invitees, or any of their animals, to comply with any provision of the Governing Documents, except where such forfeiture or abridgment is the result of the judgment of a court of competent jurisdiction, a decision arising out of an arbitration proceeding, or a foreclosure or sale under private power of sale for failure of such Owner to pay Assessments levied by the Association pursuant to Article 4 of this Declaration. The provisions of this subsection shall not affect the Association's right to impose fines or monetary penalties or to suspend an Owner's membership rights, as provided in the Governing Documents.

13.6 Disciplinary Rules. The Board or a committee appointed by the Board for that purpose may adopt rules and regulations that further elaborate upon and refine procedures for conducting disciplinary proceedings and otherwise imposing sanctions upon Members of the Association for violation of provisions of the Governing Documents. Such rules, when approved and adopted by the Board, shall be deemed to be a part of the Rules provided for in, and constituting a part of, the Governing Documents.

13.7 Emergency Situations. The following shall constitute emergency situations: (i) an immediate and unreasonable infringement of or threat to the safety or peaceful enjoyment of Residents of the Development, (ii) a traffic or fire hazard, (iii) a threat of material damage to or destruction of the Development or any portion thereof, (iv) a violation of any provision of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether the violation has occurred (such as parking violations). Notwithstanding any other provisions of the Governing Documents, under circumstances involving conduct that constitutes an emergency, the Board or its duly authorized agents may undertake immediate corrective or disciplinary action and, upon request of the Owner as to whom such corrective or disciplinary action has been taken, 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 the disciplinary action which is transmitted to the Owner. If the Board has not scheduled a hearing and the Owner desires a hearing, the Owner's written request therefor shall be delivered to the Association no later than five (5) days following the date when the notice of the Board's disciplinary action is transmitted to the Owner. The hearing shall be held not later than fifteen (15) days following the date of the Board's notice of the disciplinary action or fifteen (15) days following the receipt of the Owner's request for a hearing, whichever is later. If a hearing is scheduled or requested, any sanctions imposed or other disciplinary action taken by the Board shall be held in abeyance and shall become effective only if affirmed at the hearing.

13.8 Alternative Dispute Resolution. Any dispute which is subject to California Civil Code Section 1354(b) shall be submitted to alternative dispute resolution procedures ("ADR") as herein described. The power and duty of the Board of Directors to levy and collect Assessments through lien foreclosure proceedings shall not be subject to ADR; however, any underlying dispute resulting in the imposition of a Reimbursement Assessment or an Enforcement Assessment shall be submitted to ADR prior to foreclosure upon the request of any party to the dispute. In the case of any claim, dispute, or controversy which is not otherwise subject to California Civil Code Section 1354(b), involving a sum of money not in excess of the jurisdiction of the Small Claims Court, any party to the dispute shall have the right to file a claim in Small Claims Court and have the matter determined therein in lieu of ADR.

(1) Procedure. To the extent that prior notice and an opportunity for a hearing by the Board is required under the Governing Documents, such notice and an opportunity for a hearing shall be provided before any dispute is submitted to ADR. Prior to filing an action seeking judicial resolution of any dispute subject to the provisions of this section, the Association or any Member who is a party to such dispute and who desires to obtain resolution of such dispute shall serve upon all other parties to the dispute a Request for Resolution. The form of the Request for Resolution shall conform to the requirements of California Civil Code Section 1354 and service shall be in the manner provided in that section. If all parties agree, the

matter shall be submitted to binding arbitration. If all parties do not agree to binding arbitration, the matter shall be submitted to mediation.

If a judicial action to resolve a dispute subject to the provisions of this section has been commenced but the dispute has not been submitted to ADR, then upon demand by any party to the action the dispute shall be submitted to ADR as provided in this section or a reference shall be ordered in accordance with the terms of California Code of Civil Procedure Section 638(1) or any successor provision of law. The provisions of this section shall not be deemed to prohibit a party to a dispute from seeking preliminary or temporary injunctive relief where such relief is necessary, provided that the substance of the dispute shall be submitted to ADR.

The ADR process shall be completed within one hundred twenty (120) days after the date of service of the Request for Resolution or after the date a court orders the dispute submitted to ADR or orders a reference, as the case may be.

(2) Mediation. Mediation shall consist of an informal meeting or meetings, which all parties to the dispute may attend. In the event any party shall fail without cause to attend and participate in any such mediation that party shall conclusively be deemed to have waived that party's right to have the dispute resolved through mediation. If the parties to a dispute are able to agree upon a mediator, the agreed-upon person shall be notified and, upon such person's acceptance, shall be the mediator for that proceeding. The costs of mediation shall be advanced equally by the parties to the dispute.

The mediator shall establish the format of the mediation proceedings and the procedures to be followed. The mediator shall have the duty to assess the rights and obligations of the parties involved in the dispute and shall be entitled to interview the parties, agents or representatives of the parties, or any other person when the mediator deems such an interview appropriate or necessary. The mediator shall also be entitled to request and receive copies of correspondence, records, minutes, and other such evidentiary documentation to assist in resolving the dispute. The mediator shall use his or her best efforts to effect a settlement of the dispute that is in the best interest of all parties involved.

The mediator may provide the parties to the dispute with a recommendation as to resolution of the dispute, and the parties shall be notified of any such recommendation. If a dispute is not resolved as a result of mediation proceedings, or if the parties do not agree upon a mediator, the moving party may proceed with filing an action for judicial resolution pursuant to California Civil Code Section 1354.

(3) Binding Arbitration. Any dispute submitted to binding arbitration in accordance with this section shall be resolved in accordance with the provisions of the California Arbitration Act (California Code of Civil Procedure Section 1280 *et seq.*

[the "Act"]) or in accordance with such other arbitration procedures as may be mutually agreed upon by the parties.

(1) Selection of Arbitrator. Unless the parties shall mutually agree to have three (3) arbitrators, there shall be one (1) arbitrator. If the parties are able to agree upon the selection of an arbitrator or arbitrators, such person or persons shall serve as arbitrator(s). If the parties are unable to so agree, an arbitrator shall be selected as provided in the Act or in accordance with such other procedure as may be mutually agreed upon by the parties.

(2) Governing Rules and Procedures. Unless the parties agree otherwise, the arbitration hearing shall take place in the County, at the time and place selected by the arbitrator(s). The arbitrator(s) may, but shall not be required to, employ the applicable rules of the American Arbitration Association, Judicial Arbitration & Mediation Services, Inc. (JAMS), or another similar organization as a guide in conducting the arbitration proceedings and shall have absolute discretion to determine whether or not and to what extent the parties shall be permitted to pursue discovery procedures.

Arbitration shall be commenced by the personal delivery or mailing by registered or certified mail of a written demand for arbitration by one party upon the other. At the arbitration hearing, any relevant evidence may be presented including oral testimony of any material witnesses or documentary evidence, and the formal rules of evidence shall not govern. Evidence may be admitted or not admitted in the sole discretion of the arbitrator(s).

(3) Costs. The costs of arbitration shall be advanced equally by the parties, and the prevailing party shall be entitled to and shall receive as part of the award reimbursement for all costs, including attorneys' fees, advanced or incurred in connection with the arbitration proceeding and any subsequent judicial proceeding arising therefrom; provided, however, that the arbitrator shall have the right to allocate costs between the parties in such proportions as the arbitrator(s) shall deem appropriate.

(4) Award. The decision of the arbitrator(s) shall be in writing. If there are three arbitrators, the decision of any two of the arbitrators shall constitute the decision of the arbitrators.

(4) Admissibility of Evidence; Disclosure. Unless mutually agreed to by the parties to the dispute, evidence of anything said or of admissions made in the course of the ADR process shall not be admissible in evidence and testimony referring to or disclosure of any such statement or admission may not be compelled in any civil action; and documents prepared for the purpose of, in the course of, or

pursuant to ADR procedures shall not be admissible in evidence and disclosure of such documents may not be compelled in any civil action.

(5) Liability for Costs for Failure to Attend. Notwithstanding anything in this Declaration to the contrary, if an Owner fails to attend a properly scheduled mediation or arbitration session, such Owner shall be liable to the Association for all costs, including attorneys' fees, incurred by the Association in preparing for and attending the session. Such costs may be levied against the Owner and the Owner's Lot as a Reimbursement Assessment in accordance with Section 4.7 of this Declaration.

13.9 Non-Waiver. Failure to enforce any provision of the Governing Documents at any time shall not be deemed a waiver of the right to do so thereafter with respect to the same or any other violation of any provision of the Governing Documents.

13.10 Notices. Any notices required or given under this article shall, at a minimum, set forth the date, time, and location of any hearing, a brief description of the act or omission constituting the alleged violation of the Governing Documents, a reference to the specific Governing Document provision or provisions alleged to have been violated, and the sanction, disciplinary action, or other enforcement action being contemplated by the Board, if any. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice to the affected Member; provided, however, that if notice is given by mail, it shall be sent by first-class mail, postage prepaid, sent to the most recent address for the affected Member as shown on the records of the Association.

13.11 Costs and Attorneys' Fees. In the event the Association shall take any action to enforce any of the provisions of the Governing Documents or shall determine that any Member or members of his or her family or his or her tenants, Contract Purchasers, guests or invitees, or any of their animals, have violated any provision of the Governing Documents, and whether or not legal or judicial proceedings are initiated, the Association shall be entitled to recover the full amount of all costs including attorney's fees incurred by the Association in responding to such a violation and/or in enforcing any Governing Document provision. The remedies of the Association to recover the amount of such costs and attorney's fees shall include, but shall not necessarily be limited to, the imposition of a Reimbursement Assessment as provided in Article 4 of this Declaration.

ARTICLE 14 PROTECTION OF MORTGAGEES

14.1 Assessment Lien Subordinated. Any lien created or claimed under the provisions of Article 4 of this Declaration shall be subject and subordinate to the lien of any first Mortgage given in good faith and for value. No such Mortgagee who acquires title to any Lot by judicial foreclosure or by exercise of power of sale contained in the Mortgage shall be obligated to cure any breach of this Declaration by a former Owner of such Lot or

shall be liable for any unpaid Assessments made against the Lot which accrued prior to the date the Mortgagee acquired such title. No lien created or claimed under the provisions of Article 4 of this Declaration shall in any way defeat, invalidate or impair the rights of any Mortgagee under any such Recorded Mortgage.

14.2 Amendment of This Declaration. No amendment of this Declaration shall affect any of the rights of the holder of any Mortgage described in Section 14.1 of this Declaration which is made in good faith and for value, if such Mortgage is Recorded and notice of the delivery and Recording thereof is given to the Association prior to the Recording of such amendment.

14.3 Default by Owner; Mortgagee's Right to Vote. In the event of a default by any Owner under a Mortgage encumbering such Owner's Lot, the Mortgagee under such Mortgage shall, upon: (a) giving written notice to the defaulting Owner; (b) Recording a Notice of Default in accordance with California Civil Code Section 2924; and (c) delivering a copy of such Recorded Notice of Default to the Association, have the right to exercise the vote of the Owner at any regular or special meeting of the Association held only during such period as such default continues.

14.4 Breach; Obligation After Foreclosure. No breach of any provision of this Declaration by the Association or any Owner shall impair or invalidate the lien of any Recorded Mortgage made in good faith and for value and encumbering any Lot. The Association or its successors and assigns shall be obligated to abide by all of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitude's provided for in this Declaration as it may be amended from time to time with respect to any person who acquires title to or any beneficial interest in any Lot through foreclosure, trustee's sale or otherwise.

14.5 Exchange of Information. The Association shall, at the request of any Mortgagee of any Lot, report to such Mortgagee any unpaid Assessment due from the Owner of such Lot and notify the Mortgagee in writing of any default by such Owner in the performance of his obligations under this Declaration when such default has been in existence for 30 days and has not been cured. Any Mortgagee of any Lot is hereby authorized to furnish to the Board of Directors, upon written request by the Board therefor, the amount of any unpaid balance of any indebtedness secured by a lien of a Mortgage and the amount and due date of any delinquent payment or payments of such indebtedness.

14.6 Certain Restrictions Affecting the Association. Notwithstanding any other provisions of this Declaration, without the prior written consent of at least 75 percent of the Owners and holders of first Mortgages on the Lots, such percentage to be based upon the total of number of Lots so mortgaged, with each such Mortgagee entitled to one vote, the Association shall not:

(1) By act or omission, abandon, partition, subdivide, encumber, sell or transfer the Common Area or any Improvements thereon (except that the granting of any easement for public utilities, or for other public purposes consistent with the intended use of the Development, shall not be deemed a "transfer" as that term is used in this subparagraph (a));

(2) Change the method provided for in this Declaration of determining the Assessments or other charges which may be assessed against an Owner;

(3) By act or omission, waive or abandon the scheme of maintenance and repair of the Development, or the enforcement thereof, as provided for in this Declaration;

(4) Fail to maintain casualty insurance on the Common Area facilities in the amount and against the risks provided for in the Bylaws; and

(5) Use any insurance proceeds received as a result of the loss or damage to the Common Area facilities for any purpose other than the repair, replacement or reconstruction of such Common Area facilities.

14.7 Right of First Mortgagees to Make Certain Payments and Right of Reimbursement Therefor. The holders of first Mortgages on the Lots shall have the right (but not the obligation), jointly or singly: (a) to pay taxes or other Assessments or charges which are in default and which may or have become a lien or charge against the Common Area facilities; (b) to pay overdue premiums on casualty insurance policies for the Common Area facilities; and (c) to secure and pay for new casualty insurance coverage on the Common Area facilities upon the lapse of any such policy, in the amount and against the risks provided for in the Governing Documents. Any first Mortgagee making such payment shall be entitled to immediate reimbursement therefor from the Association. Upon the request of any first Mortgagee, the Association shall, by separate instrument, signed by the president or any vice president and the secretary, evidence its agreement to the provisions of this section as the same affects the Mortgage held by such Mortgagee.

14.8 Right to Examine Books and Records of the Association. The holder of any first Mortgage on any Lot or on the Common Area shall have the right to (a) inspect the books and records of the Association during normal business hours, (b) receive an annual financial statement of the Association within 90 days following the end of any fiscal year of the Association, and (c) receive a written notice of all meetings of the Association and designate a representative to attend all such meetings. The requesting Mortgagee shall pay the actual expenses of copying and mailing of such information to the Association.

14.9 Notices to First Mortgagees. The Association shall furnish to the holder of any first Mortgage on any Lot or on the Common Area, upon written request by the first Mortgagee, prompt notice of: (a) abandonment or termination of the Association; (b) any

material amendment to the Declaration; (c) the effectuation of any decision by the Association to terminate professional management, if any, and assume self-management of the Common Area and development; (d) any condemnation or eminent domain proceeding; and (e) any extensive damage to or destruction of any Improvements located in or on the Common Area.

14.10 Superiority of Mortgage to Condemnation Proceeds. If any Lot, or portion thereof, or the Common Area, or any portion thereof, is made the subject of any condemnation or eminent domain proceeding, the lien of any first Mortgage shall be prior and superior to the claims of the Owners of such Lots or Common Area with respect to any distribution of the proceeds of any condemnation award or settlement.

14.11 Superiority of Mortgage to Insurance Proceeds. In the event of any substantial damage to or destruction of the Improvements on any Lot, or on any part of the Common Area, the lien of any first Mortgage shall be prior and superior to the claims of the Owners of such Improvements with respect to any distribution of any insurance proceeds relating to such damage or destruction.

14.12 Declaration to Conform With Mortgagee Requirements. It is the intent of this article that this Declaration, the Articles of Incorporation, the Bylaws and the Development in general, shall now and in the future meet all requirements of any institutional Mortgagee intending to secure its Mortgage by a Lot or necessary to purchase, guarantee, insure or subsidize any Mortgage of a Lot by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Veterans' Administration.

ARTICLE 15 NO PUBLIC RIGHTS IN THE DEVELOPMENT

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

ARTICLE 16 AMENDMENT

This Declaration may be amended by the affirmative vote or written consent of Members representing at least an Absolute Majority of the Members. Any amendment of the Declaration shall be signed and acknowledged by the duly authorized officer(s) of the Association and shall be Recorded.

ARTICLE 17 GENERAL PROVISIONS

17.1 Headings. The headings used in this Declaration are for convenience only and are not to be used in interpreting the meaning of any of the provisions of this Declaration, or otherwise.

17.2 Severability. The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any provision of this Declaration shall not invalidate any other provisions hereof.

17.3 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of fostering a plan of community ownership and occupancy and of management of the Development for the benefit of the community.

17.4 Number; Gender; Days. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine, and neuter shall each include the masculine, feminine, or neuter, as the context requires. Unless a contrary meaning is specifically indicated in a particular provision of this Declaration, any reference to a period of days shall mean calendar days.

17.5 Easements Reserved and Granted. Any and all easements referred to herein shall be deemed reserved or granted, or both reserved and granted, as appropriate, by reference to this Declaration in a deed to any Lot.

17.6 Power of Attorney. To the extent necessary to carry out and enforce the provisions of this Declaration, an irrevocable power of attorney coupled with an interest is granted to the Association by the Owners and each of them.

17.7 Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges, and equitable servitude's contained in this Declaration shall run with and shall benefit and burden all of the real property subject to this Declaration, including without limitation the Lots and Common Areas, and shall inure to the benefit of and be binding upon the Owners, the Association, its Board of Directors and officers, and their respective agents and successors in interest, until a Declaration of Termination satisfying the requirements of an amendment to the Declaration as set forth in Article 16 of this Declaration is Recorded.

IN WITNESS WHEREOF, the Members of LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION, INC. hereby affirm, approve, and adopt the foregoing Second Restated Declaration of Restrictions for Lake California, in accordance with Article XIX of the Original Declaration, by means of the signatures of the President and Secretary of the Association, duly authorized by written consent of at least 51% of the voting power of the Members.

Termination satisfying the requirements of an amendment to the Declaration as set forth in Article 16 of this Declaration is Recorded.

IN WITNESS WHEREOF, the Members of LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION, INC. hereby affirm, approve, and adopt the foregoing Second Restated Declaration of Restrictions for Lake California, in accordance with Article XIX of the Original Declaration, by means of the signatures of the President and Secretary of the Association, duly authorized by written consent of at least 51% of the voting power of the Members.

DATED: 11-29-01, 2001.

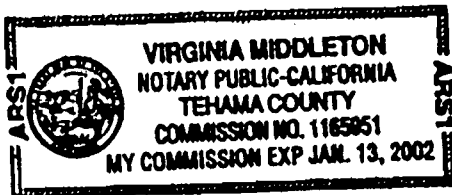
LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION, INC., a California nonprofit mutual benefit corporation

Charles Jensen
Charles Jensen, President

Christine Brothers
Christine Brothers, Secretary

STATE OF CALIFORNIA
COUNTY OF TEHAMA

On this 29th day of November, in the year 2001, before me Virginia Middleton, a Notary Public, State of California, duly licensed and sworn, personally appeared Charles Jensen and Christine Brothers, personally known to me (or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as President and Secretary on behalf of the corporation therein named and acknowledges to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.



IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the County of Tehama, on the date set forth above in this certificate.

Virginia Middleton
Notary Public, State of California, My commission expires January 13, 2002.

EXHIBIT "A"

LEGAL DESCRIPTION OF THE DEVELOPMENT

That certain real property in the County of Tehama, State of California, more particularly described as follows:

All the real property set forth and described on that certain map entitled River Lakes Ranch Subdivision Unit No. 1, filed in the Office of the County Recorder of Tehama County, California, on November 27, 1968, in Book P of Maps, pages 45 through 61; and

All the real property set forth and described on that certain map entitled River Lakes Ranch Subdivision Unit No. 11, filed in the Office of the County Recorder of Tehama County, California, on April 24, 1969, in Book P of Maps, pages 70 through 76; and

All the real property set forth and described on that certain map entitled River Lakes Ranch Subdivision Unit No. III - Tract 1005, filed in the Office of the County Recorder of Tehama County, California, on April 24, 1969, in Book P of Maps, pages 77 through 83; and

All the real property set forth and described on that certain map entitled Tract No. 1006, River Lakes Ranch Subdivision Unit No. 4, filed in the Office of the County Recorder of Tehama County, California, on March 16, 1970, in Book P of Maps, pages 155 through 167; and

All the real property set forth and described on that certain map entitled Tract No. 1009, River Lakes Ranch Subdivision, filed in the Office of the County Recorder of Tehama County, California, on June 2, 1972, in Book O of Maps, pages 133 through 137; and

All the real property set forth and described on that certain map entitled Tract No. 1013 River Lakes Ranch Subdivision, filed in the office of the County Recorder of Tehama County, California, on July 16, 1970, in Book Q of Maps, pages 12 through 14; and

All the real property set forth and described on that certain map entitled Tract No. 1017, River Lakes Ranch Subdivision, filed in the office of the County Recorder of Tehama County, California, on June 12, 1972, in Book Q of Maps, pages 138 through 151; and

All the real property set forth and described on that certain map entitled Tract No. 1018, River Lakes Ranch Subdivision, filed in the office of the County Recorder of Tehama County, California, on February 2, 1972, in Book Q of Maps, pages 96 through 101, inclusive.

**FOURTH RESTATED BYLAWS
OF
LAKE CALIFORNIA PROPERTY OWNERS
ASSOCIATION, INC.**

**Prepared by:
McCarthy & Rubright, LLP
P.O. Box 190
Red Bluff, CA 96080
(530) 527-0213**

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OF
LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION, INC.**

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AND WHEN RECORDED MAIL TO:

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**FOURTH RESTATED BYLAWS
OF
LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION, INC.**

**FOURTH RESTATED BYLAWS
OF
LAKE CALIFORNIA PROPERTY OWNERS
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**Prepared by:
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(530) 527-0213**

FOURTH RESTATED BYLAWS OF THE
LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE 1 RECITALS AND DEFINITIONS

- 1.1 Name. The name of this corporation is LAKE CALIFORNIA PROPERTY OWNERS ASSOCIATION, INC., and is hereinafter referred to as the "Association".
- 1.2 Association is Nonprofit. The Association has been formed pursuant to the California Nonprofit Corporation Law as a California Mutual Benefit Corporation.
- 1.3 Specific Purposes. The specific and primary purposes of the Association shall be to own, repair, maintain and manage the Common Area within the California planned development commonly known as Lake California, which is located in the county of Tehama, State of California (the "Development"), to enforce the terms and conditions of the Governing Documents (including without limitation the Declaration and the Rules adopted by the Board of Directors), and to otherwise enhance and promote the use and enjoyment of the Common Area by the Owners in common.
- 1.4 Definitions.
- a. Declaration. "Declaration" means the "Second Restated Declaration of Restrictions for Lake California," recorded on December 4, 2001, as Document number 017265, in the Official Records of Tehama County, California, as those Declarations may be amended from time to time.
 - b. Election Rules. "Election Rules" means the rules and Procedures adopted and amended by the Board in conformance with California Civil Code Section 5105 et seq.
 - c. General Notice. "General Notice" means providing a document in accordance with California Civil Code Section 4045(a).
 - d. Individual Delivery. "Individual Delivery" means delivery of a document in accordance with California Civil Code Section 4040(a).
 - e. Other Definitions Incorporated by Reference. The terms defined in the Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE 2 LOCATION OF PRINCIPAL OFFICE

The principal office of the Association shall be located in Tehama County, California or at such other place reasonably convenient to the Development as the Board of Directors may from time to time establish.

ARTICLE 3 MEMBERSHIP

- 3.1 Members of the Association. Every Owner of a Lot within the Development is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Lot.
- 3.2 Term of Membership. Upon becoming the Owner of a Lot, each Owner shall automatically be a Member of the Association and shall remain a Member until such time as his or her Lot ownership ceases for any reason. Membership in the Association shall not be transferred, encumbered, pledged, alienated, or hypothecated in any way, except upon the transfer of the Lot to which it is appurtenant and then only to the transferee of such Lot. Any attempt to make a prohibited transfer is void. Upon the sale, conveyance or other transfer of an Owner's interest in a Lot, the Owner's membership interest appurtenant to the Lot shall automatically transfer to the Lot's new Owner(s).
- 3.3 Multiple Ownership of Lots.
- a. One Membership Vote Per Lot. Ownership of a Lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot, all of these persons shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights (as Members) to use and enjoy the Common Areas and Common Facilities. If any Owner casts a vote representing a certain Lot, it will thereafter be conclusively presumed for all purposes that such Owner was acting with the authority and consent of the other Owners of that Lot. In no event shall more than one vote be cast with respect to any Lot.
- b. Voting by Multiple Owners. If joint Owners are unable to agree by majority vote among themselves as to how their vote or votes are to be cast for a particular election or vote, the first ballot received by the inspector(s) of election from such multiple Owners of a Lot shall be conclusively presumed for all purposes to have been sent with the authority and consent of the other Owners of that Lot. No other ballots for the vote in question shall be accepted by the inspector(s) of election from such multiple Owners.
- 3.4 Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until such person has advised the Secretary in writing that he or she is qualified to be a Member under Section 3.1 of these Bylaws, and, if

requested by the Secretary, has provided the Secretary with evidence of such qualification in the form of a certified copy of a recorded grant deed indicating ownership by the purported Member. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting and actions by written or secret ballot and eligibility for voting set forth in Section 4.3 of these Bylaws.

ARTICLE 4 MEMBERSHIP VOTING

- 4.1 Single Class of Membership. The Association shall have one class of voting membership.
- 4.2 Member Voting Rights. Subject to the provisions of Section 4.3 of these Bylaws, each Member who owns a Lot that is subject to Assessment shall be entitled to cast one vote for each Lot owned by such Member on each matter submitted to a vote of the Members. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in Section 3.3 of these Bylaws.
- 4.3 Eligibility to Vote. Only Members in Good Standing shall be entitled to vote in director elections or on any matter requiring a membership vote. A Member's good standing for purposes of voting shall be determined as of the record date established in accordance with Section 5.7 of these Bylaws. A Member is not required to be a Member in Good Standing with respect to votes conducted pursuant to Section 4.5(e), Section 4.6(c), or Section 16 of the Declaration.
- 4.4 Manner of Casting Votes.
- a. Voting at Membership Meetings. Voting at any membership meeting may be by voice or ballot.
 - b. Voting by Written Ballot. In addition to voting at a membership meeting, Members' votes may be solicited by written ballot in accordance with California Corporations Code Section 7513.
 - c. Voting by Secret Ballot. If required by California law (including without limitation California Civil Code Section 5100 *et seq.*), elections regarding: (1) Assessments; (2) selection of Directors; (3) removal of Directors; (4) amendments to the Governing Documents; and (5) grants of exclusive use of Common Area property pursuant to California Civil Code Section 4600 shall be conducted by secret ballot in accordance with the procedures set forth in California Civil Code Section 5115. The votes required by California Civil Code Section 5100(a) to be held using specific procedures shall be conducted in accordance with Election Rules adopted by the Board.
 - d. No Cumulative Voting. There shall be no cumulative voting permitted.

- e. Simple Majority Vote Required. The approval of a Simple Majority (Corp. Code §5034) on any matter (other than the election of Directors) shall be the act of the Members, unless the vote of a greater number is required by California law or by the Governing Documents. In the case of Director elections, once a quorum has been established, the candidates receiving the highest number of votes up to the number of Directors to be elected shall be elected to the vacant Director positions.

ARTICLE 5 MEMBERSHIP MEETINGS

- 5.1 Place of Meetings. Regular and special membership meetings shall be held at a location within the Development, provided that the Board may designate, by resolution, an alternate location, as close as reasonably practicable to the Development.
- 5.2 Annual Membership Meeting. The Annual Membership Meeting shall be held during the month of May of each year, on a date and at a time and place to be designated by the Board of Directors, upon proper written notice to all of the Members. Notice shall be mailed not less than 10 days and not more than 90 days before each annual meeting, shall specify the date, time, and place of such meeting, and shall be mailed first class, registered or certified mail to each Owner of record. Notice may also be given by e-mail, facsimile or other electronic means pursuant to California Corporations Code Section 20.
- 5.3 Special Meetings.
 - a. Persons Entitled to Call Special Meetings. A majority of a quorum of the Board, the President of the Association or five percent of the Members may call a special meeting of the Members at any time to consider any lawful business of the Association.
 - b. Procedures for Calling Special Membership Meetings Requested by Members. If a special meeting is requested by five percent of the Members, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by first-class, certified or registered mail or by telegraphic or other facsimile transmission to the president or the secretary of the Association.
 - (i) Except as provided in subparagraph (ii) below, the Officer receiving the request shall cause notice to be promptly given to the Members that a meeting will be held and the date, time, place and purpose for such meeting, which date shall not be less than 35 nor more than 90 days following the receipt of the request.
 - (ii) If the purpose for which the special meeting is requested is one of those purposes set forth in California Civil Section 5100(a), the Board shall cause notice of an upcoming vote by secret ballot to be given within 20

days following the receipt of the request. Ballots shall be sent out no sooner than 35 days following the receipt of the request and the balloting period shall end not more than 90 days following the receipt of the request.

(iii) If notice of the meeting or upcoming secret ballot vote is not given within the 20 days after receipt of the Members' request, the Members requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the president.

c. Notice of Special Meetings. Except as provided in Section 5.3(b), above, with regard to special meetings requested by Members, notice of special meetings shall be given in the same manner as for annual meetings of Members. Notices of special meetings shall specify the date, time and place of the meeting and the general nature of the business to be transacted, and shall comply with California Corporations Code Section 7511(f), if applicable.

5.4 Quorum. The following quorum requirements must be satisfied in order to take valid membership action:

a. Quorum for Certain Votes on Assessments. In the case of any secret ballot conducted for the purpose of voting on Assessment increases requiring Member approval, or on any Special Assessment, the quorum requirement for valid action on the proposal shall be a majority of the Members that is more than 50% of the Members.

b. Quorum for Votes on Director Elections. In the case of any secret ballot conducted for the purpose of voting in a director election shall be five percent (5%) of the Members in Good Standing.

c. Quorum for Valid Action on Other Matters. In the case of a membership meeting or secret or written ballot called or conducted for any other purpose, the quorum shall be twenty-five percent (25%) of the Members in Good Standing.

5.5 Adjourned Meeting.

a. Generally. Whether or not a quorum is present, any membership meeting may be adjourned from time to time to be reconvened on a later date, by the approval of a majority of the Members present at such meeting; however, in the absence of a quorum, no business other than adjournment may be transacted.

b. Adjournment for Lack of Quorum. If a quorum is not present or represented at any meeting, the Members otherwise entitled to vote at that meeting shall have power to adjourn the meeting from time to time, to be reconvened on a date

not more than forty five (45) days from the date of the adjourned meeting, without notice other than announcement at the meeting, until a quorum shall be present or represented.

- c. Departure of Members. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the departure of enough Members which leaves less than a quorum.

5.6 Record Dates for the Annual Election of Directors.

- a. Record Date for Distribution of Secret Ballots. The record date for determining those Members entitled to receive a secret ballot for the annual election of directors shall be February 28 of each year.
- b. Record Date for Voting in the Election of Directors. The record date for determining those Members whose secret ballots will be counted in the annual election of Directors shall be March 15 of each year.
- c. Record Dates for Other Purposes.
 - (i) Record Date for Notice of Meetings of the Association. The record date for determining those Members entitled to receive notice of the Annual Membership Meeting or other meetings of the Association shall be the business day preceding the day on which notice is given.
 - (ii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to receive and cast a written or secret ballot shall be the day the first written or secret ballot in a vote or election pursuant to Section 5.6, above, is mailed out.
 - (iii) Record Date for Voting. In the case of determining those Members entitled to vote at a meeting, the Board may fix a record date that shall not be more than 60 days before the date of the meeting. If the Board fails to set a record date for any reason, the record date shall be the day of the meeting, or in the case of an adjourned meeting, the day of the reconvened meeting.
 - (iv) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights with respect to any other lawful action shall be the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the proposed date of such other action, whichever is later.

- 5.7 Transfers of Memberships. A person holding a membership as of the close of business on the record date shall be deemed to be the Member of record. Only Members of record on the applicable record date are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding

any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law.

- 5.8 Conduct of Meetings. All membership meetings shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. A reasonable time limit for all Members to speak at a membership meeting shall be established by the Board of Directors.

ARTICLE 6 MEMBERSHIP RIGHTS

Subject to the provisions hereof and the provisions of the Declaration, the Members shall have the following rights:

- 6.1 Use and Enjoyment of Common Areas. Each Member and the members of his or her family who also reside in the Member's Residence shall be entitled to the use and enjoyment of all Common Areas within the Development.
- 6.2 Tenants/Lessees.
- a. Assignment of Rights, Generally. Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant/lessee (hereafter, "Tenant") residing within the Member's Residence. Such assignment shall only be effective so long as the Tenant is residing in the Residence and is in compliance with the Governing Documents. At all times the Owner shall remain responsible for compliance by the Owner's Tenant, and Tenant's guests and invitees, with the provisions of the Governing Documents. Without limiting the foregoing, reference is specifically made to Sections 2.4 and 8.2 of the Declaration for additional tenant and lease restrictions.
- b. Effectiveness of Assignment. Assignment of an Owner's right to use the Common Areas to a Tenant shall not be effective until such time as the Owner has given the Secretary written notice thereof setting forth the name of the assignee and the members of his or her family who will be entitled to the use and enjoyment of the Common Areas by virtue of such assignment.
- c. Restriction on Lessor's Use of Common Areas. During the period of any lease or rental of a Lot, any Owner not residing within the Development shall not be entitled to use the Common Areas (other than the roads) except to the extent necessary to perform the usual responsibilities of a landlord or to ensure or gain compliance by the tenant with the requirements of the Governing Documents.
- 6.3 Contract Purchasers, Invitees and Guests. The Contract Purchasers, invitees and guests of a Member shall have the right to use and enjoy the Common Areas,

subject to the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Association as set forth in the Governing Documents.

- 6.4 Association Disciplining Power. The right of any person to use and enjoy the Common Areas shall at all times be subject to the rules, limitations and restrictions set forth in the Governing Documents. The Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any Common Area (other than the roads) for the failure to comply with any rule or regulation imposed upon such Member, or members of his or her family, or his or her Tenants, Contract Purchasers, guests, servants, employees, agents, licensees or invitees, pursuant to the Governing Documents; provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in Section 10.1(c) of these Bylaws.

ARTICLE 7 BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

- 7.1 Number of Directors. The affairs of this Association shall be managed by or under the direction of a board of seven (7) directors.
- 7.2 Qualification and Disqualification of Directors. Only persons who are Members in Good Standing with respect to all Lots owned by such persons shall be eligible to be elected to or serve on the Board. Only one Owner of a particular Lot may serve on the Board at any time. A person who owns five (5) or more Lots is not eligible to be elected to or serve on the Board. The Board may declare vacant the seat of a Director under the following circumstances: (i) the person has been convicted of a felony, or is found by a court of competent jurisdiction to be of unsound mind; (ii) the person fails within sixty (60) days after receiving notice of election to accept such office, either by responding in writing or by attending a Board meeting as a director; (iii) the person is absent from three (3) consecutive regular meetings of the Board; or (iv) the person ceases to be an Owner or ceases to be a Member in Good Standing.
- 7.3 Term of Office.
- a. Generally. Each director shall serve a term of three (3) years. Every third year, three (3) directors will be up for election. All other years, two (2) directors will be up for election. Any person appointed to fill a vacancy on the Board is appointed to serve out the entire unexpired term of the director they replace. Each director shall serve until the expiration of his or her term and thereafter until a successor is elected, or until the earlier disqualification, death, resignation, or removal of such director.
- b. Limitation on Number of Terms. Directors shall serve no more than two consecutive terms. For the purposes of this subparagraph, a "term" includes any length of service of more than one (1) year.

- 7.4 Removal. Except as provided in Section 7.2 of these Bylaws, a director may be removed from the Board, with or without cause, only by the approval by a Majority of a Quorum of Members. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his or her term of office.
- 7.5 Vacancies. A vacancy shall exist on the Board of Directors in the event of the disqualification, death, resignation, or removal of any director, or if the authorized number of directors is increased, or if the Members fail to elect the full authorized number of directors. A reduction in the authorized number of directors shall not cause removal of a director prior to the expiration of his or her term. The Board of Directors, by a majority vote of the directors who meet all of the qualifications for directors as set forth in Section 7.2 above, may declare vacant the office of any director who fails or ceases to meet any required qualification that was in effect at the beginning of that director's current term of office.
- 7.6 Filling Vacancies. Any vacancy occurring on the Board of Directors, except a vacancy created by the removal of a director, may be filled by approval of the Board of Directors, or if the number of directors then in office is less than a quorum, by the vote of a majority of the remaining directors at a Board meeting, or by unanimous written consent of the directors then in office, or by a sole remaining director. A director so chosen shall serve the remainder of the term of office of the director whom he or she replaces. The Members may elect a director at any time to fill any vacancy not filled by the directors. If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board may appoint or, if the Board fails to act, the Members may elect, a successor, to take office when the resignation becomes effective.
- 7.7 Compensation. No director shall receive compensation for any service he or she may render to the Association as a director. However, upon approval by the Board, any director may be reimbursed for his or her expenses actually incurred in the performance of his or her duties.

ARTICLE 8 NOMINATION AND ELECTION OF DIRECTORS

- 8.1 Nomination of Candidates. Nomination for election to the Board may only be made in accordance with the Election Rules
- 8.2 Election of Directors. Election to the Board shall be by secret ballot. At each such election, the Members may cast, in respect to each vacancy, as many votes as they are entitled to cast under the provisions of the Governing Documents. The candidates receiving the highest number of votes shall be elected. Any tie in the number of votes cast for candidates shall be decided by random drawing or other method of chance as determined by the inspector(s) of election.

ARTICLE 9 MEETINGS OF DIRECTORS

- 9.1 Organizational Meetings. Within thirty (30) days after each Annual Membership Meeting, the Board of Directors shall hold a meeting for the purpose of organization, election of officers, and transaction of other business, as appropriate.
- 9.2 Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice to the directors, at a place within the Development and on a day and at a time as fixed from time to time by resolution of the Board or, upon proper notice which conforms to the provisions of Section 9.4 of these Bylaws, at another place, day, and time as set forth in such notice. Should the date for any meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. In the event the Board should determine that the business to be transacted by the Board does not reasonably justify monthly meetings, then regular meetings of the Board shall be held at such intervals as the Board may determine, but not less frequently than every six (6) months.
- 9.3 Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association or by any two directors.
- 9.4 Notice to Directors. Except as otherwise provided in Section 9.2 of these Bylaws, notice of each Board meeting shall be communicated to the directors by first-class mail not less than four (4) days prior to the meeting or by (i) personal delivery or (ii) telephone, including a voice messaging system or by electronic transmission (as provided in Corporations Code Section 20) not less than forty-eight (48) hours prior to the meeting; provided that shorter notice may be given in the case of a bona fide emergency; and provided further that notice of a meeting need not be given to any director who signed a waiver of notice or a written consent to holding the meeting, whether before or after the meeting.
- 9.5 Notice to Members.
- a. Open Meetings. Except for "emergency meetings" (as defined in California Civil Code Section 4923) and executive sessions (discussed in subparagraph (b) below), at least four days' prior written notice of the date, time, and place of regular and special Board meetings shall be given to Members in the manner set forth in subparagraph (c) below.
 - b. Executive Sessions. At least two days' prior written notice of the date, time, and place of executive sessions shall be given to Members in the manner set forth in subparagraph (c) below. In case of an emergency, the Board may conduct an executive session meeting with less than two days' notice, however, it shall be the burden of the person(s) calling the "emergency" special meeting to justify reduction of the required notice time.

- c. Manner of Giving Notice. Notice required by this subparagraph (c) shall be given (i) any method provided for delivery of an individual notice pursuant to Section 4040;(ii) inclusion in a billing statement, newsletter, or other document that is delivered by one of the methods provided in this section; (iii) posting the printed document in a prominent location that is accessible to all members, if the location has been designated for the posting of general notices by the association in the annual policy statement, prepared pursuant to Section 5310. The notice shall contain the agenda for the meeting.
 - d. Special Rules when Meeting to Impose Discipline Upon a Member. In addition to the foregoing notice requirements to Members, when the Board is to meet to consider or impose discipline upon a Member, the Board shall notify the Member in writing, by either personal delivery or Individual Delivery, at least 10 days prior to the date of the meeting. The notification shall contain, at a minimum, the date, time, and place of the meeting, the nature of the alleged violation for which the Member may be disciplined and a statement that the Member has a right to attend the meeting and may address the Board at the meeting.
- 9.6 Open Meeting. Regular and special meetings of the Board of Directors shall be open to all Members of the Association, except when the Board meets in executive session. The Board shall permit any member to speak at any Board meeting, except for Board meetings that are held in executive session. The Board may establish a reasonable time limit for Members to speak at a Board meeting, and the agenda for the meeting can designate a specific time for Member statements and comments.
- 9.7 Executive Session.
- a. Generally. Pursuant to California Civil Code Section 4935(a), the Board may adjourn to, or meet solely in, executive session to consider litigation, matters relating to the formation of contracts with third parties, Member discipline, personnel matters, or to meet with a Member, upon the Member's request, regarding the Member's payment of Assessments, as specified in California Civil Code Section 5665. Only Directors, and any other persons authorized by the Board, shall be entitled to attend executive sessions. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following Board meeting that is open to the entire membership.
 - b. Mandatory Executive Sessions.
 - (i) Member Discipline. Pursuant to California Civil Code Section 4935(b), the Board shall adjourn to, or meet solely in, executive session to discuss member discipline, if requested by the Member who is the subject of the discussion. That Member shall be entitled to attend the executive session.

- (ii) Payment Plan. Pursuant to California Civil Code Section 4935(c), the Board shall adjourn to, or meet solely in, executive session to discuss a payment plan pursuant to California Civil Code Section 5665.
 - (iii) Foreclosure of a Lien. Pursuant to California Civil Code Section 4935(d), the Board shall adjourn to, or meet solely in, executive session to decide whether to foreclose on a lien pursuant to California Civil Code Section 5705(b).
- 9.8 Telephonic Meetings. Any Board meeting, open or executive session, may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at such meeting. Members of the Association shall be entitled to attend the portion of a teleconference meeting that is open to Members, and that portion of the meeting shall be audible to the Members in a location specified in the notice of the meeting with at least one Director, or a person designated by the Board, physically present at that location.
- 9.9 Quorum. A majority of the number of directors then in office shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board.
- 9.10 Minutes of Meetings of Directors. Within thirty (30) days after the date of any Board meeting, the Board shall make available to the Members either (i) the minutes of that meeting as adopted by the Board, (ii) those minutes as proposed for adoption which shall be marked to indicate draft status, or (iii) a summary of the minutes. Copies of the minutes, proposed minutes, or summary of minutes shall be provided to any Member of the Association upon request and upon reimbursement of the Association's costs in providing such copies. Pursuant to California Civil Code Section 5310, Members of the Association shall be notified annually of their right to obtain copies of the minutes of meetings of the Board. The minutes of Board meetings (other than executive sessions) shall be permanently made available.
- 9.11 Emergency Action Without a Meeting. If prompt or emergency Board action is required, a series of electronic transmissions may be used as a means of communication between Board members regarding such action, and such action may be taken if all directors, individually or collectively, consent in writing to the action. Such action by written consent shall have the same force and effect as an unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board.

ARTICLE 10 POWERS AND DUTIES OF, AND LIMITATIONS ON, THE BOARD OF DIRECTORS

- 10.1 Powers. In addition to such other powers as may be expressly set forth in the Governing Documents or provided by law, the Board of Directors shall have the power to:
- a. Rules and Regulations. In accordance with the requirements of California Civil Code Section 4340 *et seq.*, adopt, publish, amend, repeal, and enforce rules and regulations governing the administration, management, operation, use, and occupancy of the Development, including without limitation the use of the Common Area and facilities, the personal conduct of the Members and members of their family, and their tenants, Contract Purchasers, guests, servants, employees, agents, licensees and invitees within the Development, and any other matter which is within the jurisdiction of the Association.
 - b. Contracts. Authorize any officer or officers to enter into any contract in the name of, or on behalf of, the Association. Unless expressly authorized by resolution of the Board, no officer shall have any power or authority to bind the Association or to render the Association liable for any purpose or on any account. No contract with any person or entity to supply or furnish the Association with goods or services shall be for a term in excess of one (1) year, except upon the prior approval of a Simple Majority of the Members; provided, however, that the foregoing shall not apply to (i) a contract with a public utility company, if the rates charged for the materials or services to be furnished are regulated by the California Public Utilities Commission, the term of which contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; and (ii) prepaid casualty and/or liability insurance policies not to exceed three (3) years' duration, which policy or policies shall permit short rate cancellation by the insured;
 - c. Sanctions; Hearings; Continuing Violations. Impose any or all of the following sanctions and conduct hearings for the infraction of any provision of the Governing Documents, as indicated below:
 - (i) Establish and impose monetary penalties in accordance with a schedule of monetary penalties adopted by the Board and distributed to all Members; and suspend the membership rights and privileges of a Member, including the right to use the Common Area (other than the roads), for a period not to exceed 12 months for any single infraction of the Governing Documents. The 12-month cap does not apply to a person who presents a threat to the safety of others or the property of others.
 - (ii) Except as may be provided in the Declaration, before any discipline is imposed upon a Member, the Board shall hold a meeting to consider the matter. Notice of any Board meeting where the imposition of discipline upon a Member is to be considered shall be provided in the manner set forth in Section 9.5(d) of these Bylaws.

(iii) In the case of a continuing violation, the Board may deem such continuing violation to constitute two or more separate and distinct violations of the same Governing Document provision and may impose separate and successive sanctions for each such violation; however, the Board shall not treat any such continuing violation as a separate and distinct violation and impose a separate sanction therefor more than once during any thirty (30) day period. It is the intent and purpose of this provision to authorize and empower the Board in exercise of its discretion to impose a monetary fine or other sanction against a Member for a continuing violation of the same Governing Document provision once during each successive thirty (30) day period, provided that each time the Board decides to impose a sanction, it shall provide the affected Owner with notice and an opportunity to be heard by the Board prior to the effective date of any such sanction. The Board may limit the scope of such hearing to facts and circumstances occurring subsequent to the previous Board hearing relating to the continuing violation.

(iv) If the Board imposes discipline upon a Member, the Board shall provide the Member with written notification of the disciplinary action, by either personal delivery or first-class mail, within fifteen (15) days following the action.

- d. Manager. Engage the services of a manager or management company as either an employee or an independent contractor, and engage such other employees or independent contractors as the Board may deem necessary, and to prescribe their duties;
- e. Professional Advisors. Consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, and other professionals in carrying out its authority and responsibility under the Governing Documents, and the law, and to pay for such professional services;
- f. Investment of Reserve Funds. Invest Association reserve funds in prudent investments subject to the provisions of Section 13.9 of these Bylaws;
- g. Entry for Repairs. Enter a Lot, when necessary, pursuant to any applicable provisions of the Declaration;
- h. Property Taxes. Pay all real property taxes and assessments levied upon any property within the Development to the extent not separately assessed to the Owners. Provided that any such taxes are paid or that a bond insuring the payment is posted, such taxes and assessments may be contested or compromised by the Association prior to the sale or other disposition of any property to satisfy the payment of such taxes;
- i. Mergers. To the extent permitted by law, participate in mergers and consolidations with other nonprofit organizations, organized for the same

purposes as this Association, provided that any such merger or consolidation shall be approved by at least two-thirds (2/3) of the Total Voting Power of the Association.

- j. Association Property. Subject to the applicable provisions of the Declaration, acquire and deal with real and personal property of the Association;
- k. Indemnification of Agents. Indemnify and hold harmless, to the maximum extent permitted by California law, each person who is or at any time was a director, officer, employee, or agent of the Association or member of any committee appointed by the Board from and against any and all claims, liabilities, expenses, judgments, fines, settlements, and other amounts, as those terms are defined by California law, actually and reasonably incurred by any such person, and to which any such person shall become subject by reason of his or her being a director, officer, employee, or agent of the Association or member of any committee appointed by the Board;
- l. Bank Accounts, Borrowing. Open bank accounts, designate signatories upon such bank accounts, and borrow money on behalf of the Association, subject to any restrictions set forth in the Governing Documents; and
- m. Other Powers and Duties. Exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the Members by other provisions of the Governing Documents, and undertake any action on behalf of the Association as the Board shall deem necessary or proper in furtherance of the purposes and powers of the Association and/or the interests of the Association and its Members.
- n. Limitation of Powers. The powers of the Board shall be subject to the limitations set for the in the Governing Documents.

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

- a. Records and Minutes. Cause to be kept a complete record of all its acts and the corporate affairs, including an accurate and current record of the Members setting forth their names and addresses, adequate and correct books and records of account, and minutes of the proceedings of the Members, the Board, and committees of the Board, and to present a statement thereof to the Members at the Annual Membership Meeting;
- b. Annual Reports and Pro Forma Budget. Pursuant to Section 13.8 of these Bylaws, prepare and distribute to the Members the annual reports and pro forma budget required by California Civil Code Section 5300 *et seq.*
- c. Collection of Assessments. Collect assessments levied by the Association by foreclosing the lien against any property which assessments are not paid as required in the Declaration and/or by bringing an action at law against the Owner personally obligated to pay the same.

- d. Supervision. Supervise all officers, agents, and employees of the Association, and see that their duties are properly performed;
 - e. Certificate of Payment of Assessments. Issue, or cause an appropriate officer to issue, upon demand by any proper person, a Certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of such Certificates. If a Certificate. As that term is used in this section, states that an assessment has been paid, such Certificate shall be conclusive evidence of such payment;
 - f. Insurance. Procure and maintain adequate casualty, liability and other insurance on property owned by the Association, and other appropriate insurance, in accordance with the applicable provisions of the Declaration; and
 - g. Enforcement of Governing Documents. Enforce the provisions of the Governing Documents, as more particularly set forth in the Declaration, and perform all acts required of the Board under the Governing Documents or required by law.
- 10.3 Directors' Standard of Care. Each director shall perform the duties of a director, including duties as a member of any committee of the Board upon which the director may serve, in good faith, in a manner such director 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.
- 10.4 Limitations on Powers. The Board of Directors shall not take any of the following actions without the approval of a Majority of a Quorum of the Board Members.
- a. Enter into a contract with a third party for the furnishing of goods or services to the Common Area or the Association for a term longer than one year. This restriction shall not apply to: (i) FHA or VA approved management contracts; (ii) public utility contracts, where the rates charged for materials or services are regulated by the Public Utilities Commission; provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate; or (iii) prepaid casualty or liability insurance policies not to exceed three years duration; provided the policies allow for the short rate cancellation by the insured.
 - b. Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of 5 percent of the budgeted gross expenses of the Association for that fiscal year; provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.

- c. Sell, during any fiscal year, property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that year, provided, however, that this limitation shall not apply to the sale or other disposition of improved or unimproved Lots acquired by the Association in foreclosure proceedings.
- d. Pay compensation to directors or officers of the Association; provided, however, that directors and officers may be reimbursed for reasonable out-of-pocket expenses, verified in writing, that are incurred in the discharge of their duties.
- e. Fill any vacancy on the Board of Directors created by the removal of a director.

ARTICLE 11 OFFICERS AND THEIR DUTIES

- 11.1 Enumeration of Offices. The officers of this Association shall be a President and Vice-President, a Secretary, and a Chief Financial Officer, who shall at all times be directors, and such other officers as the Board of Directors may, from time to time, by resolution appoint.
- 11.2 Election of Officers. The election of officers shall take place at the first Board meeting following each Annual Membership Meeting.
- 11.3 Term. The officers of this Association shall be elected annually by the Board, and each shall hold office for one (1) year, unless he or she shall sooner resign, be removed by the Board, or otherwise be disqualified to serve.
- 11.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.
- 11.5 Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
- 11.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he/she replaces, subject to the Board's right to remove an officer.
- 11.7 Multiple Offices. The offices of Secretary and Chief Financial Officer may be held by the same person. No person shall simultaneously hold more than one of

any of the other offices, except in the case of special offices created pursuant to Section 11.4 of these Bylaws.

- 11.8 President. The President shall be the chief executive officer of the Association and shall, subject to control of the Board of Directors, have general supervision, direction, and control of the affairs and the other officers and the employees and agents of the Association. The President shall preside at all meetings of the Members and at all meetings of the Board of Directors, shall have the general powers and duties of management usually vested in the office of the President of an Association, and shall have such other powers and duties as may be prescribed by the Board of Directors and the Bylaws, subject, however, to any limitations contained in the Declaration.
- 11.9 Vice-President. In the absence or disability of the President, the Vice-President shall perform all the duties of the President, and when so acting, shall have all of the powers of, and be subject to all of the restrictions upon, the President. The Vice-President shall have such other powers and perform such other duties as, from time to time, may be prescribed by the Board of Directors.
- 11.10 Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board of Directors may prescribe, a book of minutes of all meetings of the Board, Members, and Committees of the Board setting forth the time and place of holding of such meetings, whether regular or special, and if special, how authorized; the notice thereof given; the names of those present at Board or Committee meetings; the number of memberships and votes present or represented at Members meetings; and all the proceedings thereof. The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board of Directors required by the Bylaws or by law to be given and shall maintain a proper record of the giving of such notice, and shall keep the books, records, and documents of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.
- 11.11 Chief Financial Officer. The Chief Financial Officer shall be responsible for the receipt and deposit in appropriate accounts of all monies of the Association and shall cause disbursement of such funds as directed by resolution of the Board of Directors; may sign all checks and promissory notes of the Association; shall keep proper books of account; shall cause an annual review of the Association's books and financial statements to be made by a public accountant at the completion of any fiscal year for which such review is required by law or as determined by the Board; shall assist the Board in preparation of an annual budget and a statement of income and expenditures to be presented to the Members of the Association as provided by law; and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors.

ARTICLE 12 COMMITTEES

- 12.1 Committees of the Board. Any Committee of the Board shall consist of two or more Directors and shall have such powers and duties as the Board shall determine, subject to the limitations of California Corporations Code Section 7212. As used in this section only, "Committee of the Board" shall mean a committee consisting only of Directors, as referred to in California corporations Code Section 7212.

- 12.2 Working Committees. The Board may create working committees which shall not have the power to exercise any Board authority or otherwise act on behalf of the Association. The members of working committees shall be appointed by the Board. Each working committee shall consist of at least two people who may but need not be Directors. However, a majority of Directors then in office shall not be members of any such working committee. Working committees shall not be required to keep minutes but shall report on their activities to the Board from time to time as directed by the Board, and shall operate under the supervision of and at the direction of the Board. The Board of Directors shall have the right at any time, in its complete discretion, to disband any working committee or remove any member thereof.

- 12.3 Architectural Committee. An Architectural Committee established pursuant to the Declaration is not a "Committee of the Board" or a "working committee," because (1) the Committee does not exercise powers of the Board, but instead has its own independent power to review and approve/disapprove certain proposed architectural changes within the Development; and (2) the Committee does not operate under the supervision of or at the direction of the Board.

- 12.4 Compensation of Committee Members. No committee member shall receive compensation for any service he or she may render to the Association as a committee member. However, upon approval by the Board, any committee member may be reimbursed for his or her expenses actually incurred in the performance of his or her duties.

ARTICLE 13 ASSOCIATION BOOKS AND RECORDS, ASSOCIATION FINANCES, AND REQUIRED REPORTS AND DISCLOSURES

- 13.1 Inspection of Books and Records.
 - a. Members' Right to Inspect Books and Records. All records of the Association required under California Civil Code Section 5200 to be made available to Members for inspection shall be made available to any Member at any reasonable time and for a purpose reasonably related to its interest as a Member, subject to the conditions set forth in California Civil Code Section 5200 *et seq.*

- b. Directors' Right to Inspect Books and Records. Every Director shall have an absolute right to inspect all books, records, documents and minutes of the Association and the physical properties owned by the Association. The right of inspection by a Director includes the right at the Director's expense to make extracts and copies of documents. A Director's rights under this section does not include the right to share any such books, records, documents or minutes, in whole or in part, or any information contained therein, with persons who are not Directors, without the Board's approval.
 - c. Adoption of Reasonable Inspection Rules. The Board may establish reasonable rules with respect to inspection of Association books and records by Members and Directors including, without limitation Rules relating to: (1) notice of inspection, (2) hours and days of the week when inspection may be made, and (3) payment of the cost of reproducing copies of documents requested by the Member.
- 13.2 Funds and Deposits. Any funds of the Association shall be deposited to the credit of the Association in such banks or other depositories as the Board of Directors shall, from time to time, determine.
- 13.3 Checks, Drafts, and Evidences of Indebtedness. All checks, drafts, or other orders for payment of money, or notes or other evidences of indebtedness issued in the name of, or payable to, the Association shall be signed or endorsed by such officers or other persons as may be so authorized by Board resolution, and in the manner as specified by the Board of Directors; provided, however, that the signatures of at least two directors shall be required for the withdrawal of funds from the Association's reserve account.
- 13.4 Operating Account. There shall be established and maintained a cash deposit account to be known as the "operating account" into which shall be deposited the operating portion of all Regular, Special, Reimbursement, and Enforcement Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Development.
- 13.5 Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out the Association's purposes, including reserve accounts for replacement of Capital Improvements as may be more particularly set forth in the Declaration. All Association books of account shall be maintained in accordance with generally accepted accounting principles.
- 13.6 Review of Accounts. On at least a quarterly basis, the Board of Directors shall:
- a. Review a current reconciliation of the Association's operating accounts;
 - b. Review a current reconciliation of the Association's reserve accounts;

- c. Review the current year's actual reserve revenues and expenses compared to the current year's budget;
 - d. Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts; and
 - e. Review an income and expense statement for the Association's operating and reserve accounts.
- 13.7 Fiscal Year. The fiscal year of the Association shall be as determined by resolution of the Board of Directors.
- 13.8 Annual Reports.
- a. Annual Budget Report. In accordance with California Civil Code Section 5300 and California Civil Code Section 5320, the Association shall distribute an "annual budget report" to all Members. The annual budget report shall be distributed no less than 30 days or more than 90 days before the end of the Association's fiscal year, and shall include all of the following information/items:
 - (i) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.
 - (ii) A summary of the Association's reserves, prepared pursuant to California Civil Code Section 5565.
 - (iii) A summary of the reserve funding plan adopted by the Board, as specified in California Civil Code Section 5550(b)(5). The summary shall include notice to the Members that the full reserve study plan is available upon request, and the Association shall provide the full reserve plan to any Member upon request.
 - (iv) A statement as to whether the Board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.
 - (v) A statement as to whether the Board, consistent with the reserve funding plan adopted pursuant to California Civil Code Section 5560, has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the Special Assessment(s).
 - (vi) A statement as to the mechanism or mechanisms by which the Board will fund reserves to repair or replace major components, including

Assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.

- (vii) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the Association is obligated to maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described in California Civil Code Section 5570(b)(4), and may not assume a rate of return on cash reserves in excess of 2% above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.
 - (viii) A statement as to whether the Association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.
 - (ix) A summary of the Association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report. The summary distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the statement required by California Civil Code Section 5300(b)(9).
 - (x) The Assessment and Reserve Funding Disclosure Summary form prepared pursuant to California Civil Code Section 5570.
- b. Annual Review of the Financial Statement. In accordance with California Civil Code Section 5305, a review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the Association exceeds \$75,000. A copy of the review of the financial statement shall be distributed to the Members within 120 days after the close of each fiscal year, by Individual Delivery.
- c. Report Required by the Corporations Code. In accordance with California Corporations Code Section 8321, a report containing the following information shall be prepared not later than 120 days after the close of any fiscal year in which the gross revenues or receipts exceeds \$10,000:
- (i) A balance sheet as of the end of that fiscal year and an income statement and a statement of cash flows for that fiscal year.

(ii) A statement of the place where the names and addresses of the current Members are located.

(iii) Any information required by California Corporations Code Section 8322.

This report shall be accompanied by any report thereon of independent accountants, or, if there is no report, the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

The Association shall notify each Member yearly of the Member's right to receive this report. Upon written request by a Member, the Board shall promptly cause the most recent report to be sent to the requesting Member.

- d. Annual Policy Statement. In accordance with Civil Code Section 5310 and California Civil Code Section 5320, no less than 30 days or more than 90 days before the end of the Association's fiscal year, the Association shall distribute to all Members an "annual policy statement" that provides the Members with information about Association policies. The annual policy statement shall include all of the following information:
- (i) The name and address of the person designated to receive official communications to the Association, pursuant to California Civil Code Section 4035.
 - (ii) A statement explaining that a member may submit a request to have notices sent to up to two different specified addresses, pursuant to California Civil Code Section 4040(b).
 - (iii) The location, if any, designated for posting of a General Notice, pursuant to California Civil Code Section 4045(a)(3).
 - (iv) Notice of a Member's option to receive General Notices by Individual Delivery, pursuant to California Civil Code Section 4045(b).
 - (v) Notice of a Member's right to receive copies of Board meeting minutes, pursuant to California Civil Code Section 4950(b).
 - (vi) The statement of Assessment collection policies required by California Civil Code Section 5730.
 - (vii) A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of Assessments.

- (viii) A statement describing the Association's discipline policy, if any, including any schedule of monetary penalties for violations of the Governing Documents pursuant to California Civil Code Section 5850.
 - (ix) A summary of dispute resolution procedures, pursuant to California Civil Code Section 5920 and California Civil Code Section 5965. The summary shall include the statement required by California Civil Code Section 5965(a).
 - (x) A summary of any requirements for Association approval of a physical change to property, pursuant to California Civil Code Section 4765.
 - (xi) The mailing address for overnight payment of Assessments, pursuant to Section 5655.
 - (xii) Any other information that is required by law or the governing documents or that the Board determines to be appropriate for inclusion.
- 13.9 Required Reserve Studies. As required by California Civil Code Section 5550 *et seq.*, at least once every three years, the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the Association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the Development, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the Association, excluding the Association's reserve account for that period. The Board shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The study shall at a minimum include the items identified in California Civil Code Section 5550(b).
- 13.10 Investment of Reserve Funds. Manage and invest Association reserve funds in a prudent manner designed to achieve the primary objective of preserving principal while realizing a reasonable return and to assure the availability of funds as they are needed based upon the most recent reserve fund study obtained by the Board as provided in these Bylaws and by law.
- 13.11 Disclosures in Connection with a Proposed Transfer of Title. Within 10 days following receipt of a written request by or on behalf of an Owner for the documents identified in California Civil Code Section 4525, the Association shall provide the Owner with (a) the form described in California Civil Code Section 4528; and (b) a copy of the requested documents, all in accordance with California Civil Code Section 4525 *et seq.*

ARTICLE 14 AMENDMENTS

- 14.1 Amendments Generally. These Bylaws may be amended by the Approval of a Majority of a Quorum of Members. (Corp. Code §5034)
- 14.2 Amendments to Comply with Statutory Requirements. Notwithstanding the foregoing, amendments to the Bylaws made solely for the purpose of complying with statutory changes in California law may be made by the Board.

ARTICLE 15 MISCELLANEOUS

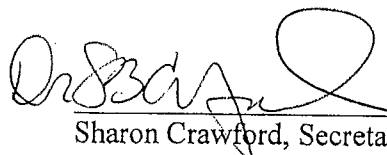
- 15.1 Successor Statutes. Any reference in these Bylaws to a specific statute shall be deemed to be a reference to any comparable successor statute if such referred-to statute is subsequently amended or renumbered by the legislative body having such power.
- 15.2 Conflicts. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

CERTIFICATE OF SECRETARY

I hereby certify that:

- A. I am the secretary of the Lake California Property Owners Association, Inc.
- B. The balloting period for the membership vote ended on October 1, 2018 and the secret ballots were counted and tabulated by Lisa Davis-Schwartz, CMCA, CM, the Inspector of Election at the Special Members Meeting held October 1, 2018 at the Lake Club at Lake California. Members representing twenty-seven percent (27%) of the members in good standing voted 387 to adopt the preceding Fourth Restated Bylaws of the Lake California Property Owners Association, Inc. and 149 against adoption with 18 votes abstaining. The vote to adopt prevails.
- C. The preceding Fourth Restated Bylaws now constitute the Bylaws of the Lake California Property Owners Association, Inc.

Executed October 17, 2018.

 (signature)
Sharon Crawford, Secretary

**SEE NOTARY
CERTIFICATE ATTACHED**

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

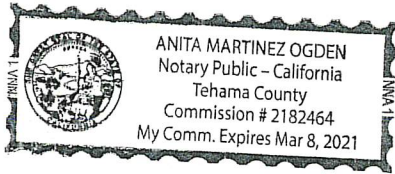
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Tehama)
On 05/12/2018 before me, Anita Martinez Ogden Notary,
Date Here Insert Name and Title of the Officer
personally appeared Dr. Sharon D.B Crawford
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.



Signature [Signature]
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____ Document Date: _____
Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____
 Corporate Officer — Title(s): _____ Corporate Officer — Title(s): _____
 Partner — Limited General Partner — Limited General
 Individual Attorney in Fact Individual Attorney in Fact
 Trustee Guardian or Conservator Trustee Guardian or Conservator
 Other: _____ Other: _____
Signer Is Representing: _____ Signer Is Representing: _____