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**SECOND AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
OF
ROCKY RIDGE PROPERTIES OWNERS ASSOCIATION**

TABLE OF CONTENTS

	Page
RECITALS	2
ARTICLE I DEFINITIONS	6
Section 1.01. "Additional Charges"	6
Section 1.02. "Annual Assessments"	6
Section 1.03. "Annual Budget Report"	6
Section 1.04. "Annual Policy Statement"	6
Section 1.05. "Architectural Control Committee"	6
Section 1.06. "Architectural Review Guidelines"	6
Section 1.07. "Arnett Lot"	6
Section 1.08. "Articles"	7
Section 1.09. "Assessments".....	7
Section 1.10. "Association"	7
Section 1.11. "Association Capital Replacement Projects"	7
Section 1.12. "Association Rules"	7
Section 1.13. "Board of Directors" or "Board"	7
Section 1.14. "Bylaws"	7
Section 1.15. "Capital Improvement"	7
Section 1.16. "Common Area"	7
Section 1.17. "Common Expense".....	8
Section 1.18. "Common Facilities"	8
Section 1.19. "Contract Purchaser" and "Contract Seller"	8
Section 1.20. "County"	8
Section 1.21. "Davis-Stirling Act".....	8
Section 1.22. "Declaration"	8
Section 1.23. "Development"	9
Section 1.24. "Emergency Assessment"	9
Section 1.25. "General Notice" and "General Delivery"	9
Section 1.26. "Good Standing"	9
Section 1.27. "Governing Documents".....	9
Section 1.28. "Improvement"	10
Section 1.29. "Individual Notice" or "Individual Delivery"	10
Section 1.30. "Lot"	10
Section 1.31. "Maintenance"	10
Section 1.32. "Major Capital Improvements".....	10
Section 1.33. "Majority of a Quorum".....	11
Section 1.34. "Member"	11
Section 1.35. "Mortgage"	11
Section 1.36. "Mortgagee"	11
Section 1.37. "Owner"	11
Section 1.38. "Reimbursement Assessment"	11
Section 1.39. "Repair"	11
Section 1.40. "Replacement"	11
Section 1.41. "Reserves" and "Reserve Accounts"	11
Section 1.42. "Residence"	12
Section 1.43. "Resident"	12
Section 1.44. "Special Assessment"	12
Section 1.45. "Subdivision Map"	12

TABLE OF CONTENTS
(continued)

		Page
Section 1.46.	"Voting Power"	12
Section 1.47.	"Walsh Lot"	12
ARTICLE II	PROPERTY RIGHTS AND OBLIGATIONS OF OWNERS	12
Section 2.01.	General Description of the Development; No Rights of Partition.....	12
Section 2.02.	Common Areas and Common Facilities.....	12
Section 2.03.	Owners Non-Exclusive Easements of Enjoyment	13
Section 2.04.	Delegation of Use and the Rental or Leasing of Residences.....	14
Section 2.05.	Common Area Construction	16
Section 2.06.	Obligations of Owners.....	16
ARTICLE III	ROCKY RIDGE PROPERTIES OWNERS ASSOCIATION	18
Section 3.01.	Management and Operation.....	18
Section 3.02.	Membership in the Association	19
Section 3.03.	Member Voting Rights	19
Section 3.04.	Member Meeting	19
Section 3.05.	Powers and Authority of the Association	19
Section 3.06.	Association Rules	20
Section 3.07.	Limitation on Liability of the Association's Directors and Officers.....	24
Section 3.08.	Easements to Owners.....	25
Section 3.09.	Mortgage of Association Real Property	25
Section 3.10.	Access to Residences.....	25
ARTICLE IV	ASSESSMENTS.....	26
Section 4.01.	Assessments Generally	26
Section 4.02.	Annual Assessments	27
Section 4.03.	Special Assessments	29
Section 4.04.	Reimbursement Assessments.....	30
Section 4.05.	Assessments to Address Emergency Situations.....	32
Section 4.06.	Purpose and Reasonableness of Assessments.....	33
Section 4.07.	Exemption of Certain Portions of the Development From Assessments.....	33
Section 4.08.	Notice and Procedure for Member Approval Pursuant to Sections 4.02 and 4.03	33
Section 4.09.	Maintenance and Expenditure of Assessment Funds	33
Section 4.10.	Collection of Assessments; Enforcement of Liens	36
Section 4.11.	Transfer of Lots by Sale or Foreclosure	42
Section 4.12.	Priorities.....	43
Section 4.13.	Waiver of Exemptions	43
ARTICLE V	ARCHITECTURAL CONTROL COMMITTEE.....	43
Section 5.01.	Requirement that Improvement Projects Be Approved.....	43
Section 5.02.	Establishment and Composition of the Architectural Control Committee	44
Section 5.03.	Meetings of the Architectural Control Committee	44
Section 5.04.	Architectural Review Guidelines.....	44
Section 5.05.	Employment of Architect or Engineer.....	45

TABLE OF CONTENTS
(continued)

		Page
Section 5.06.	Application for Approval of Proposed Improvements; Fees	45
Section 5.07.	Basis for Approval of Improvements	45
Section 5.08.	Time Limits for Approval or Rejection of Proposed Improvement Projects	46
Section 5.09.	Commencement of Approved Improvement Projects	47
Section 5.10.	Completion of Improvement Projects.....	47
Section 5.11.	Inspection of Improvement Projects.....	48
Section 5.12.	Non-Waiver	48
Section 5.13.	Variances	49
Section 5.14.	Compliance Certificate	49
Section 5.15.	Limitation on Liability.....	49
Section 5.16.	Compliance With Governmental Regulations	50
ARTICLE VI ASSOCIATION AND OWNER MAINTENANCE RESPONSIBILITIES		50
Section 6.01.	Association Responsibilities.....	50
Section 6.02.	Owner Maintenance and Repair Responsibilities.....	51
ARTICLE VII PROPERTY USE RESTRICTIONS		53
Section 7.01.	Residential Use	53
Section 7.02.	Rental of Residences	53
Section 7.03.	Time-Share/Joint-Ownership Arrangements, and Internet Accommodations Programs.....	53
Section 7.04.	Restriction on the Conduct of Business Activities From Residences or Using a Residence as a Business Site.....	54
Section 7.05.	Offensive Conduct, Nuisances, Noise	54
Section 7.06.	Use of the Common Areas and Common Facilities	54
Section 7.07.	Hazards	55
Section 7.08.	Requirement of Approvals of Certain Improvement Projects by the Board of Directors	55
Section 7.09.	Outside Drying and Laundering	55
Section 7.10.	Satellite Dishes and Antennas	55
Section 7.11.	Restrictions Relating to Maintenance of Pets, Within the Development.....	55
Section 7.12.	Trash Disposal	56
Section 7.13.	Construction Materials, Construction Debris	56
Section 7.14.	Machinery and Equipment.....	56
Section 7.15.	Signs	56
Section 7.16.	Vehicles and Parking	57
Section 7.17.	Window Coverings	59
Section 7.18.	Outbuildings	59
Section 7.19.	Fuel Tanks	59
ARTICLE VIII EASEMENTS.....		59
Section 8.01.	Easements in General	59
Section 8.02.	Easements of Encroachment.....	59
Section 8.03.	Utility Easements.....	60
Section 8.04.	Easements Granted by the Board.....	60

TABLE OF CONTENTS
(continued)

		Page
Section 8.05.	Other Easements Shown on Subdivision Maps	60
ARTICLE IX INSURANCE		60
Section 9.01.	Association Insurance Obligations and Types of Coverage	60
Section 9.02.	Other Matters Pertaining to Association Insurance Obligations	62
Section 9.03.	Insurance Obligations of Owners	64
Section 9.04.	Restriction on Owners Claims Relating to Association Insurance	65
ARTICLE X DAMAGE, DESTRUCTION AND CONDEMNATION		65
Section 10.01.	Replacement or Repair of Association Property.....	65
Section 10.02.	Rebuilding or Repair of Improvements on Lots	65
Section 10.03.	Condemnation.....	66
Section 10.04.	Appraisals	66
ARTICLE XI ENFORCEMENT.....		66
Section 11.01.	Violations as Nuisance	66
Section 11.02.	Violation of Law.....	67
Section 11.03.	Owners' Responsibility for Conduct of Others and Damages	67
Section 11.04.	Rights and Remedies of the Association	67
Section 11.05.	Disciplinary Rules	68
Section 11.06.	Emergency Situations	69
Section 11.07.	Dispute Resolution	69
Section 11.08.	Non-Waiver	70
Section 11.09.	Notices	70
Section 11.10.	Costs and Attorneys' Fees.....	70
ARTICLE XII AMENDMENT		71
ARTICLE XIII MISCELLANEOUS		71
Section 13.01.	Headings	71
Section 13.02.	Severability	71
Section 13.03.	Liberal Construction	71
Section 13.04.	Number; Gender	71
Section 13.05.	Easements Reserved and Granted.....	71
Section 13.06.	Power of Attorney	71
Section 13.07.	Term	71

**SECOND AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF ROCKY RIDGE PROPERTIES OWNERS ASSOCIATION**

This Second Amended and Restated Declaration of Covenants, Conditions and Restrictions is made on the date hereinafter set forth by ROCKY RIDGE PROPERTIES OWNERS ASSOCIATION (hereinafter sometimes referred to as the "*Association*").

RECITALS

A. The Association was formed on May 20, 1970 by the recording in the Office of the Placer County Recorder of: (i) the Declaration of Reciprocal Covenants and Easements Rocky Ridge Properties in Book 1295, Page 388, Series No. 8508; (ii) the Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Recreation Area in Book 1295, Page 424, Series No. 8509; and (iii) the Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association in Book 1295, Page 437, Series No. 8510. The three Declarations identified in this Paragraph "A" shall hereinafter collectively be referred to as the "*Original Declarations*."

B. The Original Declarations were subsequently amended as follows:

Title	Recording Date	Book / Page	Series No.
First Amendment to Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association	3/11/71	1340/62	4490
Second Amendment to Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association	12/27/73	1540/81	
Third Amendment of Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #1	2/11/80	2224/308	5516
Fourth Amendment of Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #1	10/16/81	2443/317	40462

Fifth Amendment of Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #1	2/01/85	2772/128	3734
Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #2	6/25/71	1358/72	12537
First Amendment to Declaration of Covenants Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #2	12/27/73	1540/92	3413
Second Amendment to Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #2	2/11/80	2224/312	5517
Third Amendment to Declaration of Covenants Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #2	10/16/81	2443/322	40463
Fourth Amendment to Declaration of Covenants Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #2	2/01/85	2772/132	3735
Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #3	6/24/71	1358/96	12539
First Amendment to Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #3	12/27/73	1540/102	34131
Second Amendment to Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #3	2/13/76	1703/159	4565

Second Amendment of Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #3	2/11/80	2224/316	5518
Third Amendment of Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #3	4/01/80	2242/639	12748
Fourth Amendment to Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #3	3/18/80	2237/186	10472
Fifth Amendment Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #3	10/16/81	2443/327	40464
Sixth Amendment Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association Subdivision Unit #3	2/01/85	2772/136	3736
Declaration of Covenants, Conditions and Restrictions Rocky Ridge Properties Owners Association 4.08 Acres Single Family Lot	10/07/82	2533/655	

C. On October 7, 1993, the Association executed the Rocky Ridge Properties Owners Association Amended and Restated Declaration of Covenants, Conditions and Restrictions and recorded that Declaration on November 1, 1993 as Document No. 93-081186 in the Official Records County of Placer, State of California (the "**1993 Declaration**").

D. On April 24, 1995, the R.T. Nahas Company, a California corporation, amended the 1993 Declaration by executing the Declaration of Annexation Rocky Ridge Properties, recorded on June 19, 1995 as Instrument No, 95-030936 in the Official Records County of Placer, State of California (the "**First Amendment**"). The purpose of the First Amendment was to add the Arnett Lot to the Development. On May 8, 1995, the Association executed the Second Amendment to Rocky Ridge Properties Owners Association (the "**Second Amendment**") and recorded the Second Amendment on June 19, 1995 as Document No. 95-030937 in the Official Records County of Placer, State of California, which provided for the

annexation of the Arnett Lot (as defined in Section 1.07, below) and brought it within the jurisdiction of the Association.

E. The 1993 Declaration, as amended, 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 that certain property located in the County of Placer, State of California, and more particularly described in Exhibits A, A-1, A-2, A-3, A-4, and A-5, and attached hereto.

F. The Members, constituting at least fifty percent (50%) plus one of the Members of the Association, amended and restated the 1993 Declaration, as amended, in its entirety pursuant to Article VIII, Section 8.4, of the 1993 Declaration. Receipt of the required percentage of Member approvals was attested to by signature of the President and the Secretary on May 27, 2005 and subsequently recorded in the Official Records of Placer County, California on August 17, 2006 as Document No. 2006-0088427 (the "**First Amended and Restated Declaration**").

G. In the 2012 legislative session the State of California adopted a revised and re-codified version of the Davis-Stirling Common Interest Development Act (Statutes 2012, chapter 180, Section 2) which went into effect on January 1, 2014. The re-codified Davis-Stirling Act revised practically all sections of the prior Davis-Stirling Act (Statutes 1985, chapter 874, section 14) and relocated the Act to Civil Code sections 4000 through 6150. Although the California Law Revision Commission, which was the lead agency in the recodification effort represented that no substantive changes in the original Davis-Stirling Act were intended, the 2014 Act adds new provisions relating to annual reporting requirements (i.e., the "**Annual Budget Report**" and the "**Annual Policy Statement**") and new provisions regarding the permissible methods of notifying community association members ("**Individual Notice**" and "**General Notice**") that were not terms of art in the original Act. Furthermore, the re-codified Davis-Stirling Act's relocation in the Civil Code resulted in the need to update numerous Civil Code references in the Rocky Ridge Governing Documents. Finally, the Board of Directors of the Association recommended other changes to the Governing Documents of the Association that are reflected in this Second Amended Restated Declaration and the Second Amended and Restated Bylaws of the Association.

H. NOW, THEREFORE, pursuant to Article 10 of the First Restated Declaration Members constituting a simple majority of the Members of the Association, do hereby declare that the First Amended and Restated Declaration is amended and restated, in its entirety as set forth in this Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of Rocky Ridge Properties Owners Association. That the requisite affirmative vote of the Members was received is certified, in accordance with Civil Code section 4270(a)(2), by the signatures of the Association's President and Secretary below.

I. IT IS FURTHER HEREBY DECLARED that all of the real property described herein constitutes a Planned Development within the meaning of section 4175 of the California Civil Code.

J. IT IS FURTHER HEREBY DECLARED that all of the real property described herein is 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 Rocky Ridge common interest development and every part thereof, and of fostering the development, management, improvement, enjoyment, and sale of the Lots, Residences and Common Areas of Rocky Ridge.

K. IT IS FURTHER HEREBY DECLARED that all of the covenants, conditions, and restrictions herein set forth shall constitute enforceable equitable servitudes as provided in section 5975(a) of the California Civil Code, and shall constitute covenants that run with the real property comprising the Development so as to be binding upon and inure to the benefit of each Owner of any portion of the Development or of any interest therein and their heirs, successors, and assigns.

ARTICLE I DEFINITIONS

Section 1.01. "***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 the payment of Assessments, fines, and/or penalties.

Section 1.02. "***Annual Assessments***" shall have the meaning set forth in Section 4.02(a), below.

Section 1.03. "***Annual Budget Report***" means and refers to the compilation of documents that the Association must provide to its Members on an annual basis (thirty (30) to ninety (90) days prior to the end of the fiscal year) pursuant to Civil Code section 5300 and Section 12.05 of the Bylaws.

Section 1.04. "***Annual Policy Statement***" means and refers to the information, statements and notices that the Association must provide to its Members on an annual basis (thirty (30) to ninety (90) days prior to the end of the fiscal year) pursuant to Civil Code section 5310 and Section 13.01 of the Bylaws.

Section 1.05. "***Architectural Control Committee***" or "***ACC***" shall mean and refer to the Committee created pursuant to Article V, below, and Article X of the Bylaws.

Section 1.06. "***Architectural Review Guidelines***" means and refers to any architectural guidelines adopted by the Architectural Control Committee, with approval of the Board, pursuant to Section 5.04, below.

Section 1.07. "***Arnett Lot***" shall mean and refer to the single family residential lot, consisting of approximately 1.6 acres, APN 94-140-55, more particularly described in Exhibit "A-3" attached hereto, which Arnett Lot was annexed and made subject to the 1993 Declaration,

as amended, by the First Amendment (i.e. the Declaration of Annexation) and the Second Amendment.

Section 1.08. "**Articles**" shall mean the Amended and Restated Articles of Incorporation of Rocky Ridge Properties Owners Association, as they may be amended from time to time, and as filed with the Office of the Secretary of State of California.

Section 1.09. "**Assessments**" is a collective term that means and refers to any or all of the following categories of Assessments that the Association may levy pursuant to Article IV of this Declaration and sections 5600 through 5610 of the Davis-Stirling Act: Annual Assessments, Special Assessments, Emergency Assessments and Reimbursement Assessments.

Section 1.10. "**Association**" shall mean the Rocky Ridge Properties Owners Association, a California nonprofit mutual benefit corporation, its successors and assigns.

Section 1.11. "**Association Capital Replacement Projects**" means and refers to any project undertaken by the Association for the major repair or replacement of any Major Capital Improvements within the Development which are included in the Association's Reserve Study and funded by Member contributions to the Association's Reserve Accounts.

Section 1.12. "**Association 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 or with the approval of the Board of Directors from time to time, in accordance with Section 3.06, below. The seven categories of Association Rules set forth in Section 3.06(c)(i), below, are "**Operating Rules**" which, prior to adoption by the Board, must first be provided to the Members by some form of General Notice for a thirty (30) day comment period prior to making the rule change.

Section 1.13. "**Board of Directors**" or "**Board**" shall mean and refer to the governing body of the Association. The Board of Directors possesses the powers and authority and is subject to the duties and obligations set forth in this Declaration, the Bylaws, the other Governing Documents and section 7210 of the Corporations Code.

Section 1.14. "**Bylaws**" shall mean the Amended and Bylaws of the Association as they shall be adopted by the Board of Directors and Members and any duly-adopted amendments thereof.

Section 1.15. "**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. See Section 4.03(a)(ii), below.

Section 1.16. "**Common Area**" shall mean all real property owned by the Association (or in some instances by the owners as tenants-in-common) for the common use and enjoyment of the Owners and Residents of the Development, including but not limited to private roadways, parking areas, landscaping, the recreational facilities identified in Section 1.18, below, as Common Facilities, the Association's beach area and its pier, community building and other improvements, and the entrance gate. The Common Areas of the Development shall also include the office building and the maintenance building at the bottom of the hill near the intersection of

Rocky Ridge Road and North Lake Boulevard, which buildings shall be for the use of the Association management and maintenance purposes only. The Association may lease these buildings as the Board of Directors deems appropriate.

Section 1.17. "**Common Expense**" means any use of Common Funds authorized by Article IV, below, and Article IX of the Bylaws and includes, without limitation: (a) all expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Areas, Common Facilities or any portions of the Lots and Residences that the Association is obligated to maintain or repair; (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors and insurance of Residences constructed on Lots to the extent required by Article IX, below; (c) any amounts reasonably necessary for Reserves for maintenance, repair and replacement of the Common Areas and Common Facilities or any portion of the Lots or Residences that the Association is obligated to maintain or replace, and for nonpayment of any Assessments; and (d) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in this Declaration and the other Governing Documents of the Association.

Section 1.18. "**Common Facilities**" means and refers to the two swimming pools and apron areas, pool storage and pump house, pool furniture, recreation cabana buildings, spas, tennis courts, bocce ball courts, children's play structures, basketball court, entry gate, and associated electronic and mechanical equipment, the Association's community mooring field in Lake Tahoe (see Section 2.03(b), and other landscaping, parking area, and other improvements located at the parcel of land owned by the Association adjacent to Lake Tahoe (see Exhibit "A-5"), and the trees, hedges, plantings, lawns, shrubs, landscaping, fences, utilities, beams, pipes, lines, lighting fixtures, buildings, structures, private roads and other facilities constructed or installed, or to be constructed or installed, or currently located within any portion of the Association Common Areas and owned by the Association.

Section 1.19. "**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 of the purchase price is made.

Section 1.20. "**County**" shall mean the County of Placer, State of California.

Section 1.21. "**Davis-Stirling Act**" means and refers to the Davis-Stirling Common Interest Development Act (California Civil Code section 4000, et seq.), as amended from time to time.

Section 1.22. "**Declaration**" shall mean and refer to this Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of Rocky Ridge Properties Owners Association, recorded in the Office of the County Recorder of Placer County, California, and any amendments thereto. The Original Declarations are listed in Recitals "A" and "B" of this Declaration and the First Amended and Restated Declaration is more particularly described in Recital "F" of this Declaration.

Section 1.23. "**Development**" shall mean all the real property described herein comprising the Association, presently there are 102 Lots and Common Areas within the Development.

Section 1.24. "**Emergency Assessment**" means an Assessment that the Association is authorized and empowered to impose under the limited circumstances defined in California Civil Code section 5610 and Section 4.05, below.

Section 1.25. "**General Notice**" and "**General Delivery**" are used in this Declaration and in 1.24 Civil Code Section 4045 when notice can be provided to the Members by any of the following methods:

- (a) any method of delivery that constitutes "Individual Notice" (if a particular Member requests to receive General Notices in that manner, then Individual Notice must be used);
- (b) inclusion of the notice in a newsletter, the Association's website, or similar Association document;
- (c) posting a copy of the printed document in a prominent location in the Common Area that is accessible to all Members, so long as the location has been designated for the posting of General Notices by the Association in its Annual Policy Statement; and
- (d) if the Association has a broadcast television program site for the purpose of distributing information on Association business, that site can be used for General Notices.

Section 1.26. "**Good Standing**" is a term that is used in the Bylaws and in this Declaration to determine those Members who constitute part of the Voting Power of the Association and are therefore eligible to vote in the election of directors or with respect to any other matter or action that requires the consent or approval of the Members under the Governing Documents or California law. In order to be in Good Standing, a Member must be current in the payment of all Assessments levied against the Member's Lot and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the due process and disciplinary hearing procedures of the Declaration and Civil Code sections 5900 et seq. Good Standing shall also be a prerequisite for being a candidate for election to the Board of Directors and for continued service on the Board, once elected to office. Finally, Good Standing shall also be a prerequisite for serving on the Architectural Control Committee.

Section 1.27. "**Governing Documents**" shall mean the Articles of Incorporation and Bylaws of the Association, this Declaration, the Association Rules, and the policies and resolutions duly adopted by the Board and distributed to the Members.

Section 1.28. "**Improvement**" is a term that is used herein to define the types of construction or improvement projects undertaken by Owners that must first be reviewed and approved by the Association's duly appointed Architectural Control Committee pursuant to Article V, below. Specifically, the term "Improvement" means and includes, without limitation, the construction, installation, alteration or remodeling of any buildings, walls, fences, landscaping, skylights, solar heating equipment, spas, antennas, television satellite reception dishes, utility lines or any other structure of any kind; provided, however, that the term "Improvement" shall not include (i) the repainting or refinishing of any interior walls or floors of a Residence; or (ii) the alteration or installation of kitchen cabinets, counter tops, or appliances.

Section 1.29. "**Individual Notice**" or "**Individual Delivery**" means that a notice or document from the Association to its Members must be delivered to the Members by one of the following methods (Civil Code Section 4040):

- (a) first-class mail, postage prepaid, registered or certified mail, express mail, or overnight delivery by nan express service carrier (addressed to the Member at his or her address appearing on the Association's records);
- (b) e-mail, facsimile or other electronic means so long as the recipient has consented to receiving notice in that fashion by executing and delivery to the Association a consent as required by the Civil Code. That consent may be revoked in a writing delivered to an officer of the Association or to the Association's manager;
- (c) if a Member has identified a secondary address for delivery of documents included in the Annual Budget Report or notices pertaining to Assessments or Assessment collections, the Association must deliver an additional copy of those notices to the secondary address that is identified.

Section 1.30. "**Lot**" shall mean any plot of land shown upon any recorded Subdivision Map of the Development upon which a Residence has been constructed, with the exception of the Common Area. Unless expressly indicated to the contrary, any reference to "Lot" or "Lots" shall also mean and refer to both the Walsh Lot (Section 1.47) and the Arnett Lot (Section 1.07).

Section 1.31. "**Maintenance**" shall mean the act of caring for property and keeping it in its existing state, upgrading the property and any improvements thereon, where necessary or appropriate in the sole discretion of the Board, so as to preserve the property and improvements from failure or deterioration, including painting, caulking, cleaning, and minor, non-structural upkeep and routine maintenance.

Section 1.32. "**Major Capital Improvements**" means and refers to any major component of the Development for which the Association has the maintenance, repair, and replacement responsibility under the Declaration. If a Major Capital Improvement has a useful life of thirty (30) years or less, it must be included in the Association's Reserve Study (see Section 4.09(d)(i), below). The general powers and authority of the Board of Directors, as stated in Section 3.05(a), below, and section 7140 of the Corporations Code, shall include the power and authority to identify and provide for new or alternate Major Capital Improvements that may not have been

constructed or contemplated at the time that the Development was first conceived and constructed, due to advances in technology or other changed circumstances.

Section 1.33. "**Majority of a Quorum**" means the vote of a majority of the votes cast at a meeting or by secret or written ballot when the number of Members attending the meeting in person or by proxy or casting secret or written ballots equals or exceeds the minimum quorum requirement for valid Member action, as specified in the Bylaws, this Declaration, or by statute.

Section 1.34. "**Member**" means and refers to any Owner of a Lot in the Development.

Section 1.35. "**Mortgage**" shall mean a deed of trust as well as a mortgage in the conventional sense.

Section 1.36. "**Mortgagee**" shall mean a beneficiary under a deed of trust as well as under a Mortgage.

Section 1.37. "**Owner**" shall mean the record owner, whether one or more persons or entities, of the fee simple title to any Lot (and the Residence on the Lot) which is a part of the Development, including Contract Sellers, but excluding contract purchasers and excluding those persons or entities whose interest in a Lot is merely as security for the performance of an obligation.

Section 1.38. "**Reimbursement Assessment**" shall have the meaning set forth in Section 4.04, below.

Section 1.39. "**Repair**" shall mean the minor restoration or replacement of property that is torn, broken, or otherwise damaged, or has sustained wear, tear, or deterioration such that minor restoration is necessary. Such repair shall be done consistent with applicable building codes in effect at the time of repair and may include reasonable or appropriate improvement or upgrade to the property being repaired.

Section 1.40. "**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.

Section 1.41. "**Reserves**" and "**Reserve Accounts**" mean and refer to those funds that the Board of Directors of the Association has identified and set aside for use to defray the future repair or replacement of, or additions to, the Major Capital Improvements within the Development that the Association is obligated to maintain, repair and eventually replace in one or more Reserve Accounts. The obligation to contribute funds in Reserve Accounts pursuant to Section 4.09 of this Declaration and California Civil Code sections 5550 through 5570 shall be a Common Expense of the Association. The amounts required to properly fund Reserves (the "**Reserve Funds**") shall be determined annually by the Board in accordance with the standards prescribed by maintenance cost guidelines prepared in accordance with California Civil Code section 5550 and prudent property management practices generally applied in "common interest developments" in the geographic region in which the Development is located. Among other elements, the Reserve planning process set forth in Civil Code section 5550 requires the Board to

conduct periodic studies of Reserve Account requirements (each a "**Reserve Study**") which must include a "**Reserve Funding Plan**" that indicates how the Association intends to fund the contributions to Reserve Accounts required to meet the Association's maintenance, repair and replacement obligations. See Section 4.09(d), below, entitled "**Reserve Funds**").

Section 1.42. "**Residence**" shall mean a structure located upon a Lot which is designed for human residential use and occupancy.

Section 1.43. "**Resident**" shall mean any person who resides in a Residence within the Development whether or not such person is an Owner.

Section 1.44. "**Special Assessment**" shall have the meaning set forth in Section 4.03, below.

Section 1.45. "**Subdivision Map**" shall mean and refer to those maps described in Exhibit "A" attached hereto.

Section 1.46. "**Voting Power**" means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at any time a determination of voting rights is made. To be part of the Voting Power, a Member must be in Good Standing, as defined in Section 1.26, above. "**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.

Section 1.47. "**Walsh Lot**" shall mean and refer to the single family residential lot, consisting of approximately 4.08 acres, more particularly described in Exhibit "A-1", attached hereto. The Walsh Lot was annexed and made subject to the Original Governing Documents, as amended, by a Declaration recorded October 7, 1982, in Book 2533, page 655, Placer County Official Records.

ARTICLE II PROPERTY RIGHTS AND OBLIGATIONS OF OWNERS

Section 2.01. General Description of the Development; No Rights of Partition. There are 102 Lots in the Rocky Ridge development, including the Arnett Lot and the Walsh Lot, and related Common Areas and Common Facilities, as defined and described in Sections 1.16 and 1.18, above. 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.

Section 2.02. Common Areas and Common Facilities. Subject to the provisions of the Declaration, the Common Areas and Common Facilities of Rocky Ridge 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, and there shall be no use of the Common Area except by such persons. The

Common Area shall also include the office building and the maintenance building at the bottom of the hill, which buildings shall be for the use of the Association management and maintenance personnel and for rental in accordance with Section 3.05 (c)(iv), below.

Section 2.03. Owners Non-Exclusive Easements of Enjoyment. Every Owner of a Lot shall have a non-exclusive easement of use of and enjoyment in, to, and throughout the Common Areas of the Development for ingress, egress, and support over and through the Common Areas. Each such non-exclusive easement shall be appurtenant to and pass with the title to every Lot, subject to the following rights and restrictions:

(a) The right of the Board of Directors to establish and enforce reasonable rules and regulations governing the use of the Common Area and facilities thereon in accordance with Section 3.06, below.

(b) The right of the Board to charge reasonable admission and other fees for the use of any facilities situated upon the Common Area, including, without limitation annual fees for the privilege of mooring a boat in the Development's community mooring field;

(c) The right of the Board, to suspend an Owner's rights and privileges as a Member, including voting rights and right to use the recreational Common Facilities for any period during which any Assessment against such Owner's Lot remains unpaid and/or for infraction of the Governing Documents of the Association;

(d) The right of the Board, as set forth in this Section 2.03, 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;

(e) The right of the Board to sell or transfer Common Area property owned by the Association;

(f) The right of the Board to mortgage, pledge, encumber, or otherwise hypothecate the Common Area and facilities thereon as security for money borrowed by the Association;

(g) Approval of the Architectural Control Committee, pursuant to Article V, below, of any plans and specifications for the construction or modification of any Improvement that an Owner may wish to pursue on his or her Lot, and in the case of the Walsh Lot and the Arnett Lot, any modification or change to the driveway or other method of ingress and egress to and from the Lot.

(h) 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, the Common Facilities, or the Owners in common.

Section 2.04. Delegation of Use and the Rental or Leasing of Residences.

(a) Rights of Owners to Delegate Use and to Rent or Lease Residences, Generally. Any Owner may delegate his or her rights of use and enjoyment, including easements, in the Development to the members of his or her family, tenants, contract purchasers, guests and invitees, subject to the terms of this Section 2.04 and any applicable local laws and ordinances relating to short-term rentals. Upon the leasing or rental of a Residence, or upon occupancy of a Residence 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 and Residence for the term of the lease, rental agreement, or the duration of the contract of sale. On request of the Association, and in any event for any lease or rental that is for a term in excess of four (4) months, the Owner-lessor shall notify the Secretary of the Association or the Association's manager of the names of any tenants or any such contract purchasers of such Owner's Lot. Any delegation of rights pursuant to this Section 2.04 shall not include voting rights as a Member of the Association.

Any rights of enjoyment delegated pursuant to this Section 2.04 (such as access to the Common Area recreational facilities of the Development) are subject to suspension to the same extent that rights of Owners are subject to suspension as provided in the Governing Documents. Owners are prohibited from converting rooms in their Residences to "lock-off" areas so as to permit multiple families to occupy the Residence at the same time, although nothing herein shall prevent an Owner from placing locks on cabinets, closets or loft areas so as to prevent the use of a particular area or areas of a Residence while the Owner is not present or to protect the Owner's personal property.

(b) Other Requirements Pertaining to the Leasing or Rental of Lots and Residences. If a lease or rental is for a term in excess of four (4) months, the Owner-lessor must provide the Board (via the Association manager or management company) with a copy of the signed, written lease agreement and that agreement must specifically state that the lease or rental 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.

(c) Owner's Responsibility for Tenant's or Lessee's Actions. Each Owner leasing or renting a Residence in Rocky Ridge shall be strictly responsible and liable to the Association for the actions of such Owner's tenant(s) or lessees in or about all Lots and Common Area and for each tenant's/lessee's compliance with the provisions of all Association Governing Documents. An Owner leasing or renting a Residence shall provide the tenant(s)/lessees with copies of all rules and regulations of the Association and also such further documentation as the Owner deems necessary or appropriate to assure the tenant's/lessee's compliance with the those Governing Document provisions that specifically pertain to the use and occupancy of Residences, the disposal of trash, use and enjoyment of the Common Areas, the maintenance of pets, the parking of vehicles and any other matters that the Association Rules identify as pertaining specifically to the lease or rental of Residences.

Pursuant to the Association's rule-making authority, the Association may prepare and distribute to Owners a disclosure document that presents a concise statement or enumeration of the provisions of this Declaration and the Association Rules that are most pertinent to the leasing and rental of Residences and the required compliance obligations of tenants, lessees and invitees during the period of their occupancy of a Residence.

(d) Association's Enforcement Rights and Rule-Making Authority. In the event a tenant's or lessee's conduct involves damage or misuse of any Common Area or Common Facilities or constitutes an unreasonable nuisance or breach of the rights of quiet enjoyment of other Rocky Ridge Residents, the Association shall have the authority, in the Board's discretion, to initiate an eviction action against that tenant or lessee to the same extent as the Owner of the leased or rented Lot and Residence, 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 initiation of an eviction action by the Association is not necessary, and (ii) the Owner has not taken action to prevent and/or correct the actions of the tenant/lessee giving rise to the damage or nuisance. In the case of tenant misconduct in the context of short-term rentals may render prosecution of an eviction action to be an inadequate remedy given the short term of the rental arrangement, the Association shall have the right to initiate immediate corrective or remedial action with a response that is appropriate to the nature of the circumstances and the gravity of the situation, including the levy of fines against the Owner of the Residence and/or summoning of aid from local law enforcement, if necessary.

Although short-term rentals of Residences are not prohibited, given the difficulty that the Association and management face in effectively regulating and responding to nuisance, parking and property damage problems caused by short-term rental occupants, Owners who pursue short-term rental programs are under a heightened obligation to advise their renters of their obligations and responsibilities under this Section 2.04 and the Association Rules and to fashion and implement their own internal controls for effectively responding to instances of Governing Document violations and nuisance incidents so as to protect the rights of quiet enjoyment of other Rocky Ridge residents. Owners who offer their Residences on a short-term rental basis are strongly encouraged to contract with a rental manager or a rental management company located in reasonable proximity to the Development who can respond with reasonable dispatch to complaints regarding tenant misconduct. In the event that the Association or Management experience a significant number of adverse issues that can reasonably be attributed to the short-term rental of Residences such as complaints from neighboring residents, rowdy behavior or other breaches of the quiet enjoyment of the Development, property damage or vandalism, the Board shall be entitled to adopt rules and regulations specifically designed to place further controls, requirements or limitations on short-term rentals.

(e) Indemnification of Association With Respect to the Activities, Conduct, or Damages of Lessees or Renters. Every Owner of a Residence that is occupied by persons other than the Owner pursuant to a lease, rental agreement 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 lessees, tenants, occupants and other invitees of the Owner's Lot and Residence within 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 lessees, renters, or other occupants, including eviction as provided in subparagraph (d), above, shall be reimbursed to the Association by the Owner and may be assessed by the Association as a Reimbursement Assessment in accordance with Section 4.04, below.

Section 2.05. Common Area Construction. Except as may be authorized by the Board pursuant to Article V, below, 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 Areas, including but not limited to roads, bridges, driveways and other methods of ingress and egress to and from a Lot, including, but not limited to the Walsh Lot and the Arnett Lot, or shall make or create any excavation or fill upon any portion of the Common Areas, or shall change the natural or existing drainage of the Common Areas, or shall plant, remove, or destroy any seed, plant material, tree, shrub, or other vegetation upon the Common Areas.

Section 2.06. Obligations of Owners. Owners of Lots within the Development shall be subject to the following duties and obligations:

(a) Owner's Duty to Notify Association of Tenants and Contract Purchasers. Each Owner shall notify the secretary of the Association or the Association's property manager, if any, of the names of any contract purchaser, tenant, or lessee residing on the Owner's Lot. Each Owner, contract purchaser or tenant shall also notify the secretary of the Association of the names of all persons to whom such Owner, contract purchaser or tenant has delegated any rights to use and enjoy the Development and the relationship that each such person bears to the Owner, contract purchaser or tenant. Unless the Association Rules otherwise provide, these notification rules shall only apply to situations involving contract purchasers and tenants and lessees where the term of the occupancy will be in excess of three months.

(b) Contract Purchasers. When an Owner enters into a land-sale contract which calls for title to the property to transfer to the Contract Purchaser only upon completion of all payments and other obligations under the contract (a "*Contract of Sale*"), the Contract Seller of the Lot must delegate his or her voting rights as a Member and his or her right to use and enjoy the Common Area and Common Facilities to any Contract Purchaser in possession of the property subject to the contract of sale. Notwithstanding the foregoing, the Contract Seller shall remain liable for any default in the payment of Assessments by the Contract Purchaser until title to the property sold has been transferred to the Contract Purchaser.

(c) Notification to Prospective Purchasers Regarding Governing Documents and Provision of Other Required Association Information.

(i) Documents that Selling Owners Must Provide to Prospective Purchasers. As more particularly provided in California Civil Code section 4525 as soon as practicable before transfer of title or the execution of a real property sales contract with respect

to any Lot, the Owner thereof must give the prospective purchaser the following documents and information:

(A) a copy of the Governing Documents of the Development;

(B) a copy of the most recent documents distributed by the Association pursuant to California Civil Code sections: 5300 (the Annual Budget Report), 5305 (a year-end review of the Association's financial statement); 5310 (the Annual Policy Statement) (see Article XII of the Bylaws). The documents required by Civil Code sections 5300 and 5300 can be provided to a requesting Owner/Member in either summary form or as full reports unless a Member has requested that a copy of the full report be provided in all instances. The full or summary reports required by Civil Code sections 5300 and 5310 must be delivered to a requesting Member by Individual Delivery and if a summary report is provided it must include a general description of the content of the report and instructions (in at least 10-point boldface type on the first page of the summary) on how the Member can request a complete copy of the report at no cost to the Member (Civil Code section 5320);

(C) a true statement ("*delinquency statement*") in writing from an authorized representative of the Association as to: (1) the amount of the Association's current regular and special assessments and fees; (2) the amount of any assessments levied upon the Owners Lot that remain unpaid as of the date of the delinquency statement and any monetary fines or penalties levied upon the Owner's Lot an unpaid as of the date of the delinquency statement. The delinquency statement shall also include true information on late charges, interest, and costs of collection that, as of the date of the delinquency statement, are or may become a lien against the Owner's Lot pursuant to Civil Code section 5675;

(D) a copy or a summary of any notice previously sent to the Owner pursuant to Civil Code section 5855 that sets forth any alleged violations of the Governing Documents that remain unresolved at the time of the request;

(E) a statement disclosing any change in the Association's current Regular and Special Assessments and fees that have been approved by the Board but have not become due and payable as of the date the information is provided; and

(F) if requested by the prospective purchaser, a copy of the minutes of meetings of the Board of Directors, excluding executive session meetings, conducted over the prior twelve (12) months that have been approved by the Board.

(ii) Association's Obligation to Provide Documents to a Requesting Owner; Manner of Delivery; Permissible Charges. Within ten (10) days of the mailing or delivery of a request for the information described in subparagraph (c)(i), above, the Association shall provide the Owner with copies of the requested items. Upon receipt of a written request, the Association shall also provide, on the form set forth in Civil Code section 4528, a written or electronic estimate of the fees that will be assessed for providing the requested documents. The documents that are required to be made available pursuant to subparagraph (c)(i) may be maintained in electronic form, and may be posted on the Association's Internet Web site, if one exists. Requesting parties shall have the option of receiving the documents by electronic

transmission if the Association maintains the documents in electronic form. The Association may collect a reasonable fee, based on the Association's actual cost for the procurement, preparation, reproduction and delivery of the documents that are requested pursuant to subparagraph (c)(i), above. No additional fees may be charged by the Association for the electronic delivery of any requested documents. Fees for any documents requested pursuant to this subparagraph (c) shall be distinguished from other fees, fines, or Assessments billed as part of the transfer or sales transaction.

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

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

(f) Joint Ownership of Lots. In the event of joint ownership of any Lot, the obligations and liabilities of the multiple Owners under the Governing Documents shall be joint and several. Without limiting the foregoing, this subparagraph (f) shall apply to all obligations, duties and responsibilities of Owners as set forth in this Declaration, including the payment of all Assessments.

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

ARTICLE III ROCKY RIDGE PROPERTIES OWNERS ASSOCIATION

Section 3.01. Management and Operation. At the inception of the Rocky Ridge common interest development the Rocky Ridge Properties Owners Association was formed to own the Common Areas and Common Facilities within Rocky Ridge and to manage, maintain, and operate the Development in accordance with the Governing Documents and the applicable provisions of California law. In order to achieve those objectives, 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 an incorporated, 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.

Section 3.02. Membership in the Association. Every Owner of a Lot within the Development 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.

Section 3.03. Member Voting Rights. Only Members in Good Standing, as defined in Section 1.26, above, shall be entitled to vote, and only one vote shall be cast for each Lot, regardless of the number of co-owners or the manner in which title is held (trust, corporation, partnership, etc.). Voting may also be by proxy according to the provisions of the California nonprofit mutual benefit corporation law (California Corporations Code sections 7110, at seq.).

Section 3.04. Member Meetings. There shall be one Annual Meeting of the Members at a date, time and location to be specified by the Board of Directors. Notice of said meeting shall be provided to all Members in accordance with the Bylaws.

Section 3.05. Powers and Authority of the Association.

(a) Statement of Association Powers, Generally. The Association shall have the responsibility of owning, managing and maintaining the Common Areas and Common Facilities of the Development and discharging the other duties and responsibilities imposed on the Association by the Governing Documents. In the discharge of such responsibilities and duties, the Association and its Board of Directors shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in the ownership and management of its properties and the discharge of its responsibilities hereunder for the benefit of its Members, including the power to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents.

(b) Board of Directors. In accordance with Corporations Code Section 7210, 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. With the exception of those matters requiring approval of the Members under the Governing Documents or California law, the affairs of the Association shall be conducted and all corporate powers shall be exercised by the Board of Directors and such officers and agents as the Board may elect, hire or appoint.

(c) Enumeration of Certain Specific Powers of the Association.

(i) Manager and Other Personnel. The Board of Directors shall have the power and authority to employ a manager and such other persons or entities as the Board shall deem appropriate to assist it in managing the Development and conducting the business and affairs of the Association. The Manager shall receive direction only from the President of the

Association or his/her designee unless otherwise specifically provided in a resolution duly adopted by the Board (such as the delegation of a specific task or responsibility to a committee).

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

(iii) 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, provided, however, that in any fiscal year acquisitions shall not exceed ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year or five thousand dollars (\$5,000), whichever is more, except upon the approval of a majority of the Total Voting Power of the Association.

(iv) 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 or five thousand dollars (\$5,000), whichever is more, except upon the approval of a majority of the Total Voting Power of the Association.

(v) Sale or Transfer of Association Property. Except as otherwise provided herein, the Board of Directors shall not in any fiscal year sell or transfer property owned by the Association having a value in excess of ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year without approval of a majority of the Total Voting Power of the Association.

(vi) Authority to Enter Into Leases or Rental Agreements of Certain Common Area Buildings. The Association Common Areas and Common Facilities include buildings and other improvements that are located near the intersection of Rocky Ridge Road and North Lake Boulevard. The Board of Directors shall have the power and authority to lease those Common Facilities for uses that are deemed to be to the advantage and in the best interests of the Association and its members. Currently one building is leased as a real estate and rental office and a portion of the Association's maintenance building is also leased to construction contractors.

(vii) Other Specific Powers. Reference is made to Article IX of the Bylaws for an enumeration of other specific powers of the Association and the Board and certain limitations on those powers.

Section 3.06. Association Rules.

(a) Rule-Making Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners ("**Association Rules**"). The Association Rules may concern, but need not be limited to: (i) matters pertaining to use of the Common Area and Common Facilities; (ii) architectural control and the rules and guidelines of the Architectural Control Committee adopted pursuant to Section 5.05, below; (iii) reasonable rules and regulations relating to the leasing or

rental of Residences (see Section 2.04(d), above); (iii) regulation of pet ownership, parking of vehicles, signs, collection and disposal of refuse and other matters subject to regulation and restriction under Article VII, below; (iv) collection of delinquent Assessments; (v) minimum standards of maintenance of landscaping or other Improvements on any Lot; (vi) the conduct of disciplinary proceedings in accordance with Section 11.05, below, (vii) and any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

Notwithstanding the foregoing grant of authority, the Association Rules shall not be inconsistent with or materially alter any provision of the Governing Documents or the rights, preferences and privileges of the Owners thereunder. In the event of any material conflict between any Association Rule and the provisions of any other Governing Document, the conflicting provisions contained in the other Governing Document shall prevail. All Association Rules shall be adopted, amended and repealed (as the case may be) in good faith and in substantial compliance with this Declaration and California Civil Code sections 4340 through 4370 (governing the adoption of Operating Rules, as defined in Civil Code sections 4340(a) and 4355(a)).

(b) Distribution of Rules. A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be delivered to each Owner by General Notice (Civil Code section 4045): (i) within fifteen (15) days after a new Association Rule is adopted or an existing Association Rule is amended (in which case only the new Rule or amendment need be distributed); or (ii) within ten (10) days following receipt of a written request from an Owner for a copy of the Rules. Owners who are in the process of selling their Lot and Residence are also obligated by Civil Code section 4525 to provide prospective purchasers with copies of all of the Association's Governing Documents, including the Association Rules.

(c) Adoption and Amendment of Rules.

(i) Requirement of Prior Notice to the Members of Certain Operating Rules or Amendments Thereto. California Civil Code sections 4340(a) and 4355(a) define an "**Operating Rule**" as an Association Rule or regulation that applies generally to the management and operation of the Development or to the conduct of the business and affairs of the Association. Civil Code section 4340(b) further defines a "**Rule Change**" as any adoption, amendment, or repeal of an Operating Rule by the Board of Directors. Civil Code section 4355(a) identifies seven types of Operating Rules (and Rule Changes involving such Operating Rules) that must first be provided to the Members by General Notice at least thirty (30) days prior to the Board taking action to adopt the Rule Change. The notice must include the text of the proposed Rule Change and a description of the purpose and effect of the proposed Rule Change. This requirement of prior notice to the Members applies only to Operating Rules that relate to one or more of the following subjects:

- (A) Use of the Common Areas of the Development
- (B) Use of any Residence or Lot in the Development (including Architectural Review Guidelines);

- (C) Member discipline, including any schedule of monetary penalties for violation of the Governing Documents and any procedure for the imposition of penalties;
- (D) Any standards for delinquent Assessment payment plans;
- (E) Any procedures adopted by the Association for resolution of disputes;
- (F) Any procedures for reviewing and approving or disapproving a proposed physical change to an Owner's Residence or Lot, from and after the time when the Association is solely responsible for appointing all members of the Architectural Control Committee and
- (G) Any procedures for the conduct of elections.

Specifically excluded by Civil Code section 4355(b) from the requirement of prior notice to Members are the following actions of the Board, regardless of whether those actions may be construed as being Association Rules or "Operating Rules", as defined in the Civil Code: (i) any Rule Change that the Board adopts to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Association (such "emergency rules" can be adopted by the Board and remain in effect for up to one hundred and twenty (120) days); (ii) decisions regarding maintenance of the Common Areas or Common Facilities; (iii) a decision on a specific matter that is not intended to apply to all Members, generally; (iv) a decision establishing the amount of a Regular or Special Assessment; (v) adoption of a Rule Change that is required by law (if the Board of Directors has no discretion regarding the substantive effect of the Rule Change); and (vi) issuance of a document that merely repeats existing law or the Governing Documents.

With respect solely to Operating Rules and/or Rule Changes listed in subparagraphs (A) through (G), of subparagraph (c)(i) above, Civil Code section 4365 gives Members owning five percent (5%) or more of the Lots in the Development the right to demand a special vote of the Members to reverse a proposed Rule Change, so long as the request for the special vote is delivered to the Association not more than thirty (30) days after the Members are given notice of the Rule Change. If a proper and timely demand for a special vote to rescind an Operating Rule or Rule Change is tendered to the Association, the Board shall conduct a special vote on whether to reverse the Rule Change pursuant to the rules for conducting a secret ballot vote of the Members pursuant to Civil Code sections 5100 through 5130.

So long as a quorum of the Members cast ballots, the proposed Operating Rule or Rule Change can be reversed on the affirmative vote of a Majority of a Quorum of the Members, with each Member having one vote on the matter for each Lot owned. If the Members vote to reverse an Operating Rule or a Rule Change, the Board may not take action to readopt the Operating Rule or Rule Change for a period of one year after the date of the vote reversing the Rule Change; provided, however, that this provision is not intended to preclude the Board from adopting a different Operating Rule or Rule Change on the same subject as the Rule Change that was successfully reversed.

As soon as possible following the close of voting on any proposal to reverse an Operating Rule or Rule Change, but not more than fifteen (15) days after the close of voting, the Board shall provide notice to each Member by General Notice of the results of the Member vote challenging the Operating Rule or Rule Change. See Civil Code section 4365.

(ii) Minimum Content for Election Rules. Civil Code section 5105 requires associations to adopt Operating Rules regarding the conduct of elections that do all of the following:

(A) Access to the Media. Ensure that any candidate or Member advocating a point of view is provided access to Association media, newsletters, or Internet Web sites during a campaign so long as the access is reasonably related to that election, equal access shall be provided to all candidates and Members advocating a point of view (whether or not endorsed by the Board). The Association may not edit or redact any content from these campaign communications, but may include a statement specifying that the candidate or Member, and not the Association, is responsible for that content.

(B) Access to Common Facilities. Ensure access to the Common Area meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all Members advocating a point of view (whether or not endorsed by the Board) so long as use of the space is for a purpose that is reasonably related to the election.

(C) Candidate Qualifications. Specify the qualifications for candidates for election to the Board of Directors and any other elected position, and procedures for the nomination of candidates. A nomination or election procedure shall not be deemed reasonable if it disallows any Member of the Association from nominating himself or herself for election to the Board.

(D) Voter Qualifications. Specify the qualifications for voting, the Voting Power of each membership, the authenticity, validity, and effect of proxies, and the voting period for elections, including the times at which polls will open and close.

(E) Selection of Inspectors of Election. Specify a method of selecting one or three inspectors of election by the Board of Directors.

(F) Appointment of Assistants to the Inspector of Elections. Allow the inspector, or inspectors, to appoint and oversee additional persons to verify signatures and to count and tabulate votes as the inspector or inspectors deem appropriate, provided that the persons are independent third parties (as defined in Section 7.05(e) of the Bylaws).

(iii) Adoption of Other Association Rules. Except as provided in subparagraph (c)(i), above, with respect to certain Operating Rules and Rule Changes that must first be distributed to the Members, any other Association Rules may be adopted or amended from time to time by majority vote of the Board; provided, however, that no Association Rule or amendment thereto shall be adopted by the Board until at least thirty (30) days after the proposed rule or rule amendment has been distributed in writing to each Member, along with a description of the purpose and effect of the proposed Association Rule or amendment thereto. 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 Association Rules shall become effective immediately following the date of adoption thereof by the Board, or at such later date as the Board may deem appropriate. Any duly adopted rule or rule amendment shall be distributed to the Owners by mail or personal delivery.

(iv) Prohibition on Adoption of Certain Rules. In accordance with Civil Code section 4730, any rule or regulation of an association that arbitrarily or unreasonably restricts an Owner's ability to market his or her Residence and Lot is void. In addition, no Association Rule or other Governing Document can prohibit, or impose conditions that have the effect of prohibiting the use of low water-using plants as a group or restricting compliance with any water-efficient landscape ordinance adopted pursuant to Government Code section 65595(c) or any regulation or restriction on the use of water that is adopted pursuant to California Water Code section 353 or 375.

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

Section 3.07. Limitation on Liability of the Association's Directors and Officers.

(a) Claims Regarding Breach of Duty. In accordance with Corporations Code section 7231, no director or officer of the Association (collectively and individually referred to as the "**Released Party**") shall be personally liable to any of the Members or to any other person, for any error or omission in the discharge of his or her duties and responsibilities or for his or her failure to provide any service required under the Governing Documents; provided that such Released Party has, upon the basis of such information as he or she possessed, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Without limiting the generality of the foregoing, this standard of care and limitation of liability shall extend to such matters as the establishment of the Association's annual budget, the funding of Association Reserve Accounts, repair and maintenance of Common Areas and Common Facilities and enforcement of the Governing Documents.

(b) Other Claims Involving Tortious Acts and Property Damage. In accordance with Civil Code section 5800, no person who suffers bodily injury (including, without limitation, emotional distress or wrongful death) as a result of the tortious act or omission of a volunteer member of the Board or volunteer officer of the Association shall recover damages from such Board member or officer if all of the following conditions are satisfied:

- (i) The Board member or officer owns no more than two (2) Lots;
- (ii) The act or omission was performed within the scope of the volunteer Board member's or officer's Association duties;

- (iii) The act or omission was performed in good faith;
- (iv) The act or omission was not willful, wanton, or grossly negligent;
- (v) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made general liability insurance with coverage of at least One Million Dollars (\$1,000,000).

The payment of actual expenses incurred by a Board member or officer in the execution of such person's Association duties shall not affect such person's status as a volunteer Board member or officer for the purposes of this Section 3.07. The provisions of this subparagraph (b) are intended to reflect the protections accorded to volunteer directors and officers of community associations pursuant to California Civil Code section 5800 and should not be construed to expand or limit the fiduciary duties owed by a Board member or officer. In the event said Civil Code section is amended or superseded by another, similar provision of the California statutes, this subparagraph (b) shall be deemed amended, without the necessity of further Member approval, to correspond to the amended or successor Civil Code provision.

Section 3.08. Easements to Owners. Notwithstanding any other provisions of the Governing Documents, upon approval of a majority of the total Voting Power of the Members of the Association, the Board shall have the power to grant and convey easements, licenses for use and rights of way in, over, or under the Common Area or any portion thereof to Lot Owners, for such purposes as the Board deems to be appropriate and not inconsistent with the purposes and interests of the Association.

Section 3.09. Mortgage of Association Real Property. Upon approval of a majority of the Total Voting Power of the Association, 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.

Section 3.10. Access to Residences. The Board and its duly authorized agents or representatives, including maintenance personnel, shall have the right at any reasonable time, or at any time in the event of an emergency, such as fire or plumbing failures, to enter any Lot or Residence 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. Because a substantial number of Rocky Ridge Owners are not permanent residents, it is not the custom or practice of maintenance personnel to provide prior notice of the need for entry for maintenance purposes when the Residence is not occupied at the time of the maintenance visit. Under no circumstances shall prior notice of the need to access an unoccupied Residence be required to respond to an emergency situation threatening damage to the Residence or to any neighboring or nearby Residence or improvement.

ARTICLE IV ASSESSMENTS

Section 4.01. Assessments Generally.

(a) Covenant to Pay Assessments. In accordance with Civil Code section 5600(a), the Association shall levy Annual and Special Assessment sufficient to perform its obligations under the Governing Documents and the Davis-Stirling Act. Each Owner of a Lot, by acceptance of a deed therefore (whether or not it shall be so expressed in such deed) covenants and agrees to pay to the Association any (i) Annual Assessments, (ii) Special Assessments (iii) Emergency Assessments, and (iv) Reimbursement Assessments duly levied by the Association in accordance with this Article IV, together with all Additional Charges.

(b) Use of Annual 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 Areas and Common Facilities and, to the extent provided for in the Governing Documents or by law, of the Lots and Residences 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.

(c) Extent of Owner's Personal Obligation for Assessments. In accordance with Civil Code section 5650(a), all Assessments, together with any Additional Charges (including reasonable attorneys' fees) for the collection thereof, shall be a debt and a personal obligation of the person who is the Owner of the Lot at the time the Assessment is levied or the Additional Charges are incurred. Each Owner who acquires title to a Lot (whether by conventional conveyance or at judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments and Additional Charges attributable to the Lot which become due and payable after the date that the person acquires title. Accordingly, when a person acquires title to a Lot, the new Owner shall not be personally liable for delinquent Assessments and Additional Charges of prior Owners of the same Lot unless the new Owner expressly assumes the personal liability of a prior Owner. However, if the acquired Lot is conveyed subject to a valid lien for delinquent Assessments and related costs of collection and other Additional Charges (i.e. the lien is not removed from record prior to close of escrow in the sale of the Lot), the Association may continue to exercise its foreclosure remedies against the Lot, regardless of the change of ownership, and/or the Association may pursue its collection remedies against the prior Owner, individually.

(d) Creation of Assessment Lien. All Assessments and fees, together with any Additional Charges levied for the collection thereof (including reasonable attorneys' fees), shall be a personal obligation of the assessed Owner as of the date that the Assessment or Additional Charge is levied. In addition, the amount of the Assessment, plus any Additional Charges in accordance with Civil Code section 5650(b), shall be a lien on the Owner's Lot from and after the date that the Association causes to be Recorded in the Office of the County Recorder a Notice of Delinquent Assessment pursuant to Civil Code section 5675(a) and Section

4.10(b)(v), below. Any lien for unpaid Assessments and Additional Charges (other than certain Reimbursement Assessments) created pursuant to the provisions of this Article IV may be subject to foreclosure to the extent and as provided in Section 4.10(b), below. As provided in Section 4.10(b)(x), below, and Civil Code section 5725(b), certain Reimbursement Assessments are prohibited by law from being recovered through the use of non-judicial foreclosure remedies.

(e) No Avoidance of Assessment Obligations. No Owner may exempt himself/herself from personal liability for Assessments and Additional Charges duly levied by the Association, nor release the Owner's Lot from the liens and charges hereof by waiver of the use and enjoyment of the Common Areas or any facilities thereon or by abandonment or non-use of his/her Lot or any other portion of the Development.

(f) Limitation on Amount of Assessments and Fees. In accordance with Civil Code section 5600(b), the Association shall not impose or collect an Assessment or fee that exceeds the amount necessary to defray the costs for which the Assessment or fee is levied. Notwithstanding this statutory limitation, Civil Code section 5600(b) does not require an exact correlation between fees and Assessments established by the Board of Director in the reasonable exercise of the Board's discretion and the costs for which the fee or Assessment is levied. Instead, what is required is a reasonable good faith estimate of the amount of the fee necessary to defray the cost for which it is levied (*Watts v Oak Shores Community Association* (2105) 235 Cal App 4th 466).

Section 4.02. Annual Assessments.

(a) Preparation of Annual Budget and Annual Budget Report. In accordance with Civil Code section 5300(a), not less than thirty (30) days nor more than ninety (90) days before the end of the Association's fiscal year, the Board shall distribute to the Members by some form of Individual Delivery an Annual Budget Report that includes a pro forma operating budget, showing the estimated revenue and expenses of the Association on an accrual basis, a summary of the Association's Reserves (prepared in accordance with Civil Code section 5565) and the other financial information and disclosures required by Civil Code section 5300(b). The Annual Budget Report must also be accompanied by the Assessment and Reserve Funding Disclosure Summary form that is set forth at Civil Code section 5570. The pro forma operating budget and other information in the Annual Budget Report form the basis for determining the aggregate *Annual Assessment* for the next succeeding fiscal year and if the information and analysis that is presented in the Annual Budget Report indicates that there will be a need for an increase in the amount of the Annual Assessment or the levy of a Special Assessment, the Association shall advise its Members, by Individual Notice, of the increase in the Annual Assessment or need for a Special Assessment not less than thirty (30) nor more than sixty (60) days prior to the increased Assessment becoming due (Civil Code section 5615).

(b) Establishment of Annual Assessment; Board/Membership Approval Requirements. The total Common Expenses estimated in the Association's budget (less projected income from sources other than Assessments) shall become the aggregate Annual Assessment for the next succeeding fiscal year; provided, however, that the Board's authority to increase the Annual Assessment in any particular fiscal year shall be subject to receipt of

approval of a Majority of a Quorum of the Members in accordance with Section 4.08, below, under either of the following situations:

(i) The Board fails to make a timely distribution of an Annual Budget Report that includes the information required by subparagraphs (2), (4), (5), (6), (7) and (8) of Civil Code section 5300(b) within the time prescribed in subparagraph (a), above (Civil Code section 5605(a)); or

(ii) The pro forma budget and other calculations in the Annual Budget Report indicate that the Annual Assessment must be increased by more than twenty percent (20%) above the Annual Assessment for the Association's immediately preceding fiscal year. (Civil Code section 5605(b)).

(c) Allocation and Payment of Annual Assessments. The Board shall allocate and assess the amount of estimated required funds equally among the Lots by dividing the amount by the number of Lots within the Development. Unless the Board shall designate otherwise, Annual Assessments shall be levied on an annual basis and shall be paid in four (4) equal quarterly installments in advance during the fiscal year, and each installment shall be due and payable on the first day of each calendar quarter. Installments of Annual Assessments shall be delinquent if not paid within thirty (30) days of the due date as established by the Board.

(d) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member of the Association. The Assessment roll shall show, for each Lot, the name and address of the Owner of Record, all Regular, Special, Emergency, and Reimbursement Assessments levied against each Owner and his or her Lot, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by Section 2.06(c)(1)(C), above, shall be conclusive upon the Association and the Owner of such Lot as to the amount of such indebtedness appearing on the Association's Assessment roll as of the date of such statement in favor of all persons who rely thereon in good faith.

(e) Mailing Notices of Assessments and Related Financial Disclosures. Not less than thirty (30) nor more than sixty (60) days prior to the beginning of the Association's fiscal year the Board of Directors shall provide its Members, by Individual Notice of the amount of the Annual Assessment for the next succeeding fiscal year. This notice is in addition to the following notices which must also be distributed to the Members: (i) the written notice required by Civil Code section 5730 which Members with general information regarding Assessments, foreclosure rights, payment of assessments and payment plans; (ii) the form required by Civil Code section 5570 that provides summarized information regarding the amount of the current Annual Assessment, additional assessments that have already been scheduled to be imposed or charged, and the calculation of capital replacement Reserve Funding and Reserve Account requirements; and (iii) the statement that is required by Civil Code section 5310(a)(7)) which describes the Association's policies and practices in enforcing lien rights or other legal remedies for the collection of delinquent Assessment obligations. These budgets and disclosure documents

shall be delivered to the Members by one of the methods authorized by Civil Code section 4040 (i.e., by a form of notice that constitutes "*Individual Delivery*").

(f) Installment Payment. The Annual Assessment made against each Owner shall be due and payable in advance to the Association in equal quarterly installments on the first day of each quarter or on such other date or dates as may be established from time to time by the Association's Board of Directors.

Section 4.03. Special Assessments.

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

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

(ii) Additional Capital Improvements or Other Extraordinary Non-Recurring Expenditures. The Board may also levy Special Assessments for additional capital improvements within the Common Areas (i.e., improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities) or to defray the costs of any other extraordinary, non-recurring actions or undertakings that the Board, in its discretion, determines to be to the advantage and in the best interests of the Members as a whole. The Special Assessment power conferred hereunder is not intended to diminish the Board's obligation to plan and budget for normal maintenance, replacement and repair of the Common Areas or the existing Common Facilities through Annual Assessments (including the funding of reasonable capital repair and replacement Reserves) and to maintain adequate insurance on the Common Areas and its existing Common Facilities in accordance with Article IX, below. Pursuant to Civil Code sections 5550 through 5570, Special Assessments can be used as one source of funding for Reserve Accounts, however it is not the policy of the Association to rely on that source of funding as part of a responsible Reserve Funding Plan.

(iii) Requirements for Special Assessments Levied to Fund Multi-Year Projects. Typically Special Assessments shall only be imposed to fund a specific capital improvement project during a particular fiscal year. However, if the Board determines that a Special Assessment should be levied to fund a portion of a capital project which will, or is likely to, entail work and/or funding in more than one fiscal year, this fact and a detailed disclosure of the intended scope and estimated costs of the project shall also be included in the Association's Annual Budget Report for the year in which the Special Assessment is imposed.

(iv) Major Capital Repair and Reconstruction Projects. As more particularly provided in Section 10.01, below, the Board shall be entitled to levy a Special Assessment to fund uninsured major repairs or reconstruction of Common Areas and Common Facilities, subject to the Member approval requirements set forth in Section 10.01, below.

(b) Special Assessments Requiring Membership Approval. The following Special Assessments require prior approval of the Members in accordance with Section 4.08, below: (i) any Special Assessments which, in the aggregate, exceed five (5%) percent of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied (Civil Code section 5605(b)); and (ii) any Special Assessments imposed pursuant to subparagraph (a)(i) of this Section when the Board has failed to distribute a budget to the Members within the time specified in Section 4.02(a), above. The foregoing Member approval requirements shall not apply, however, to any Special Assessment imposed to address any "**Emergency Situation**" as defined in Section 4.05, below.

(c) Allocation and Payment of Special Assessments.

(i) Allocation of Special Assessments. When levied by the Board or approved by the Members as provided above, Special Assessments shall be divided among, assessed against and charged to each Owner and his or her Lot in the same manner prescribed for the allocation of Annual Assessments pursuant to Section 4.02(c), above. The Special Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be provided to each Owner, by Individual Delivery, not less than thirty (30) nor more than sixty (60) days prior to the Special Assessment becoming due (Civil Code section 5615).

(ii) Payment Due Dates and Notice of the Special Assessment. Special Assessments for purposes described in subparagraph (a)(i) of this Section shall be due as a separate debt of the Owner and a lien against his or her Lot, and shall be payable to the Association in the same manner as the payment of Annual Assessments during the remainder of the then current fiscal year. Special Assessments for purposes described in subparagraph (a)(ii) shall be due as a separate debt of the Owner and a lien against his or her Lot, and shall be payable in full to the Association within thirty (30) days after the mailing of such notice or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment. Special Assessments levied pursuant to subparagraph (a)(iii), above, shall be payable in such reasonable installments as shall be established at the time the Special Assessment is levied. Special Assessments levied pursuant to subparagraph (a)(iv) and Section 10.03, below, shall be due as a separate debt of each Owner and a lien against the Owners' Lots at such time as required by the repair or reconstruction project. The Association must provide Individual Notice to the Members of any Special Assessment not less than thirty (30) nor more than sixty (60) days prior to the due date for payment of the Special Assessment.

Section 4.04. Reimbursement Assessments.

(a) Circumstances Giving Rise to Reimbursement Assessments. In addition to the Special Assessments levied against all Owners in accordance with Section 4.03, above, the Board of Directors may impose **Reimbursement Assessments** against an Owner in any of the

circumstances described in subparagraphs (i) through (iii) below; provided, however, that no Reimbursement Assessments may be imposed against an Owner pursuant to this Section until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Section 13.06, below, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Reimbursement Assessments include the following:

(i) Damage to Common Areas or Common Facilities. In the event that any damage to, or destruction of, any portion of the Common Areas or the Common Facilities is caused by the willful misconduct or negligent act or omission of any Owner, any member of his or her family, or any of his or tenants, guests, servants, employees, licensees or invitees, the Board shall cause the same to be repaired or replaced, and all costs and expenses incurred by the Association in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Reimbursement Assessment. If the Association's insurance provides coverage for the damage, the Owner who caused or is responsible for the damage shall remain responsible for the payment of any applicable insurance deductible.

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses to: (A) accomplish the payment of delinquent Assessments; (B) perform any repair, maintenance or replacement to any portion of the Development that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion, or (C) to otherwise bring the Owner, his or her tenants, guests, servants, employees, licensees, or invitees, and/or his or her Lot into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties duly imposed hereunder, title company fees, accounting fees, court costs and reasonable attorneys' fees) shall be assessed and charged solely to and against such Owner as a Reimbursement Assessment. The Association's Reimbursement Assessment authority hereunder shall extend to the collection of any reasonable fines or penalties imposed against an Owner pursuant to Article XI, below.

(iii) Required Maintenance of Lots. If any Lot and/or Residence on a Lot is maintained so as to become a nuisance, structural, fire or safety hazard for any reason, including without limitation, the accumulation of trash, the Association shall have the right to enter said Lot, correct the condition and recover the cost of such action through the imposition of a Reimbursement Assessment against the offending Owner. Any entry on to a Lot by the Association or its agents shall be undertaken in strict compliance with Section 3.10, above.

(iv) Recovery of Certain Association Maintenance Costs. As stated in Article VI, below, certain maintenance and repair obligations of the Association with respect to certain components of the Residences are subject to the right of the Association to recover its maintenance costs from the Owner of the Residence as a Reimbursement Assessment.

(b) Levy of Reimbursement Assessment and Payment. Once a Reimbursement Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed, in subparagraph (a) of this Section 4.04, such Reimbursement Assessment shall be recorded on the Association's Assessment roll and notice thereof shall be

mailed to the affected Owner by Individual Notice. The Reimbursement Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within thirty (30) days after the mailing of notice of the Assessment.

(c) Limitation on Right to Lien Lots For Reimbursement Assessments. The right of the Association to collect delinquent Reimbursement Assessments through the use of lien and foreclosure remedies is subject to the limitations set forth in Section 4.10(b)(x), below, and Civil Code section 5725. However Reimbursement Assessments may be collected by the Association through the use of other legal processes, including, without limitation, an action in small claims court.

Section 4.05. Assessments to Address Emergency Situations.

(a) Authority of Board to Impose Emergency Assessments. In accordance with Civil Code section 5610, the requirement of a membership vote to approve: (i) Annual Assessment increases in excess of twenty percent (20%) of the previous year's Annual Assessment; or (ii) Special Assessments which, in the aggregate, exceed five percent (5%) of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied, shall not apply to Assessments necessary to address Emergency Situations ("***Emergency Assessments***"). For purposes of this Section 4.05, an Emergency Situation is any of the following:

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

(b) Payment of Emergency Assessments. When levied by the Board the Emergency Assessment shall be divided among, assessed against and charged to each Owner and his or her Lot in the same manner prescribed for the allocation of Annual Assessments pursuant to Section 4.02(c), above. The Emergency Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner. An Emergency Assessment shall be due as a separate debt of the Owner and shall be payable in full to the Association within thirty (30) days after the mailing of the notice of the Emergency Assessment or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Emergency Assessment. If an Emergency Assessment is not paid on or before the due date, the Assessment may be enforced in the manner provided in Section 4.10, below.

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

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

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

Section 4.08. Notice and Procedure for Member Approval Pursuant to Sections 4.02 and 4.03. In the event that Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 4.02 and 4.03, above, the affirmative vote required to approve the increase shall be a Majority of a Quorum of the Members. The quorum required for such membership action shall be a majority of the Members (Civil Code section 5605). Any vote on an increase in the Annual Assessment or on the imposition of a Special Assessment that requires approval of the Members must be conducted by use of a secret ballot and that balloting process shall be conducted using the procedures described in Section 7.05 of the Bylaws and Civil Code sections 5115 through 5125.

Section 4.09. Maintenance and Expenditure of Assessment Funds.

(a) **Establishment and Maintenance of Association Bank Accounts.** All sums received or collected by the Association from Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more insured checking, savings or money market accounts in a bank or savings and loan association selected by the Board of Directors. In addition, the Board shall be entitled to make prudent investment of Reserve Funds in FDIC insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees. The Board and such officers or agents of the Association as the Board shall designate shall have exclusive control of said account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof. The withdrawal of funds from Association accounts shall be subject to the minimum signature requirements imposed by California Civil Code section 5510(a) and Section

12.02 of the Bylaws. Any interest received on deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Association as provided in subparagraph (b), below.

(b) Expenditure of Assessment Funds. Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments. If the proceeds of any Special Assessment exceed the requirement of which such Assessment was levied, such surplus may, in the Board's discretion, be: (i) returned proportionately to the contributors thereof; (ii) reallocated among the Association's Reserve Accounts if any such account is, in the Board's opinion, underfunded; or (iii) credited proportionately on account of the Owners' future Annual Assessment obligations. In accordance with Civil Code section 5510(b), except for temporary transfers of monies from Reserve Accounts that are permitted pursuant to subparagraph (d)(iii), below, the Board of Directors shall not expend funds designated as Reserve Funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, Major Capital Improvements within the Development that the Association is obligated to repair, restore, replace or maintain and for which the Reserve Fund was established.

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

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

(d) Reserve Funds.

(i) Required Study of Reserve Account Requirements. As more particularly provided in Section 12.08 of the Association Bylaws, at least once every three (3) years, the Association Board is required by Civil Code section 5550(a) to cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the Major Capital Improvements within the Development that the Association is obligated to repair, replace, restore, or maintain as part of a study of the Association's Reserve Account requirements (a

"**Reserve Study**"). This three (3) year rolling Reserve Study must also be reviewed annually by the Board and adjusted as appropriate. As used herein, the phrase "**Major Capital Improvements**" shall be as defined to include those Major Capital Improvements within the Development that are maintained by the Association. If a particular Major Capital Improvement has a remaining useful life of less than thirty (30) years it shall be included in the Association's Reserve Study. Civil Code section 5550(b) requires that the Reserve Study include all of the following:

(A) an identification of the Major Capital Improvements that the Association is obligated to repair, replace, restore, or maintain which, as of the date of the Reserve Study, have a remaining useful life of less than thirty (30) years;

(B) an identification of the probable remaining useful life of those Major Capital Improvements of the Development;

(C) an estimate of the cost of repair, replacement, restoration, or maintenance of the Major Capital Improvements;

(D) an estimate of the total annual contribution to the Association's Reserve Account(s) that is necessary to defray the cost to repair, replace, restore, or maintain the Major Capital Improvements for which the Association is responsible during and at the end of their useful life, after subtracting total Reserve Funds as of the date of the Reserve Study; and

(E) a **Reserve Funding Plan** that will disclose to the Members how the Association intends to raise the money that the Reserve Study indicates the Association will need (subparagraph (D)) to meet the Association's obligations for the repair and replacement of all Major Capital Improvements of the Development for which the Association is responsible that have an expected remaining life of thirty (30) years or less, not including those Major Capital Improvements that the Board has determined not to repair or replace.

The Reserve Funding Plan required by Civil Code section 5550 shall include a schedule of the date and amount of any change in the Association's Regular Assessments or Special Assessment that would be needed to sufficiently fund the Association's Reserve Account(s), consistent with the Reserve Funding Plan.

(ii) Adoption of the Reserve Funding Plan. The Reserve Funding Plan that is required pursuant to subparagraph (i) shall be adopted by the Board of Directors at a meeting of the Board that is open to attendance by the Members (Civil Code section 5560(b)) and shall include a schedule of the date and amount of any change in the Association's Regular or Special Assessments that would be needed to sufficiently fund the Reserve Funding Plan. If the Plan includes an increase in Assessments to properly fund the Reserve Accounts, approval of that increase shall be done as a separate action of the Board, with Member approval for the action if required by Civil Code section 5605(b) (see also Sections 4.02(b) and 4.03(c) of this Declaration). The Association shall be obligated to provide its Members with the statutory Assessment and Reserve Funding Disclosure Summary (Civil Code section 5570) that presents a summary of the Association's Reserve Funding Plan adopted by the Board of Directors in accordance with Civil Code section 5550(b). This summary shall include notice to the Members

that the full Reserve Funding Plan is available upon request by a Member and will be provided to the Member in response to that request.

(iii) Permitted Temporary Transfers of Reserve Funds.

Notwithstanding the restrictions on the use of Reserve Funds set forth in subparagraph (b), above, Civil Code section 5515 permits the Board to authorize the temporary transfer of money from a Reserve Account to the Association's general operating fund to meet short term cash flow requirements or other expenses of the Association if the Board has provided notice of the intent to consider the transfer in a notice of an open meeting of the Board, which shall be provided to the Members as specified in Civil Code section 4920). The notice shall include the reasons why the transfer of funds from the Reserve Account(s) is needed, some of the options for repayment, and whether a Special Assessment may be considered. If the Board authorizes the transfer, the Board shall issue a written finding, recorded in the Board's minutes, explaining the reasons why the transfer is needed, and describing when and how the monies will be repaid to the Reserve Account(s).

The transferred funds shall be restored to the Reserve Account(s) within one year of the date of the initial transfer, except that the Board may, after giving the same notice required for considering a transfer, and upon making a finding supported by documentation that a temporary delay would be in the best interests of the Development, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of the withdrawn Reserve Funds and in restoring the expended funds to the Reserve Account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this subparagraph (d). This Special Assessment is subject to the Member approval requirements of California Civil Code section 5605 and Section 4.03(b), above, if the aggregate amount of the Special Assessment that is required to replenish the Reserve Account(s) exceeds five percent (5%) of the budgeted gross expenses of the Association for the year in which the Special Assessment is imposed. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

When the decision is made to use Reserve Funds or to temporarily transfer money from the Association's Reserve Accounts to pay for litigation, the Association shall provide General Notice to the Members (Civil Code section 4045) of the Board's decision and of the availability of an accounting of those expenses. The Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's principal office. Civil Code section 5520(b).

Section 4.10. Collection of Assessments; Enforcement of Liens. In accordance with Civil Code section 5650(b), installments of Annual Assessments shall be delinquent if not paid within thirty (30) days of the due date as established by the Board. Special Assessments, Reimbursement Assessments and Emergency Assessments shall be delinquent if not paid within the times prescribed in Sections 4.03(c), 4.04(b) and 4.05(b), respectively. When an Assessment becomes delinquent, the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to

the limitations imposed by California Civil Code section 5650(b) or comparable successor statute. Once an Assessment becomes delinquent, the Association may elect to apply one or both of the following remedies:

(a) Enforcement of An Owner's Personal Obligation to Pay Assessments. In accordance with Civil Code section 5700, the Association may bring a legal action directly against an Owner for breach of the Owner's personal obligation to pay Assessments levied against the Owner's Lot and in such action the Association shall be entitled to recover the delinquent Assessment or Assessments, accompanying late charges, interest, costs and reasonable attorneys' fees. Commencement of a legal action shall not constitute a waiver of any lien rights as described in subparagraph (b), below.

(b) Imposition and Enforcement of Assessment Lien and Limitations Thereon. In accordance with Civil Code sections 5675 and 5705 through 5720, and except as otherwise provided in Civil Code section 5725 and subparagraph (b)(x), below (which imposes limitations on the right of the Association to utilize non-judicial foreclosure remedies to collect certain Reimbursement Assessments), the Association may impose a lien against the Owner's Lot for the amount of the delinquent Assessment or Assessments, plus any reasonable costs of collection (including reasonable attorneys' fees, late charges and interest) by taking the following steps:

(i) Issuance of Pre-Lien Notice; Contents. In accordance with Civil Code section 5660, at least thirty (30) days prior to recording a lien upon the Owner's Lot to collect a delinquent Assessment, the Association shall notify the Owner in writing by certified mail of the following (the "*Pre-Lien Notice*"):

(A) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount, a statement that the Owner of the Lot has the right to inspect the Association records, pursuant to Civil Code section 5205, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed: "IMPORTANT NOTICE: IF YOUR LOT IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."

(B) An itemized statement of the charges owed by the Owner, including items on the statement which indicate the amount of any delinquent Assessments, the fees and reasonable costs of collection, reasonable attorneys' fees, any late charges, and interest, if any.

(C) A statement that the Owner shall not be liable to pay the charges, interest, and costs of collection previously levied by the Association if it is subsequently determined that the Assessment was paid on time.

(D) The right of the notified Owner to request a meeting with the Board as provided in subparagraph (iv), below, and Civil Code section 5665 in order to discuss entering into a payment plan to retire the delinquency.

(E) The right to dispute the Assessment debt by submitting a written request for dispute resolution to the Association pursuant to the Association's "meet and confer" program pursuant to Civil Code sections 5900 through 5915;

(F) The right of the noticed Member to request alternative dispute resolution (ADR) with a neutral third party pursuant to Civil Code sections 5925 through 5945 before the Association may initiate foreclosure against the Owner's Lot, except that binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure, rather than a non-judicial foreclosure.

(ii) Application of Payments. Civil Code section 5655 sets forth the following requirements that must be observed when an Owner tenders payment on account of delinquent Assessments: (A) Any payments made by a delinquent Owner toward the delinquent Assessments that are in arrears shall first be applied to the Assessments that are owed at the time the payment is made; (B) only after the Assessments owed are paid in full shall the payments be applied to the fees and the costs of collection, attorneys' fees, late charges or interest; (C) when an Owner makes a payment, the Owner may request a receipt and the Association shall provide it. The receipt shall indicate the date of payment and the person who received the payment on behalf of the Association; and (D) the Association shall provide its Members with a mailing address for overnight payment of Assessments.

(iii) Pre-Lien Offer to Meet and Confer with the Owner. In accordance with Civil Code section 5670, prior to recording a lien for delinquent Assessments, the Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution pursuant to the Association's meet and confer program that is required by Civil Code sections 5900 through 5910.

(iv) Rights of Owners to Propose Payment Plans. In accordance with Civil Code section 5665, an Owner may also submit a written request to meet with the Board to discuss a payment plan for the delinquent assessment. This request must also be made within fifteen (15) days of the postmark of the Pre-Lien Notice. The Association shall provide the Owners with the standards for payment plans, if such standards have been adopted. So long as a timely request for a meeting has been tendered, the Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the request for a meeting, unless there is no regularly-scheduled Board meeting within that period, in which case the Board may designate a committee of one or more Members to meet with the Owner. Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans shall not impede an Association's ability to record a lien on the Owner's Lot to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the Owner is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Association may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan.

(v) Association Assessment Lien Rights.

(A) Creation of Association's Assessment Lien; Contents of Notice of Delinquent Assessment. Except as provided in subparagraph (x), below (relating to limitations on the right of the Association to use foreclosure remedies to collect Reimbursement Assessments), the amount of the Assessment, plus any costs of collection, late charges, and interest assessed in accordance with Civil Code section 5650 shall be a lien on the Owner's Lot from and after the time the Association causes to be recorded in the Office of the County Recorder a *Notice of Delinquent Assessment* pursuant to Civil Code section 5675. The Notice of Delinquent Assessment shall state the amount of the Assessment and other sums imposed in accordance with Civil Code section 5650(b), a legal description of the Owner's Lot against which the Assessment and other sums are levied, and the name of the record owner of the Owner's Lot against which the lien is imposed. In order for the lien to be imposed by non-judicial foreclosure as provided in subparagraphs (vii) and (viii), below, the Notice of Delinquent Assessment shall state the name and address of the trustee authorized by the Association to enforce the lien by sale. The itemized statement of the charges owed by the Owner that is required by subparagraph (b)(i)(B), of this Section 4.10 and Civil Code section 5660(b) shall be recorded together with the Notice of Delinquent Assessment. The Notice of Delinquent Assessment shall be signed by any officer of the Association or by the person designated by the Association for that purpose or if no one is designated, by the president of the Association.

(B) Board Decision to Record a Lien; Open Meeting. In accordance with Civil Code section 5673, the decision to record a lien for delinquent assessments shall be made only by the Board of Directors of the Association and may not be delegated to an agent of the Association. The Board shall approve the decision by a majority vote of the Board in an open meeting and the vote shall be recorded in the minutes of the meeting (Civil Code section 5673). If the Association fails to abide by the Pre-Lien Notice and other procedures set forth above, the Association must recommence the required notice process, with any resulting additional costs being borne solely by the Association (Civil Code section 5690).

(C) Requirements for Tendering Copy of the Lien to Affected Owners. A copy of the recorded Notice of Delinquent Assessment shall be mailed by certified mail to every person whose name is shown as an Owner of the Lot in the Association's records, and the notice shall be mailed no later than ten (10) calendar days after its Recordation (Civil Code section 5675(e)). Upon receipt of a written request by an Owner identifying a secondary address for purposes of collection notices, the Association shall send additional copies of any notices, including Notices of Delinquent Assessments and Notices of Default, required by Civil Code sections 4040(b) and 5260(b) to the secondary address that is specified.

(vi) Priority of Assessment Liens. A lien created pursuant to subparagraph (v)(A), above, or subparagraph (x), below, shall be prior to all other liens recorded against the Owner's Lot subsequent to the Notice of Delinquent Assessment, except as described in Section 4.12, below. (Civil Code section 5680).

(vii) Enforcement of Assessment Liens. Subject to the limitations set forth in this Section 4.10(b) and in particular this subparagraph (vii), after the expiration of thirty (30) days following the recording of a Notice of Delinquent Assessment, the Association's lien

may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Civil Code section 2934(a). Prior to initiating a foreclosure on an Owner's Lot, the Association shall offer the Owner an opportunity to participate in dispute resolution pursuant to the Association's "meet and confer" program (Civil Code section 5900 et seq.) or alternative dispute resolution in accordance with Civil Code section 5925 et seq. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the Owner, except that binding arbitration shall not be available if the Association intends to initiate a judicial, rather than a non-judicial, foreclosure (Civil Code section 5705(b)). The decision to initiate foreclosure of a lien for delinquent Assessments shall be made only by the Board of Directors and may not be delegated to an agent of the Association.

The Board's decision to initiate foreclosure shall require the affirmative vote of a majority of the directors and the vote shall be conducted in an executive session. That vote shall be recorded in the minutes of the next open meeting of the Board, however, in order to protect the confidentiality of the Owner or Owners whose Lot and Residence is being foreclosed, the minutes shall only identify the action by reference to the parcel number of the property, rather than identifying the Owner(s) by name. The vote must be conducted at least thirty (30) days prior to any public sale (Civil Code section 5705(b)).

If the Board votes to commence foreclosure proceedings to collect delinquent assessments pursuant to this subparagraph (vii) and (viii), below, the Board shall provide notice of that decision by personal service (in the manner required for service of a summons pursuant to Code of Civil Procedure sections 415.10 et seq. to an Owner of the Lot who occupies the Residence on the Lot or to the Owner's legal representative. If the Owner does not occupy the Residence that is the subject of the foreclosure proceeding, the Board shall provide written notice to the Owner by first-class mail, postage prepaid, at the most current address for the Owner that is shown on the books of the Association. In the absence of written notification by the Owner to the Association, the address of the Owner's Residence may be treated as the Owner's mailing address. Civil Code section 5705(d).

Any sale by the trustee shall be conducted in accordance with Civil Code sections 2924, 2924(b) and 2924(c) applicable to the exercise of powers of sale in mortgages and deeds of trusts. The fees of a trustee may not exceed the amounts prescribed in Civil Code sections 2924(c) and 2924(d). In addition to the requirements of Civil Code section 2924, a notice of default shall be served by the Association on the Owner's legal representative in accordance with Code of Civil Procedure section 415.10. As used herein, the Owner's legal representative shall be the person whose name is shown as the Owner of the liened Lot and Residence on the records of the Association unless another person has been previously designated by the Owner as his or her legal representative in writing and mailed to the Association in a manner that indicates that the Association has received the designation.

(viii) Minimum Thresholds For Use Exercise of Foreclosure Remedies. In accordance with Civil Code section 5720, debts for Assessments may not be collected through the use of judicial or non-judicial foreclosure remedies until the delinquent assessment amount, exclusive of any accelerated assessments, late charges, fees, costs of collection, attorney's fees, and interest, equals or exceeds \$1,800.00 or the Assessments are more than twelve (12) months delinquent. Delinquent Assessments in a smaller amount may not be collected through the use of

foreclosure remedies, but may be collected through the use of any of the following other means: (aa) a civil action in small claims court; (bb) by recording a lien on the Owner's Lot (subject to the restrictions on foreclosure of that lien); or (cc) any other manner provided by law, other than judicial or non-judicial foreclosure.

(ix) Foreclosed Owner's Rights of Redemption. A non-judicial foreclosure by the Association of an Owner's interest in his or her Lot and Residence to collect a debt for delinquent Assessments shall be subject to a right of redemption. The redemption period within which the Lot may be redeemed from a foreclosure sale under this subparagraph (ix) (which reflects Civil Code section 5715(b)) ends ninety (90) days after the sale. In addition to the requirements of Civil Code section 2924f, a notice of sale in connection with the Association's foreclosure of a Lot in the Development shall include a statement that the property is being sold subject to the right of redemption created by Civil Code section 5715(b).

(x) Limitation on Authority to Use Lien and Foreclosure Remedies to Collect Reimbursement Assessments. Civil Code section 5725 provides that the following categories of Reimbursement Assessments may be collected through the use of lien and foreclosure remedies in accordance with subparagraphs (v) through (viii), above: (A) Reimbursement Assessments or other monetary charges imposed by the Association as a means of reimbursing the Association for costs incurred in the repair of damage to Common Areas and Common Facilities for which the Member or the Member's guests or tenants were responsible; and (B) Reimbursement Assessments imposed to recover late charges, reasonable costs of collection and interest assessed in accordance with Civil Code section 5650(b).

(xi) Obligation to Record Lien Releases. If it is determined that a lien previously recorded against a Lot was recorded in error, the party who recorded the lien, within twenty-one (21) calendar days, shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Lot Owner with a declaration that the lien filing or recording was in error and a copy of the lien release or notice of rescission (Civil Code section 5685(b)). If the determination that the lien was recorded in error is the result of dispute resolution meet and confer proceedings conducted pursuant to Civil Code section 5900 et seq. or alternative dispute resolution with a neutral third-party pursuant to Civil Code section 5925 et seq., the Association shall also be obligated to promptly reverse all late charges, fees, interest, attorney's fees, costs of collection, costs imposed for the issuance of the notices prescribed by Civil Code section 5660 and costs of recording the lien release that are authorized under Civil Code section 5720(b), and all costs incurred in the mediation or alternative dispute resolution process. Civil Code section 5685(c).

In addition, within twenty-one (21) days of the payment of the sums specified in the Notice of Delinquent Assessment, the Association shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Lot Owner with a copy of the lien release or notice that the delinquent Assessment has been satisfied (Civil Code section 5685(a)).

(xii) Effect of Failure to Adhere to Statutory Lien and Foreclosure Procedures. If the Association fails to comply with the notice and other pre-lien procedures set forth in this Section 4.10(b) and California Civil Code sections 5650 through 5685 prior to recording a lien, the Association shall recommence the required notice process prior to recording

a lien. Any costs associated with recommencing the notice process shall be borne by the Association and not by the Lot Owner. (Civil Code section 5690).

The provisions of this Section 4.10(b) are intended to comply with the requirements of Civil Code sections 5650 through 5690, as in effect on the date that this Declaration is recorded in the Official Records of Placer County, California. If these sections of the Civil Code are amended or modified in the future in a way that is binding on the Association and causes this Section to be in conflict with applicable law, the provisions of this Section 4.10(b) automatically shall be amended or modified in the same manner by action of the Board of Directors without necessity of approval of the amendment by the Members so long as all Members are given a copy of the recorded amendment and the decision to approve the amendment is made at a duly noticed open meeting of the Board of Directors.

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

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

(b) The Association's Assessment lien shall be extinguished as to all delinquent sums, late charges, interest and costs of collection incurred prior to the sale or transfer of a Lot pursuant to a foreclosure or exercise of a power of sale by the holder of a prior encumbrance (but not pursuant to a deed-in-lieu of foreclosure). A "prior encumbrance" means any first Mortgagee or other Mortgage or lien Recorded against the Lot at any time prior to Recordation of the Association's Assessment lien (see Section 4.12, below).

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

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

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

Section 4.12. Priorities. When a Notice of Delinquent Assessment has been Recorded, such notice shall constitute a lien on the Lot prior and superior to all other liens except: (a) all taxes, bonds, assessments and other levies which, by law, would be superior thereto (under current law association assessment liens are subordinate to other liens and encumbrances recorded prior to recordation of the Association's Notice of Delinquent Assessment); and (b) the lien or charge of any first Mortgage of record (meaning any Recorded Mortgage with first priority over other Mortgages) made in good faith and for value; provided, however, that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of the such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such first Mortgage or other prior encumbrance. (Civil Code section 5680).

Section 4.13. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article IV, the benefit of any homestead or exemption law of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed.

ARTICLE V ARCHITECTURAL CONTROL COMMITTEE

Section 5.01. Requirement that Improvement Projects Be Approved.

(a) Approval of Improvement Projects, Generally. Except as otherwise expressly permitted in this Declaration, no Improvements (as defined in Section 1.28, above) shall be commenced, installed, erected, painted, repainted, remodeled, or maintained on or within any Residence or Lot within the Development, nor shall any alteration of any existing Lot or Residence Improvement of any kind be made, until the plans and specifications showing the nature, kind, shape, height, size, materials, and location of the same have been submitted to and approved in writing by the Association's *Architectural Control Committee*.

(b) Improvements Restricted Solely to Residence Interiors. Owners may improve or alter any Improvements that are located entirely within the interior boundaries of the Owner's Residence so long as such Improvements and alterations do not impair the structural integrity of the Residence or of any adjoining Residence or any utilities or other systems servicing more than one Residence or alter the exterior appearance of the structure that includes the applicant's Residence. In order to ensure compliance with the limitations imposed by this subparagraph (b), all Improvement plans and projects must first be submitted to and approved by the Architectural Control Committee, even if the Owner believes that the project is one that does not require prior Architectural Control committee approval pursuant to this subparagraph (b). The Architectural Review Guidelines may include provisions that impose reasonable restrictions on the manner in which an Owner may proceed with Improvement projects within the Owner's Residence so as to protect and preserve the quiet enjoyment of occupants of other Residences, to avoid damage to, or disruption of, any adjacent Common Areas, and to impose requirements on the Owner's contractors that will require the hauling and disposal of construction debris and materials off-site, rather than being deposited in the Common Area trash bins.

(c) Alterations or Improvements Associated With Disabilities. A physically impaired Owner may make modifications to the Owner's Residence upon prior approval of the Board of Directors and the Architectural Control Committee, in accordance with the terms, conditions and restrictions set forth in Section 4760 of the Civil Code, as that section may be amended from time to time.

Section 5.02. Establishment and Composition of the Architectural Control Committee. The Architectural Control Committee shall be composed of three (3) Members in Good Standing who shall be appointed by the Board of Directors. The Board shall also appoint one alternate member who may be designated by the ACC to act as a member of the Committee in the absence or incapacity of any Committee member. A majority of the ACC may designate a representative to act for it. Members of the Architectural Control Committee shall serve for three-year terms subject to the Board's power to remove any member of the Committee and to appoint his or her successor. No Member may serve more than two consecutive three-year terms as a member of the Architectural Control Committee. Service as an alternate ACC member shall not count as one of two consecutive terms. Neither the members of the ACC nor its designated representatives shall be entitled to any compensation for services performed in their capacity as members of the Committee.

In the event of death or resignation of any member of the ACC, the Board shall have the full authority to designate a successor. If at any time there shall not be a duly-constituted Architectural Control Committee, the Board shall exercise the functions of the ACC in accordance with the terms of this Article V.

Section 5.03. Meetings of the Architectural Control Committee. The Architectural Control 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 ACC. The ACC shall keep and maintain a record of all actions taken by it at such meetings or otherwise. The ACC and its members shall be entitled only to reimbursement for reasonable out-of-pocket expenses incurred by them in the performance of any ACC function.

Section 5.04. Architectural Review Guidelines. The ACC, with approval of the Board, may adopt, amend, and repeal rules and regulations to be known as "***Architectural Review Guidelines***". The Architectural Review Guidelines shall interpret and implement the provisions hereof by setting forth:

- (a) The standards and procedures for ACC review, including the required content of application and procedures for obtaining preliminary approval of plans;
- (b) Guidelines for architectural design, placement of any work of Improvement or color schemes, exterior finishes and materials and similar features which are recommended or required for use in connection with particular Improvement projects within the Development;
- (c) Lists of projects that are prohibited by the Declaration and for which variances will not be granted;

- (d) Lists of repair projects and minor improvement projects that can receive final review and approval by the Architectural Control Committee (no need for final review and approval by the Board), so long as the project is undertaken in accordance with plans and specifications that are consistent with the Architectural Review Guidelines or the project involves use of an identical color or external material to the existing color or material and the new materials/colors are submitted to and reviewed by the ACC. In the event of any conflict between the Architectural Review Guidelines and this Declaration, the provisions of the Declaration shall prevail.

Notwithstanding the foregoing, no Architectural Review Guidelines shall be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Architectural Review Guidelines and this Declaration, the provisions of the Declaration shall prevail.

In accordance with Civil Code section 4765(a)(1), the Architectural Review Guidelines shall provide a fair, reasonable and expeditious procedures that the Committee must follow when making decisions on submitted Improvement plans and projects. The procedures adopted by the Board shall include prompt deadlines for various actions and a maximum time for response to an application, consistent with Section 5.07, below. In accordance with Civil Code section 4735, the Architectural Review Guidelines may not prohibit or include conditions that have the effect of prohibiting the use of low water-using plants as a group.

Section 5.05. Employment of Architect or Engineer. If at any time the Board of Directors or its duly designated committee determines that it would be in the best interests of the Association and its Members for an applicant to employ an architect, licensed building designer or engineer to design or review any proposed Improvements or component thereof, the Board or its designated committee shall advise the applicant in writing of its determination whereupon all plans and specifications so designated by the Board must thereafter bear appropriate evidence of such preparation or review.

Section 5.06. Application for Approval of Proposed Improvements; Fees. Any Owner proposing to perform any work of any kind whatever on or to the exterior of a unit, or to the interior of a unit that is load bearing or which is integrally related to the structural integrity of a unit shall be required to obtain prior approval pursuant to this Article V, and shall apply for such approval by notifying the ACC, in writing, of the nature of the proposed work and shall furnish such information and documentation as the ACC or Board may require. The ACC 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.

Section 5.07. Basis for Approval of Improvements. When a proposed Improvement is submitted to the Board of Directors for review, the Board shall grant the requested approval only if the Board, in its sole discretion, exercised in good faith, makes the following findings regarding the proposed project:

- (a) The Owner's plans and specifications conform to this Declaration and to the Architectural Review Guidelines, if any, that are in effect at the time such plans are submitted to the Board;
- (b) The Improvement will be in harmony with the external design of other structures and/or landscaping within the Development;
- (c) The Improvement, as a result of its appearance, location or anticipated use, will not interfere with the reasonable enjoyment of any other Owner of his or her property; and
- (d) The proposed Improvement(s), if approved, will otherwise be consistent with the architectural and aesthetic standards prevailing within the Development and with the overall plan and scheme of development within the Development.

While it is recognized that the Board's determination will, of necessity, be subjective to some degree, the Board shall act reasonably and in good faith and shall consider such factors as the quality of workmanship and materials proposed for the Improvement project, the harmony of its exterior design, finished materials and color with that of other existing structures, and the impact, if any, that the Improvement will have or may have on the structural integrity of the Residence or adjacent Units. The Board shall also be entitled to determine that a proposed Improvement or component thereof is unacceptable when proposed with respect to a particular Residence or Exclusive Use Common Area, even if the same or a similar Improvement/component has previously been approved for use at another location if factors such as drainage, noise or prior adverse experience with the product or design provide a reasonable basis for denial of approval of the proposed Improvement or use of a particular component of the proposed Improvement within the Residence that is involved in the Owner's submittal.

Any decision on a proposed improvement project shall be made in good faith and may not be unreasonable, arbitrary, or capricious. All approvals and rejections of requests for approval shall be given to the Owner-applicant in writing. Furthermore, in spite of the discretion conferred on the Board or its duly constituted Committee pursuant to this Article V, no decision of the Board/committee regarding a proposed Improvement project can be made or imposed that violates any governing provision of law (including, without limitation, the California Fair Employment and Housing Act) or a building code or other applicable law governing land use or public safety.

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

Section 5.08. Time Limits for Approval or Rejection of Proposed Improvement Projects.

- (a) Approval or Disapproval by the Board. Within ninety (90) days after submission of plans and specifications satisfying the requirements of the Architectural Review Guidelines, the Board shall return one set of such plans to the applicant, with either written

notice of approval or disapproval. If the proposed improvement is disapproved, the written decision of the Board shall include both an explanation of why the proposed change was disapproved and a description of the procedure for reconsideration of the Board's decision by the Board. If written suggestions of changes required for approval of the project accompany the returned set of plans, the applicant may implement such changes to the plans and within thirty (30) days resubmit plans incorporating such changes for approval to the Board, which shall not unreasonably withhold its approval so long as the Owner has complied in all material respects with the requested changes. If no written notice of approval or disapproval is received by the applicant within thirty (90) days after the Owner's plans and specifications (or revisions thereto) are submitted to the Board, the plans shall be deemed to have been disapproved. Oral approvals will be of no force and effect.

(b) Right to Seek Reconsideration by the Board. In the event that the Architectural Control Committee denies approval of a proposed Improvement project, the applicant shall have the right to seek reconsideration of the committee's decision by the Board of Directors. Unless otherwise requested by the member-applicant, the Board's hearing of the applicant's appeal shall be conducted in open session and in accordance with Civil Code section 4925. Any reconsideration by the Board does not constitute a process of dispute resolution within the meaning of Civil Code section 5905.

Section 5.09. Commencement of Approved Improvement Projects. Upon receipt of approval of an Improvement project pursuant to Sections 5.07 and 5.08, 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 said approval, said commencement to occur, in all cases, within ninety (90) days from the date of such approval. If the Owner shall fail to comply with this Section 5.09, any approval previously given shall be deemed revoked unless the Board, upon written request of the Owner made prior to the expiration of the time for commencement, extends the time for such commencement. No such extension shall be granted except upon a finding by the Board that there has been no change in the circumstances upon which the original approval was granted.

Section 5.10. Completion of Improvement Projects. 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 5.10, the ACC shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of Section 5.11, below, as though the failure to complete the improvements was a non-compliance with approved plans.

Section 5.11. Inspection of Improvement Projects. Inspection of work and correction of defects therein shall proceed as follows:

(a) 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 8, the Owner shall give written notice thereof to the ACC.

(b) Within sixty (60) days after receipt of such notice or at any time after the ACC is informed or reasonably believes that work has been done without required ACC approval, the ACC, or its duly authorized representative, may inspect such improvement to determine whether it was installed, constructed, reconstructed, altered, or refinished to substantial compliance with approved plans. If the ACC finds that such installation, construction, reconstruction, alteration, or refinishing was not done in substantial compliance with or was done without approved plans, it shall notify the Owner in writing of such non-compliance within such sixty (60) day period, specifying particulars of non-compliance and shall require the Owner to remedy such non-compliance. In the case of work done without approved plans, the ACC may require that the unit be returned to the condition before performance of the unauthorized work.

(c) 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 ACC 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 ACC. Notice of the hearing date shall be given at least ten (10) days in advance thereof by the Board to the Owner, to the ACC and, in the discretion of the Board, to any other interested party.

(d) At the hearing, the Owner, the ACC 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.

Section 5.12. Non-Waiver. The approval by the ACC of any plans, drawings, or specifications for any work done or proposed, or for any other matter requiring the approval of the ACC 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.

Section 5.13. Variances. The Board (or its duly appointed Architectural Control Committee), in its sole discretion, shall be entitled to allow reasonable variances in any procedures specified in this Article and the minimum construction standards specified in Article VI, below, to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships, provided all of the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a minimum construction standard or a property use restriction that would otherwise be applicable under this Declaration, the Board must conduct a hearing on the proposed variance and the Board shall have the discretion to require that the hearing be open to other neighboring residents who may believe that the requested variance will have a negative impact on the enjoyment of their property or their property values. The Board, in its discretion, shall have the right to solicit comments from neighbors if, in the Board's reasonable judgment, the project may have adverse impacts on those neighbors.

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

Section 5.14. Compliance Certificate. Within thirty (30) days after written demand is delivered to the Board of Directors (or its duly designated Architectural Control Committee) by any Owner, and upon payment to the Association of a reasonable fee to defray the Association's actual costs of processing the Owner's request (as established from time to time by the Board), the Association shall provide the requesting Owner with a Compliance Certificate executed by any officer of the Association, certifying (with respect to any Unit owned by the applicant Owner) that as of the date thereof, either: (a) all Improvements made and other work completed by said Owner and any other architectural and/or structural components of the Owner's Unit and any appurtenant Exclusive Use Common Areas comply with this Declaration; or (b) that the Unit and/or the Exclusive Use Common Areas do not so comply, in which event the certificate shall also identify the noncomplying structural components or Improvements and set forth with particularity the basis of such noncompliance. Any purchaser from the Owner, or from anyone deriving any interest in said Unit through the Owner, shall be entitled to rely on the Association's Compliance Certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners and any persons deriving any interest through them.

Section 5.15. Limitation on Liability. Neither the Board, the ACC 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; (iii) the development of

any property within the Development; or (iv) the execution and filing of an Compliance Certificate pursuant to Section 5.14, above, whether or not the facts therein are correct; provided, however, that the ACC or such member has acted in good faith on the basis of such information as may be possessed by the Committee or Committee member. Without in any way limiting the generality of the foregoing, the ACC, 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 ACC. Every purchaser, by acquiring title to a Lot or portion thereof agrees not to bring any action or suit against the Board, the ACC, or their members seeking to recover any such damages.

Section 5.16. Compliance With Governmental Regulations. Review and approval by the Board of Directors or its duly constituted committee of any proposals, plans or other submittals pertaining to Improvements shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements, the responsibility for which shall lie solely with the Owner who desires to construct, install, or modify the approved Improvement.

ARTICLE VI ASSOCIATION AND OWNER MAINTENANCE RESPONSIBILITIES

Section 6.01. Association Responsibilities.

(a) Maintenance of the Common Areas and Common Facilities. To ensure the continued attractive appearance and appeal of the development, the Association may take all necessary steps to either perform or have performed all maintenance which in the discretion of the Board is appropriate. The Association shall provide maintenance, repair, and replacement of the Common Area and all Common Facilities, beach, the community pier, buoys, tennis courts, bocce ball courts, improvements, and landscaping thereon, including the Development's private streets (and the entrance gate and its electronic components, 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, keeping such property in first-class condition and good repair. To the extent the Association must replace any Common Area or separate interest item, material or component, it may make such replacement as it deems in the best interest of the Association and compatible with the original architectural scheme taking advantage of technological advances if appropriate. Replacement need not be in kind but shall be of as good or better quality and may constitute improvements as appropriate.

(b) Association Responsibilities With Respect to the Maintenance of Residences. The Association shall provide maintenance, repair and replacement to the Residences on each Lot, except the Walsh and Arnett Lots, as follows:

- (i) Foundations;
- (ii) The exterior elements of each Residence, including but not limited to the exterior siding, structural elements of the walls, roofs, walls, exterior wood doors, trim, decks, patios, balconies, exterior

staircases, railings, windows (exclusive of window and sliding door glass and frame components unless replacement is needed due to an event of major damage or destruction).

- (iii) Inspection and cleaning of fireplace chimneys and chimney flues (other than routine removal of ash from fireplace boxes within Residences);
- (iv) Inspection of furnaces and changing of furnace filters.

Maintenance shall include, but shall not be limited to, painting, caulking, and replacement of materials, including upgrades where necessary or appropriate at the sole discretion of the Board. All other maintenance and repair shall be done by and at the expense of the Owner of the Residence and the Association shall have the right to levy a Reimbursement Assessment to recover its costs to repair or replace windows, exterior glass, and sliding doors, including frames. In the event an Owner has modified or added on to a Residence in an area or to a component that would otherwise be the maintenance responsibility of the Association and which increases the maintenance cost to the Association, the Owner shall reimburse the Association for the cost of this maintenance which may be subject to a Reimbursement Assessment.

(c) Snow Removal. The Association shall provide for snow removal as deemed appropriate in the discretion of the Board for all Common Area roads and driveways including the Walsh and Arnett Lot driveways and any walkways or pathways providing access to the front door of Residences. In times of extremely heavy snow storms, immediate removal of accumulated snow from pathways and access ways to the front doors of Residences cannot be guaranteed.

(d) Authority of the Association to Enter Lots and Residences. The Association, its management personnel, or other agents may enter any Lot or Residence whenever such entry is necessary in connection with the performance of any maintenance, repair, construction, or replacement for which the Association is responsible or which it is authorized to perform. Such entry shall be made with as little inconvenience to any persons occupying a Residence as practicable (see also Section 3.10, above).

(e) Limited Association Liability. The Association's liability for maintenance of individual Lots or Residences is limited as set forth in subparagraph (b), above, 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.

Section 6.02. Owner Maintenance and Repair Responsibilities.

(a) Maintenance of Residences and Lots. Except to the extent that maintenance of any improvement on a Lot is expressly and clearly made the responsibility of the Association pursuant to Section 6.01(b), above, each Owner shall be responsible for the maintenance, repair and replacement of his or her Lot, Residence, and all improvements thereon, particularly including all fixtures, screens, screen doors, water heaters, windows (including the

replacement of double pane windows that exhibit moisture intrusion), slider doors, and HVAC systems.

(b) Compliance With Architectural Guidelines. An Owner's right and responsibility for maintaining, repairing or replacing any portions of his or her Lot and Residence shall be subject to any applicable provisions of the Governing Documents relating to landscaping and architectural control, including Article V, above. To the extent that repair or replacement of HVAC systems require any breach of the exterior surfaces of a Residence, the project must be approved in advance by the Architectural Control Committee.

(c) Board Discretion. The Board shall have the absolute discretion 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 with respect to the Owner's Residence (involving elements or components that are not the responsibility of the Association under 6.01, above). In the event an Owner fails to perform such work within sixty (60) days after notification by the Board to the Owner, the Board may, after written notice to the Owner, and the opportunity of a hearing before the Board, cause such work to be done and charge the cost thereof to the Owner as a Reimbursement Assessment.

(i) Chimneys/Flues. The Association may conduct periodic inspections of Residence fireplace chimneys/flues for conditions that may present a fire hazard. If such conditions are found, the Board will inform the subject Owner of the Residence in writing and require that specified repairs be made. If the Owner fails to make the specified repairs within a reasonable time, the Association may have the repairs made and collect all costs thereof from the Owner as a Reimbursement Assessment.

(ii) Shut-Off Valves. In order to prevent insurance claims arising from plumbing failures during time periods when the Residences are not occupied, each Residence shall have installed and maintained a water service shut-off valve. Residence Owners shall close the shut-off valves when their property is to be vacant for more than forty-eight (48) consecutive hours. In the event water damage occurs to a Residence resulting from failure to install, maintain or close a shut-off valve as required herein, the Association shall have no responsibility to repair any such resultant damage, and the Owner of the damaged Residence shall not submit a claim to any insurance maintained by the Association which may be applicable to the loss. In the event that Association insurance responds to any such loss, and that response results in an increase in premiums or other financial detriment to the Association, the Owner of the subject damaged Residence shall reimburse the Association for all such financial damage as a Reimbursement Assessment.

(iii) Seasonal Residence Heating Requirements. To reduce the risk of freezing water causing a breach in water and sewer lines within Residences, in the months of September through May of each year, Owners, guests, and tenants shall maintain Residence thermostats at a minimum of fifty (50) degrees Fahrenheit.

(d) Owner Liability. In the event the need for any maintenance, repair, or replacement of a component which is otherwise Association responsibility is caused by the willful or negligent act or omission of an Owner or an Owner's family, tenants, Contract Purchaser, guests, invitees, or household pets, 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.

ARTICLE VII PROPERTY USE RESTRICTIONS

Section 7.01. Residential Use. Residences shall be occupied and used for residential purposes only and in accordance with this Declaration and any applicable Association Rules.

Section 7.02. Rental of Residences. Owners shall have the right to rent or lease their Lot and Residence and to permit other family members and social guests to occupy and visit Rocky Ridge and the Owners' Residences in accordance with Section 2.04, above.

Section 7.03. Time-Share/Joint-Ownership Arrangements, and Internet Accommodations Programs.

(a) No Residence in the Development, or any portion of a Residence, shall be leased, subleased, occupied, rented, let, sublet, or used for or in connection with any time sharing agreement, time share plan, exchange program or arrangement, including, without limitation, any so-called vacation club or other similar membership or time interval ownership arrangement. The term "*time share interest*" and "*time share program*" shall be as defined in Business and Professions Code section 11212, subparagraphs (x) and (z) if the use includes more than eight interests, but shall not be limited to, any agreement, plan, program, or arrangement under which the right to use, occupy, or possess any Lot or Lots or any portion thereof or Residence thereon in the Development rotates among various persons, either corporate, partnership, individual, or otherwise, on a periodically recurring basis according to a fixed or floating interval or period -of time, specifically including enterprises in which the purchase of interests therein are commercially advertised. The phrase "*vacation club or similar entity*" means a corporation, limited liability company, partnership, joint venture or other entity that is owned by members, whose ownership/membership interests in the corporation, limited liability company, partnership, joint venture or other entity are evidenced by points, shares or other interests that entitle the members to occupy Residences that are owned and/or leased by the entity that holds title to the Residence or condominium units that are in the entity-owner's vacation club program.

(b) Advances in electronic technology are making it increasingly possible for owners of residences to collaborate or essentially partner with Internet operators of virtual hotel operations. Participation in those programs violates the spirit and intent of the rental and leasing restrictions set forth in Section 2.04, above, and the prohibitions on the use of Residences for business or commercial activities set forth in Section 7.04, below, in the same manner and to the same extent as more conventional time share and vacation club programs described and prohibited by the immediately preceding paragraph. Accordingly, the Association, by adoption of uniform Association Rules in accordance with Section 3.06, above, and Civil Code sections

4340 through 4370 shall have the right to prohibit rental and leasing activities that the Board of Directors reasonably determines to constitute essentially a business enterprise in violation of Section 7.04, below, so long as the activity, enterprise or conduct that is subject to any such prohibition is adequately described in the Association Rule so as to impart reasonable notice to the Owners. The intent of these restrictions is to preserve the single family ambiance and atmosphere within Rocky Ridge.

Section 7.04. Restriction on the Conduct of Business Activities From Residences or Using a Residence as a Business Site. No business or commercial activities of any kind whatsoever, including time-share arrangements, shall be conducted in any Residence garage or out building or in any portion of any Lot without the prior written approval of the Board; provided, however, the foregoing restriction shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities under the Governing Documents (including operation or leasing by the Association of the office building and excess maintenance space to other commercial entities). Furthermore, no restrictions contained in this Section 7.04 shall be construed in such a manner so as to prohibit any Owner from: (a) maintaining his or her personal library in his or her Residence; (b) keeping his or her personal business records or accounts therein; (c) handling his or her personal or professional telephone calls, electronic communications, or correspondence from within the Owner's Residence; (d) leasing or renting his or her Residence in accordance with the provisions of Section 2.04, above, or (e) conducting a home business through the use of computers, facsimile transmissions and other electronic media, so long as the business involves no signage, no unusual noise, and no customer/client traffic. The uses described in (a) through (e), above, are expressly declared to be customarily incidental to the principal residential use and occupancy of Residences and thus are not in violation of this Section 7.04.

Section 7.05. Offensive Conduct, Nuisances, Noise. 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. When Owners, their family members and guests are using Common Area recreation facilities, such as the two pools within Rocky Ridge, the deportment of those individuals should reflect an appreciation for the desire of other visitors to the facilities to use the facilities without the annoyance, intrusion, or inconvenience of inappropriate behavior.

Section 7.06. Use of the Common Areas and Common Facilities. All use of Common Areas and Common Facilities of Rocky Ridge is subject to the Governing Documents, including the Association Rules. 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.

Section 7.07. Hazards. There shall be no obstruction of any part of the Common Area. 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 pursuant to Sections 9.01 and 9.02, below, or which will be in violation of any governmental statute, ordinance, rule, or regulation. Nothing shall be stored in the Common Area without the prior consent of the Board. 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.

Section 7.08. Requirement of Approvals of Certain Improvement Projects by the Board of Directors. As addressed in greater detail in Article V, above, construction, installation, modification, or alteration of buildings, outdoor structures, landscaping, and outdoor lighting are subject to approval of the Association's Architectural Control Committee. The Board may adopt such rules and regulations from time to time as it deems appropriate restricting or allowing anything which may affect the exterior appearance of the Development and Residences and Lots within the Development.

Section 7.09. Outside Drying and Laundering. No outside clothesline or other outside clothes drying, facilities shall be maintained in the Development and no laundry including towels shall be dried over existing improvements including railings and balconies.

Section 7.10. Satellite Dishes and Antennas. The Board may adopt Rules regarding the installation and maintenance of antennas and satellite dishes and related wiring for all telecommunications devices. Those Rules shall be consistent with the provisions of Civil Code section 4725 and any applicable FCC Rules and Regulations regarding antenna and satellite installations.

Section 7.11. Restrictions Relating to Maintenance of Pets, Within the Development.

(a) **Limitation on Pets.** No dogs, cats, birds, or other animals of any kind shall be kept, maintained, or bred in any Residence or upon any Lot or elsewhere within the Development except that domestic dogs, cats and other customary household pets may be kept in reasonable numbers and size by Owner(s), their guests and renters only, subject to the Rules, provided they are not kept, bred, or raised for commercial purposes. While it is recognized that most Residences in the Development may be second homes for Owners and that Owners may not be subject to pet restrictions at their primary residence, Owners are encouraged to recognize that the maintenance of several dogs or other permitted pets in the Development may create nuisances or annoyances to neighboring residents that would not necessarily exist at the Owner's principal residence.

(b) **Restraint of Dogs Within the Common Areas.** While in Common Areas each dog must be restrained on a leash held by a responsible person capable of controlling the animal.

(c) Owner's Responsibility for Pets. The owner of each pet shall be responsible for immediately removing and disposing of any pet waste introduced to any portion of the Development by such pet. Each Owner, Resident, and any person bringing or keeping an animal within the Development shall be absolutely liable to the Association and all other persons for any injury or damage to persons or property caused by the animal brought upon or kept upon the Development by such person or by members of his or her family, tenants, guests, or invitees. The pet owner shall indemnify the Association and its officers, directors, and agents against any and all claims, damages, losses, demands, liabilities, and expenses, including but not limited to attorneys' fees, arising out of or resulting from the presence or conduct of any animal brought upon or kept within Rocky Ridge by the Owner, members of his or her family, guests, tenants, or invitees.

(d) Pet Rules. The Board may adopt and enforce Pet Rules in addition to the provisions of this Section 7.11. Furthermore, the Association shall have the right to prohibit the keeping of any animal which constitutes, in the sole and exclusive opinion of the Board, a nuisance to any other person. The Association Rules can also make distinctions and impose greater restrictions on the rights of renters, lessees, and guests to bring pets to the Development.

Section 7.12. Trash Disposal. Trash, garbage, accumulated waste plant material, or other waste and refuse shall be deposited only in containers designated and maintained by the Association at various locations along streets within the Development. No Owner or Resident shall permit or cause any garbage, trash, or other waste or refuse to be kept upon any portion of any Lot or elsewhere in the Development, except in such containers. When an Owner or other occupant of a Residence deposits trash in the Association trash containers, that person must follow the instructions of the trash container for securing the chain that maintains the lid in a closed position to prevent access to the containers by bears and other animals.

Section 7.13. Construction Materials, Construction Debris. No portion of the Development shall be used for the storage of building materials other than in connection with approved construction projects. All construction debris shall be picked up and deposited daily in an appropriate container and the community's common trash dumpsters that are located throughout Rocky Ridge shall not be used for the disposal of carpet materials, lumber, glass or other debris caused by Owner construction projects.

Section 7.14. Machinery and Equipment. Except as approved by the Board, no machinery or equipment of any kind shall be maintained or operated upon a Lot except as is customary and necessary in connection with approved construction.

Section 7.15. 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:

- (a) Signs required by legal proceedings;
- (b) Signs which by law cannot be prohibited;
- (c) A single sign of customary and reasonable dimension and design, complying with the Association or Architectural Guidelines and reasonably located on a Lot advertising a Lot for sale or rent;

- (d) A single identification sign, which has been approved by the Board or its duly organized Architectural Control Committee, and located on a Lot identifying the number or address of the Lot and/or the names of the occupants;
- (e) Signs approved by the Board of Directors located at or near any entrance to the Development identifying the Development;
- (f) Signs required for traffic control and regulation of streets or open areas within the Development; and
- (g) Signs on the Common Area as approved by the Board of Directors for a purpose reasonably related to the affairs of the Association.

Section 7.16. Vehicles and Parking. The following restrictions apply to the maintenance and use of vehicles and the use of the private roads within Rocky Ridge:

(a) Authorized Vehicles. Only the following vehicles ("**Authorized Vehicles**") can be parked on a regular basis within the Development: standard passenger vehicles, trucks not to exceed three quarter (3/4) tons in gross carrying capacity, family-type vans (i.e., vans that are designed and marketed for family, rather than commercial, use), station wagons, and truck vehicles with an enclosed passenger compartment, such as SUVs. Any vehicle that does not meet the definition of an authorized vehicle may only be parked within Rocky Ridge in accordance with subparagraph (b), below. The Association Rules may augment and/or further define the type of Authorized Vehicles in order to reflect changes in vehicle design and technology.

(b) Restrictions Relating to Boats, Trailers, Commercial and Recreation Vehicles. No trailer, camper, mobile home, recreational vehicle, motorcycle, boat, boat trailer, jet ski, golf cart or similar equipment or any commercial vehicle or truck other than pickup trucks and SUV vehicles that are identified in subparagraph (a) as being "Authorized Vehicles" shall be parked, kept, stored, or permitted to remain upon any area within the Development, unless placed or maintained in the parking area adjacent to the Association's maintenance building. The only exception shall be for a motorcycle where the Owner can demonstrate to the Association that the motorcycle is the Owner's sole means of transportation. The term "commercial vehicles" shall not include sedans or standard size pickup trucks which are used for both business and personal uses, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board.

(c) Restrictions Relating to Vehicle Repairs and Inoperable Vehicles. No vehicle of any type (including motorcycles) shall be permanently or semi-permanently parked in or upon the roadways and parking areas of the Development for the purpose of accomplishing repairs thereto or the reconstruction thereof except for emergency repairs and then only to the extent necessary to enable towing or similar movement of the vehicle. No dilapidated, inoperable or abandoned vehicle shall be parked, kept, stored or permitted upon any area within the Development.

(d) Use of Roadways Within the Development. The roadways within the Development are private roads and are subject to regulation and control by the Association. All persons operating vehicles of any kind within the Development shall observe all posted speed limits and other traffic and road use regulations that may be included in the Association Rules, including the requirement to be licensed to operate a motor vehicle. There shall be no overnight parking on the private roadways of the Development other than the broader areas along roadways that are designed and intended for vehicle parking.

(e) Parking Enforcement; Authority to Adopt Further Parking Rules and Regulations. In addition to the provisions of this Section 7.16 the Board shall have the power and authority to adopt, promulgate, and enforce parking rules and shall have the power to impose fines and other sanctions for violations of provisions of the Governing Documents relating to vehicles and parking. At no time shall any vehicle be parked in front of any walkway entry unless the vehicle is owned by the Owner or resident of the adjacent Residence and the walkway only provides access to that one Residence.

During winter season and in snow conditions, Owners shall move their vehicles at least once per day and additionally at any time, at the request of Association maintenance personnel doing snow plowing or snow removal work. Owners are encouraged to acquaint themselves with the roadway parking areas adjacent to their Residences that are available for parking in non-snow seasons, but which are used by the Association's maintenance personnel for snow storage and snow plowing into common area storage sites in the snow seasons.

In order to prevent or eliminate parking problems within Rocky Ridge or to further define and enforce the restrictions of this Section 7.16, the Board shall have the authority to establish additional rules, restrictions and penalties, including the imposition of fines or towing procedures for recurrent violations of the restrictions imposed by this Section. Without limiting the foregoing, those rules may include:

- (i) a schedule of graduated fines for traffic offenses (such as a first warning when an Owner, resident or the family member of an Owner or resident is observed speeding on Rocky Ridge, followed by a series of graduated fines if the same person is observed speeding on multiple occasions);
- (ii) provisions making Owners responsible (in the discretion of the Board) for fines imposed for speeding and traffic infractions committed by tenants, agents, contractors, guests, and invitees of Owners and residents (so long as the Owner is given notice and the opportunity to be heard on the matter);
- (iii) rules which provide different enforcement penalties, procedures and/or remedies with respect to Owners, residents, and social guests and invitees of Owners and residents, on the one hand, and contractors, sub-contractors, and other commercial agents and invitees of Owners and residents, on the other hand. Distinctions in remedies could include, for example, rule provisions which would result in a denial of road-use privileges to vehicles of contractors, sub-contractors, and other commercial agents and invitees who

are determined to have violated speed limits and other traffic safety/regulatory rules on multiple occasions; and

(iv) rules relating to the temporary storage or stacking of construction materials in parking areas during periods of active construction activity.

(f) Towing of Vehicles. The Association's power to regulate parking and use of the private roadways within Rocky Ridge shall include the power and authority to cause the towing, at the vehicle owner's expense, of vehicles that are parked within the Development in violation of any of the provisions of this Section 7.16 or other applicable Association Rules, provided that towing of vehicles of guests and other non-Residents of the Development shall be subject to the provisions of applicable law (e.g., California Vehicle Code section 22658). 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. The Board shall post such notices or signs within the Common Area as may be required by law to implement this towing authority.

Section 7.17. Window Coverings. Drapes, window shades, and other window coverings installed in the window of any Residence shall comply with any rules adopted by the Board and shall be subject to the Board's rules and regulations, promulgated from time to time, regarding the appearance to the outside of the Residences in the Development. In no event shall aluminum foil, newspaper, or similar materials be placed in windows.

Section 7.18. Outbuildings. No outbuilding, tent, shack, trailer, shed, or temporary building of any kind shall be located within the Development.

Section 7.19. Fuel Tanks. No tanks for the storage of fuel are allowed in the Development, excepting only those tanks used by the Association for its maintenance vehicles.

ARTICLE VIII EASEMENTS

Section 8.01. Easements in General. In addition to all easements reserved and granted on the Subdivision Map(s) 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, as their respective interests shall obtain, the easements, reciprocal negative easements, secondary easements and rights of way as particularly identified in this Article VIII.

Section 8.02. Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment as between each Lot and such portion or portions of the Common Area adjacent thereto and/or as between adjacent Lots due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon in accordance with the terms of the Declaration; provided, however, that in no event shall an easement for encroachment exist if such encroachment occurred due to willful conduct on the part of an Owner, a tenant, or the Association.

In the event that a structure on any Lot is partially or totally destroyed and then repaired or rebuilt in accordance with the provisions of the Declaration, the Owners of each Lot agree that minor encroachments over adjoining Lots and/or Common Area shall be permitted and there shall be easements for the maintenance of said encroachments so long as they shall exist. In addition, each Lot and its Owner are hereby declared to have an easement for retaining walls, footings, and all other encroachments as originally constructed over each adjoining Lot and/or Common Area for the maintenance thereof, together with an easement for the drainage of water from such gutters and all other encroachments over each such adjoining Lot and/or Common Area.

Section 8.03. Utility Easements. Easements over and under the Development or any portion thereof for the installation, repair, maintenance, and replacement of electric, telephone, water, gas, and sanitary sewer lines and facilities, heating and air-conditioning facilities, cable or master television antenna lines, drainage facilities, walkways, and landscaping as shown on the recorded map or maps of the Development, and as may be hereafter required or needed to service the Development, are reserved by and shall exist in favor of the Association, together with the right to grant and transfer the same. The Association shall maintain all utility installations located in the Common Area except for those installations maintained by utility companies, public, private, or municipal. The Association shall pay all charges for utilities supplied to the Development except those metered or charged separately to the Lots.

Section 8.04. Easements Granted by the Board. The Board shall have the power to grant and convey to any person or entity easements and rights of way, in, on, over, or under the Common Area for the purpose of constructing, erecting, operating, or maintaining thereon, therein, or thereunder overhead or underground lines, cables, wires, conduits, or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and for any other purposes deemed by the Board to be appropriate and not inconsistent with the purposes and interests of the Association, and each purchaser, in accepting a deed to a Lot, expressly consents thereto; provided, however, that no such easements may be granted if such easement would interfere with the use, occupancy, or enjoyment by an Owner or Resident of any Lot and any existing exclusive easements over Common Area appurtenant thereto, if any, without the consent of the Owner(s) affected.

Section 8.05. Other Easements Shown on Subdivision Maps. 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 for any phase of the Development.

ARTICLE IX INSURANCE

Section 9.01. Association Insurance Obligations and Types of Coverage. The Board shall obtain and maintain the insurance policies as provided below unless the Board determines that the cost is so unreasonable as to make maintenance of the insurance not in the best interest of the Association. If the Board is unable to purchase a policy identified in this Section 9.01 or if

the Board believes that the cost of the policy is unreasonable, the Board may call a special meeting of Members to determine what action to take. The Association shall be obligated to maintain the following types of insurance:

(a) Common Area Property Insurance. A Special Form or "All-Risk" master policy of property insurance for all insurable Common Facilities and other Common Area improvements, excluding earthquake, flood and other perils commonly excluded, but including fixtures and building service equipment, owned by the Association against loss or damage by fire or other casualty, in an amount equal to the full replacement cost (without respect to depreciation). A replacement cost endorsement shall be part of the policy.

(b) Residence Insurance. A Special Form or "All-Risk" master policy of property insurance for all Residences against loss or damage by fire or other casualty, excluding earthquake, flood and other perils commonly excluded, in an amount equal to the cost of rebuilding all Residences to a "shell" (without respect to depreciation). "Shell" shall mean rebuilding a Residence to include all exterior improvements and all electrical, plumbing, fireplaces and interior improvements to, and including, the sheetrock, but shall not include fixtures, cabinets, counters, countertops, carpeting, interior paint or wall coverings, hot water heaters, or any other improvement beyond the interior sheetrock contained within the Residence, the repair or replacement of which shall be the responsibility of the Owner. Such insurance shall include coverage for "change of code" where current building codes provide for upgraded construction items and procedures. The Association's policy shall also exclude the HVAC system components servicing a Residence, other than the replacement of ductwork.

(c) Liability Insurance. A combined single limit policy of liability insurance in an amount not less than Three Million Dollars (\$3,000,000.00) covering the Common Area and all damage or injury caused by the negligence of the Association, the Board or any of its agents or the Owners against any liability to the public or to any Owner incident to the use of or resulting from any accident or intentional or unintentional act of an Owner or a third party occurring in or about any Common Area. If available, each policy shall contain a cross liability endorsement in which the rights of the named insured shall not be prejudiced with respect to any action by one named insured against another named insured, although the Association's policy may be written as a primary or umbrella policy.

(d) Worker's Compensation Insurance. Worker's compensation insurance to the extent necessary to comply with all applicable laws of the State of California or the regulations of any governmental body or authority having jurisdiction over the Project.

(e) Directors and Officers. Errors and omissions insurance covering individual liability of Directors and Officers for their negligent acts or omissions while acting in their capacities as Directors and Officers in an amount equal to at least the minimum amount specified in Civil Code section 5800.

(f) Other Insurance. Other types of insurance as the Board determines in the reasonable exercise of its discretion to be necessary to fully protect the interests of the Owners.

Section 9.02. Other Matters Pertaining to Association Insurance Obligations. All insurance policies maintained by the Association shall be subject to and, where applicable, shall contain the following provisions and limitations:

(a) Named Insured. Unless otherwise provided in this Section, the named insured shall be the Association or its authorized representative, as a trustee for the Owners. However, all policies covering Residences shall be for the benefit of Owners and their Mortgagees, as their interests may appear.

(b) Authority to Negotiate. Exclusive authority to adjust losses under policies obtained by the Association shall be vested in the Board; provided, however, that no Mortgagee having an interest in such losses may be prohibited from participating in any settlement negotiations related thereto.

(c) Contribution. The insurance coverage obtained and maintained by the Association will be excess to other valid and collectible insurance purchased by Owners or their Mortgagees.

(d) General Provisions. The Board, in its sole discretion, shall make every reasonable effort, given reasonable availability and including economic considerations, to secure insurance policies providing for the following:

- (i) A waiver of subrogation by the insurer as to any claims against the Board, the manager, the Owners and their respective servants, agents and guests;
- (ii) That no policy may be canceled or substantially modified without at least thirty (30) days' prior written notice to the Association and to each First Mortgagee listed as a scheduled holder;
- (iii) An agreed amount endorsement;
- (iv) A guaranteed replacement cost or replacement cost endorsement; and
- (v) An inflation guard endorsement.

(e) Term. The period of each policy shall not exceed three (3) years. Any policy for a term greater than one (1) year must permit short rate cancellation by the insureds.

(f) Deductible. The policy may contain a deductible in an amount determined by the Board and the amount of the deductible shall be added to the face amount of the policy in determining whether the insurance equals replacement cost. The Association shall be responsible to pay the deductible, except where the Board has reasonably determined that the cause of any insured damage was through the fault or negligence of the Owner, his family, tenants, contract purchasers, guests and/or invitee, in which case the Owner(s) of any Lot or Residence for which a claim against the Association's insurance has been made shall be liable for payment of the deductible applicable to such claim. If more than one Owner is liable for payment of the

deductible, their liability shall be joint and several. In the event the Association changes the deductible under the Association's master insurance policy, the Association is responsible for informing Owners of the change in order to comply with the requirement for loss assessment coverage pursuant to Section 9.03(d), below, in the event that the Board determines that such coverage must be maintained by Owners. See also, Section 9.03(d), below.

(g) Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by Section 9.01, above, is for any reason unavailable or prohibitively expensive, then the Association shall endeavor to obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage stated in Section 9.01, above.

(h) 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 9.01, above. The Board is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

(i) Copies of Policies. Copies of all insurance policies required to be maintained by the Association pursuant to Section 9.01, above (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.

(j) Annual Review of Association Insurance and Disclosure to Members. The Board of Directors shall review the adequacy of all insurance that the Association is required to maintain pursuant to Section 9.01, including the amount of liability coverage and the amount of property damage coverage, at least once every year. At least once every three (3) years, the review shall include a replacement cost appraisal of all insurable Common Area Improvements without respect to depreciation. The Board shall adjust the policies to provide the amounts and types of coverage and protection that are customarily carried by prudent owners' associations operating in similar common interest developments in the Tahoe/Truckee region. In accordance with Civil Code section 5300(b)(9), annually the Association shall distribute to its Members a summary of the Association's property, general liability, and flood insurance (if any), such distribution to be made as part of the Annual Budget that is distributed to the Members no earlier than ninety (90) days and no sooner than thirty (30) days prior to the end of the Association's fiscal year. To the extent that any of the information required to be disclosed pursuant to this paragraph 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 to all Members. The summary distributed pursuant to this subparagraph (j) shall contain in at least 10-point boldface type, the statement required by California Civil Code Section 5300(b)(9).

In accordance with Civil Code section 5810, the Association shall, as soon as reasonably practical, notify the Members by Individual Notice if any of the policies described in Section 9.01 that the Association is obligated to maintain have lapsed, been canceled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Association

receives any notice of nonrenewal of a policy described in this paragraph, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse. The Association shall, as soon as reasonably practicable, provide Individual Notice pursuant to Section 4040 to all Members if any of the policies described in the Annual Budget Report pursuant to Section 5300 have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, as to any of those policies. If the Association receives any notice of nonrenewal of a policy described in the Annual Budget Report pursuant to Section 5300, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

(k) Board's Authority to Revise Insurance Coverage; Member Disclosure Requirements. The Board of Directors shall have the power and right to deviate from the insurance requirements contained in Section 9.01, above, in any manner that the Board, in its reasonable business discretion, considers to be in the best interests of the Association. The Association shall, as soon as reasonably practicable, notify its Members by first-class mail if any of the policies required by Section 9.01, above, have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change in the policies, such as a reduction in coverage or limits or an increase in the deductible. If the Association receives any notice of nonrenewal of a policy, the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage is scheduled to lapse. The Association, and its directors and officers, shall have no liability to any Owner or Mortgagee if, after a good faith effort, the Association is unable to obtain any insurance required hereunder because the insurance is no longer available; or, if available, the insurance can be obtained only at a cost that the Board, in its sole discretion, determines is unreasonable under the circumstances; or the Members fail to approve any Assessment increase that is needed to fund the insurance premiums.

Section 9.03. Insurance Obligations of Owners.

(a) Insurance on Lot, Residence and Personal Property. Each Owner, at that Owner's sole cost and expense, shall obtain and maintain insurance coverage to protect that Owner and cover that Owner's Lot, Residence and personal property; provided, however, that no Owner shall be entitled to maintain insurance coverage in a manner so as to decrease the amount which the Association, on behalf of all Owners and their Mortgagees, may realize under any insurance policy which the Association may have in effect at any time. Insurance maintained by the Association is intended to cover only the "shell" of the Residences with all contents, including fixtures, being the responsibility of the Owner to replace and/or insure. Such insurance shall provide for payment of any deductible required by the Association insurance. Owners are strongly encouraged to provide their own insurance agent or broker with a copy of the Association's blanket policy of insurance and to inquire if the insurance that the Owner is maintaining with respect to betterments, fixtures, and contents within the Owner's Residence is providing adequate coverage. Without limiting the foregoing, Owners should consider obtaining loss assessment coverage in an amount that is sufficient to provide a source of funds to cover the Owner's pro-rata share of any deductible under the Association's master insurance policy and any Special Assessment liability of an Owner for losses to the Owner's Residence that are not covered under the Association's master policy or the Owner's individual insurance policy.

(b) Insurance Requirements for Owner Boats in the Association Buoy Field. Owners must carry public liability insurance in the amount of \$1,000,000.00 (or \$500,000.00 and an umbrella policy of at least \$500,000.00) and property damage insurance in the amount of \$25,000.00 for each boat allocated a buoy. Evidence of coverage must be provided with the buoy allocation application. Owners must add RRPOA as an additional insured to their liability coverage. Owners bear all risk of damage to their boats that occurs while in the Rocky Ridge mooring area (including on a buoy, at the pier, or in transit within the area) regardless of cause. The insurance amounts set forth herein can be modified by the Board in the Association Rules.

Section 9.04. Restriction on Owners Claims Relating to Association Insurance. No Owner may make a claim to or put either the agent or any insurance company providing insurance to the Association on notice of any damages or claim relating to Association maintained insurance. All Owners must notify the Association of any damage sustained to their Lot or Residence to which Association-maintained insurance may apply within 24 hours of the time when the Owner knew or should have known of the damage. Any reduction in insurance coverage available or premium increases resulting from the failure to provide notice of damage as required herein shall be the responsibility of the subject Member and not the Association

ARTICLE X DAMAGE, DESTRUCTION AND CONDEMNATION

Section 10.01. Replacement or Repair of Association Property. In the event of damage to or destruction of the Common Area or other property owned by the Association or any part thereof, the Association shall repair or replace the same from the insurance proceeds payable to it by reason of such damage or destruction. If any such damage or destruction was insured against and the insurance proceeds are insufficient to cover the costs of repair or replacement of the property damaged or destroyed, the Association may levy a Special Assessment against the Members of the Association as provided in this Declaration to cover the additional cost of the repair or replacement not covered by the insurance proceeds. The Members may elect not to cause such replacement or repair by the vote or written consent of two-thirds of the total voting power of the Association. If there is an election not to rebuild or repair, the applicable insurance proceeds shall be used in the manner determined by the Board, provided that such use shall not be inconsistent with the purposes of the Association.

Section 10.02. Rebuilding or Repair of Improvements on Lots. If any Lot and/or Residence is damaged or destroyed by fire or other casualty, the Association may, at its sole discretion and limited to the insurance funds made available, rebuild or repair all exterior damage to the Residence(s) including without limitation, the building envelope (roof, doors, siding), chimney and flue, framing, and utilities to the extent not repaired by the utility provider. The Owner(s) of any such Lot shall repair or rebuild all components upon such Lot not rebuilt or repaired by the Association, and restore such Lot to its condition prior to the damage or destruction, or to such other condition as shall have been approved in advance by the Board of Directors. Repair or rebuilding shall be commenced within a reasonable time, which shall in no event exceed one (1) year after the occurrence of the damage or destruction and shall be diligently pursued to completion not later than one (1) year after commencement. The one (1) year completion period may extended in the discretion of the Association but in no event to

exceed a two (2) year period in which repair or rebuilding must be commenced and completed. The amount of insurance proceeds shall not limit the obligation of the Owner(s) to repair or replace the damage. Without good cause shown and approval granted by the Board, said rebuilding and/or repair shall be accomplished within one (1) year from the occurrence of the damage or destruction. In the event that the Owner(s) of any such Lot shall not complete the repair or rebuilding of the structures within one (1) year from the occurrence of the damage or destruction, the Association shall have the right, but not the obligation, to undertake any remaining repair itself and to use any and all proceeds of insurance payable to the loss, after which the Association shall have a lien with full powers of foreclosure pursuant to Article 5 hereof against the Lot and the Residence of the Owner for the full amount of the expenditures not reimbursed by insurance, incurred in such rebuilding or repair.

Section 10.03. Condemnation.

(a) Condemnation of Common Area. If at any time all or any portion of any Common Area, or any interest therein, shall be taken for any public or quasi-public use, under any statute, by right of eminent domain, or by private purchase in lieu of eminent domain, the entire compensation or award in condemnation, to the extent such award is not apportioned among the Owners by court judgment or by agreement between the condemning authority and each of the affected Owners in the Development, shall be paid to the Association and shall be used in the manner determined by the Board, provided that such use shall not be inconsistent with the purposes of the Association. The Association shall represent the interests of all Owners in any proceedings relating to such condemnation to the extent such Owners have any interest in the Common Area.

(b) Condemnation of Lots. If an entire Residence or Lot, or so much thereof as to render the remainder unfit for use as a Residence, is condemned or taken for a public or quasi-public use, pursuant to any statute, by right of eminent domain, or by private purchase in lieu of eminent domain, the Owner's membership in the Association shall terminate as of the last day of the month in which the condemner obtains the right to possession, or upon Owner's vacating the premises, whichever occurs last. If only a portion of such Residence or Lot is taken and the remainder is fit for use as a Residence, the Owner shall continue to be a Member of the Association. In any condemnation action involving an Owner's Residence or Lot, the Association shall have the right to seek compensation for any damages incurred by the Association.

Section 10.04. Appraisals. Where the provisions of this Article X require an independent appraisal of property, said appraisal shall be made by a qualified real estate appraiser which shall be selected by the Board.

**ARTICLE XI
ENFORCEMENT**

Section 11.01. 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 abated or enjoined by the Association; provided, however, that the Board shall not be obligated

to take action to abate or enjoin a particular violation if, in the exercise of its discretion, the Board determines that acting to abate or enjoin such violation is not likely to foster or be in the best interests of the Association and its Members as a whole.

Section 11.02. 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 of this Declaration and subject to any and all of the enforcement procedures set forth herein.

Section 11.03. Owners' Responsibility for Conduct of Others and Damages. Each Owner shall be fully responsible for informing members of his or her family and his or her tenants, lessees, contract purchasers, and guests of the provisions of the Governing Documents, and shall be fully responsible for their conduct, activities, any Governing Document violation, and for any damage to the Development or the Association resulting from the negligent or intentional conduct of any of them or any household pets. If a Lot is owned jointly by two (2) or more persons, the liability of each Owner in connection with the obligations imposed by the Governing Documents shall be joint and several (see Section 2.06(f), above).

Section 11.04. Rights and Remedies of the Association.

(a) Remedies Are 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.

(b) Member Not In Good Standing. Upon a determination by the Board of Directors, after prior notice to the affected Member and an opportunity for a hearing, that said Member has violated any provision of the Governing Documents including a failure to pay any Assessment when due, the Board may give notice in writing to such Member that he or she is deemed not to be a Member in Good Standing. Such Member shall be deemed to remain in that status until such time as the Board shall determine in writing that the violation which resulted in the Board's determination has been cured or remedied or, on some other basis as in the judgment of the Board is just and proper, that such Member shall again be deemed to be a Member in Good Standing of the Association.

(c) Imposition of Sanctions; Obligation to Distribute a Schedule of Fines. 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 as provided in Section 11.03, above, for such breach or infraction. A sanction may include, but shall not be limited to a monetary penalty or fine 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.

Any monetary penalty imposed pursuant to this Section 11.04 shall not exceed the amount for each violation, as set forth in the ***Fine Schedule*** adopted pursuant to Civil Code section 5850. Each Owner shall be obligated to pay all costs incurred by the Association relating to violation of any provisions of the Governing Documents by such Owner's family, tenants, contract purchasers, guests, pets, or other invitees. Each Annual Policy Statement distributed by the Association pursuant to Civil Code section 5310 (see also the Association Bylaws at Section 13.01) shall include a copy of the Fine Schedule that may be assessed for violations of this Declaration, the Association Rules, or the other Governing Documents. Once the Fine Schedule is delivered as part of the Annual Policy Statement a new Fine Schedule need only be sent to the Members, by some form of Individual Delivery, if changes are made in the Schedule prior to the next year's Annual Policy Statement distribution (Civil Code section 5850(b)).

(d) Inadequacy of Legal Remedy. Except for the non-payment of any Assessment levied pursuant to the provisions of Article IV 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 household pets 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.

(e) Limitation on Disciplinary Rights. The Association shall not have the power to cause a forfeiture or abridgment of a Member's right to the full use and occupancy of his or her Lot for breach of 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 IV of this Declaration. The provisions of this Section 11.04 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 (see Section 11.04(c), above).

Section 11.05. 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, fines or other penalties 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 Association Rules provided for in and constituting a part of the Governing Documents. As provided in Civil Code section 5310(a)(9) the Association's Annual Policy Statement must include a summary description of the Association's dispute resolution procedures (both ADR and IDR) (see also Civil Code sections 5920 (description of IDR procedures) and 5965 (description of ADR procedures)).

Section 11.06. Emergency Situations. The following shall constitute emergency situations which enable the Association and management to initiate appropriate responsive or disciplinary action without first providing notice and an opportunity for a hearing to the Owner or tenant/lessee who is involved in, or responsible for, the emergency situation:

- (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; or
- (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 situation, 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.

Section 11.07. Dispute Resolution.

(a) **Internal Dispute Resolution.** The Association shall provide fair, reasonable and expeditious internal dispute resolution (IDR) procedures for resolving disputes between the Association and a Member involving their rights, duties or liabilities under California's Nonprofit Mutual Benefit Corporation Law (California Corporations Code section 7110 et seq.) or the Davis-Stirling Act (Civil Code sections 5900-5920), or under the Governing Documents of the Association.

(b) **Alternative Dispute Resolution.** Any dispute which is subject to California Civil Code sections 5925-5965 shall be submitted to Alternative Dispute Resolution ("**ADR**") as therein described. Alternative dispute resolution means and refers to mediation, arbitration, conciliation or other non-judicial procedure that involves a neutral party in the

decision-making process. It is up to the disputing parties to determine whether the ADR proceeding will be binding or non-binding. The type of disputes that are subject to ADR under the Davis-Stirling Act are the same as those identified for IDR in subparagraph (a), above, except that the obligation to offer ADR does not apply to a small claims court action (Civil Code section 5930(c)). Furthermore, the power and duty of the Board of Directors to levy and collect Assessments through lien foreclosure proceedings shall not be subject to ADR (Civil Code section 5930(d)). However prior to initiating foreclosure on an Owner's Lot the Association shall offer the Owner and, if so requested by the Owner, participate in IDR in accordance with the Association's "meet and confer" program (Civil Code section 5705(b)).

(c) Annual Summary of Dispute Resolution Procedures. In accordance with Civil Code section 5310(a)(9) and Civil Code sections 5920 and 5965, the Association's Annual Policy Statement shall include a description of the Association's IDR and ADR dispute resolution procedures. The summary shall include a specific reference to Article 3 of Chapter 10 of the Davis-Stirling Act as well as the following statement:

Failure of a Member of the Association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the Member's right to sue the Association or another Member of the Association regarding enforcement of the Governing Documents or the applicable law.

Section 11.08. 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.

Section 11.09. Notices. Any notices required or given under this Article 9 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.

Section 11.10. 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, invitees or household pets 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. In awarding attorney's fees when a legal proceeding has been initiated, the court shall not be bound by any court fee schedule, but shall, if it is in the interest of justice to do so, award the full amount of costs, expenses and attorney's fees paid or incurred in good faith. 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 Section 4.04 of this Declaration.

ARTICLE XII AMENDMENT

This Declaration may be amended by the affirmative vote or written consent of a simple Majority of the Members. Any amendment of the Declaration shall be signed and acknowledged by the duly authorized officer(s) of the Association as required by Civil Code Section 4270 (a)(2) and recorded in the Office of the Placer County Recorder.

ARTICLE XIII MISCELLANEOUS

Section 13.01. 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.

Section 13.02. Severability. The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any provision hereof shall not invalidate any other provisions hereof.

Section 13.03. 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.

Section 13.04. Number; Gender. 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.

Section 13.05. 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.

Section 13.06. 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.

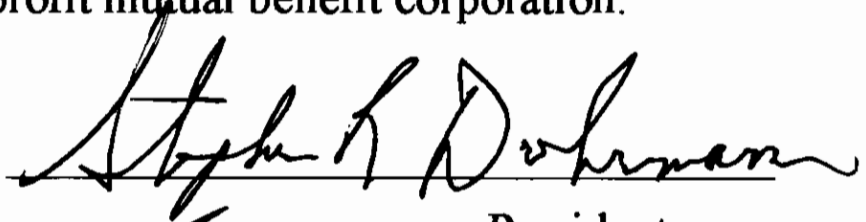
Section 13.07. Term. This Declaration shall continue for a term of fifty (50) years from the date of recordation of this Declaration. Thereafter the term shall be automatically extended for successive periods of ten (10) years each, unless within the six (6) months prior to the expiration of the initial 50-year term or any 10-year extension period a written instrument, approved by Owners entitled to vote and holding at least a majority of the voting power of the Association, terminating the effectiveness of this Declaration shall be recorded in the Office of the County Recorder of Placer, California.

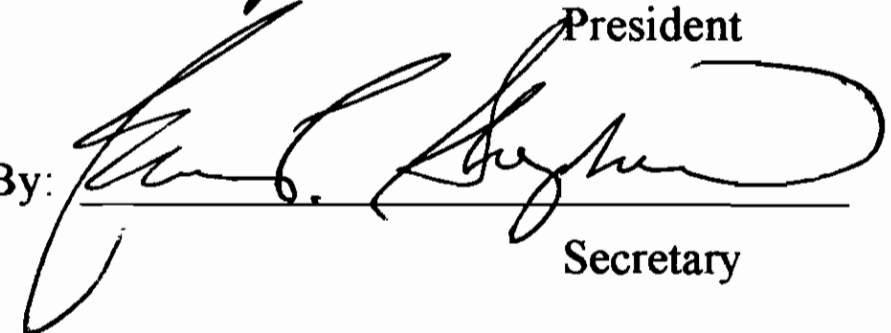
CERTIFICATION OF OFFICERS

By executing, acknowledging and recording this Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of the Rocky Ridge Properties Owners Association the undersigned President and Secretary of the Association hereby certify, pursuant to Civil Code section 4270(a)(2) that upon conclusion of the secret ballot voting on July 20, 2018 the Association's duly appointed Inspector of Elections announced that at least fifty percent (50 %) plus one of the Total Voting Power of the Members of Rocky Ridge Properties Owners Association voted to affirm, approve, and adopt the foregoing Second Amended and Restated Declaration in accordance with Article 10 of the First Amended and Restated Declaration referenced in Recital "F", above.

DATED: July 20, 2018

**ROCKY RIDGE PROPERTIES
OWNERS ASSOCIATION**, a California
nonprofit mutual benefit corporation.

By: 
President

By: 
Secretary

ACKNOWLEDGMENT

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 to the truthfulness, accuracy, or validity of that document.

State of California
County of Placer)

On July 30, 2018 before me, MARY CUSHING, Notary Public
(insert name and title of the officer)

personally appeared Stephen R. Bohrmann,
who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 Mary Cushing (Seal)



ACKNOWLEDGMENT

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 to the truthfulness, accuracy, or validity of that document.

State of California
County of Placer)

On July 30, 2018 before me, Mary Cushing, Notary Public
(insert name and title of the officer)

personally appeared Bruce Shepherd,
who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 Mary Cushing (Seal)

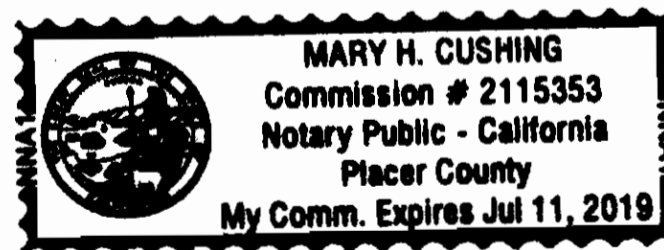


EXHIBIT A-1

Walsh Lot:

All that certain real property situated in Section 5, Township 15 North, Range 17 East, M.D.B.M., Placer County, California, being more particularly described as follows;

BEGINNING AT THE MOST EASTERLY CORNER OF LOT D (COMMON AREA) AS SHOWN ON THE SUBDIVISION MAP ENTITLED "ROCKY RIDGE, UNIT #3, TRACT 228" AS RECORDED IN BOOK J OF MAPS AT PAGE 29, PLACER COUNTY RECORDS (P.C.R.), SAID POINT ALSO BEING THE MOST NORTHWESTERLY CORNER OF LOT A (COMMON AREA) AS SHOWN ON THAT CERTAIN MAP ENTITLED "ROCKY RIDGE, UNIT #1", RECORDED IN BOOK J OF MAPS AT PAGE 80 P.C.R.; THENCE FORM THE POINT OF BEGINNING SOUTH 89 54' 15" WEST A DISTANCE OF 28.74 FEET TO A POINT; SAID POINT BEING THE MOST SOUTHEASTERLY CORNER OF THE PARCEL CONVEYED TO LOT "C" ROCKY RIDGE, UNIT #3" AS EVIDENCED BY RESOLUTION RECORDED MAY 5, 1982 IN BOOK 2497, PAGE 827, P.C.R.; THENCE CONTINUING ALONG THE BOUNDARY OF THE PARCEL CONVEYED TO LOT "C", SOUTH 0 05' 45" EAST 377.10 FEET TO A POINT ON THE NORTH LINE OF SECTION 5; THENCE CONTINUING ALONG SAID NORTH LINE NORTH 89 54' 15" EAST A DISTANCE OF 600.40 FEET TO A POINT; THENCE SOUTH 00 05' 45" EAST 242.41 FEET TO A POINT; SAID POINT BEING ON THE NORTHERLY LINE OF LOT E (COMMON AREA) ROCKY RIDGE, UNIT #3; THENCE CONTINUING ALONG SAID NORTHERLY LINE NORTH 54 30' 52" WEST A DISTANCE OF 10.46 FEET TO A POINT; THENCE SOUTH 89 54' 15" WEST A DISTANCE OF 245.94 FEET; THENCE ALONG THE WESTERLY LINE OF LOT E, SOUTH 00 05' 45" EAST 100.00 FEET TO THE NORTHEASTERLY CORNER OF LOT A; ROCKY RIDGE UNIT #1; THENCE CONTINUING ALONG THE NORTH BOUNDARY OF LOT A, NORTH 84 09' 17" WEST A DISTANCE OF 158.58 FEET TO A POINT; THENCE SOUTH 82 19' 00" WEST 88.86 FEET TO A POINT; THENCE SOUTH 00 05' 45" EAST 47.76 FEET TO A POINT; THENCE SOUTH 89 54' 15" WEST 71.21 FEET TO THE POINT OF BEGINNING.

This copy is being attached for legibility purposes, and I declare under penalty of perjury that this is a true and correct copy of the original

EXHIBIT A-2

Legal Description

PARCEL II:

All that certain real property situate in Section 5, T15N., R17E., M,D.M., Placer County, California, being more particularly described as follows:

Beginning at the most southerly corner of Lot "C" as shown on that certain subdivision map entitled "Rocky Ridge Unit No. 3", as recorded in book J/Maps/Page 29, Placer County records, said point being on the easterly line of Rocky Ridge Road (a private road) of said subdivision; thence from the said point of beginning, along the boundary line of said Lot "C", the following two (2) courses:

- 1) North 45° 00' 00" East, 169.76 feet;
- 2) North 00° 05' 45" West, 269.52 feet to the north boundary line of section 5;

Thence, along said north boundary line, North 89° 54' 15" East, 227.34 feet;

Thence, leaving said north. line, South 00° 05' 45" East, 377.10 feet to the north boundary line of Lot "D" of said subdivision map recorded in Book J/Maps/Page 29;

Thence along-said north line of Lot "D", the following two (2) courses:

- 1) South 89° 54' 15" West, 260.31 feet;
- 2) South- 45° 00' 00" West, 87.08 feet to the easterly line of said Rocky Ridge Road, from which a radial line bears North 56° 33' 35" East;

Thence, along the easterly line of said Rocky Ridge Road, (along the arc of a 270.00 foot radius curve to the right, having a central angle of 11° 47' 27") an arc length of 55.56 feet, more or less, to the point of beginning.

EXHIBIT "A-3"

A parcel of land situated in fractional Section 5, T.15N, R.17 E., M.D.B.& M., Placer County, California and being more particularly described as follows:

Commencing at a capped 2 inch diameter iron pipe for the Northwest corner of said Section 5 as shown on that certain Record of Survey as filed in the office of the Recorder of said Placer County in Book 3 of Surveys at Page 49; Thence N 89 54' 15"E 1578.04 feet along the North line of said Section 5 to the Northeast corner of the common area, Lot "E" as shown on that certain map of Rocky Ridge Unit No. 3 as filed in the office of the Recorder of said Placer County in Book J of Maps at Page 29 and the POINT OF BEGINNING of the Parcel herein described;

Thence N 89 54'15"E 231.18 feet along the North line of said Section 5;

Thence S 18 42'00"E 238.91 feet;

Thence S 71 41'11"W 202.87 feet to the Easterly line of Rocky Ridge Road as shown on that certain Map of Rocky Ridge Unit No. 1, filed in the office of the Recorder of said Placer County in Book 1 of Maps at Page 80, said point being on a 205.00 foot radius non-tangent curve to the left, the radius point of which bears S71 41'11"W;

Thence 125.23 feet along the arc of said curve to the left through a central angle of 35 00'00", the chord of which bears N 35 48'49"W 123.29 feet along said road to a point on a 155.00 foot radius curve to the left;

Thence 74.98 feet along the arc of said curve to the left through a central angle of 27 42'54", the chord of which bears N 67 10'16"W 74.25 feet along said road to the most Easterly line of said common area Lot "E";

Thence N 08 58' 17"E 162.87 feet along said easterly line to the POINT OF BEGINNING.

Said parcel as described contains 1.545 acres more or less.

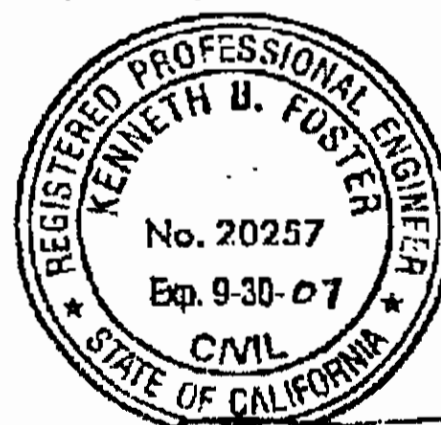
Refer this description to your title company before incorporating it into any document.

This copy is being attached for legibility

Prepared by:

This copy is being attached for legibility purposes, and I declare under penalty of perjury that this is a true and correct copy of the original.

Mary Casby



[Signature]
Kenneth B. Foster, PE
RCE No. 20257 exp. 9-30-2007
K.B. Foster Civil Engineering Inc.
POB 129
Carnelian Bay, CA 96140

EXHIBIT "A-4"

Pages 1 of 3

All that real property situated in a portion of Section 5, Township 15 North, Range 17 East, Mount Diablo Meridian, County of Placer, State of California being:

All of the Lands conveyed to Rocky Ridge Properties (R.R.P.) by Grant Deed recorded in Volume 1334, Page 120 and a portion of Lands designated "Parcel One" as conveyed to said R.R.P. by Corporation Grant Deed recorded in Volume 1216, Page 561, Office of the Recorder of said County of Placer and being more particularly described as follows:

Beginning at a point on the northerly right-of-way line of State Highway No. 28 (III-Pla-39-A), said point being the most easterly corner of said Lands of (R.R.P.) recorded in Volume 1334, Page 120 from which a radial line bears North 28° 14' 29 " West;

Thence along said northerly right-of-way line the following four (4) courses:

- 1) Southwesterly along the arc of a non-tangent 1940.00 foot radius curve to the right, consuming a central angle of 2° 17' 29", an arc length of 77.59 feet to a point on said arc from which a radial line bears North 25° 57' 00" West;
- 2) South 25° 57' 00" East, 10.00 feet;
- 3) South 64° 03' 00" West, 811.60 feet;
- 4) Southwesterly along the arc of a tangent 1550.00 foot radius curve to the left, consuming a central angle of 14° 36' 11", an arc length of 395.05 feet;

EXHIBIT "A-5"

LEGAL DESCRIPTION OF THE ROCKY RIDGE BEACH PARCEL

PARCEL ONE

A portion of Section 5, Township 15 North, Range 17 East, M.D.M., particularly described as follows:

BEGINNING at the most northerly corner of Lot 8 of the LAKE PARK TERRACE SUBDIVISION, as said lot is shown on the map thereof filed in Book E of Maps at Page 58, Placer County Records; thence North 19° 29' 10" West along the northeasterly line of Terrace Road for a distance of 40.00 feet; thence South 73° 00' East to the ordinary low water line of Lake Tahoe; thence Southwesterly along the ordinary low water line of Lake Tahoe to a point which bears South 19° 29' 10" East from the point of beginning; thence North 19° 29' 10" West 202 feet, more or less, to the point of beginning.

EXCEPTING THEREFROM that portion thereof described in Deed to Tahoe City Public Utility District dated December 8, 1958, recorded in Book 779 of Official Records at Page 442.

PARCEL TWO:

A portion of fractional Section 5, Township 15 North, Range 17 East, M.D.B. & M., particularly described as follows:

BEGINNING at an angle point in the westerly line of the parcel described hereby, being a point on the northeasterly line of a county road known as Terrace Road and distant North 19° 29' 10" West 40.00 feet from the most northerly corner of Lot 8 of the LAKE PARK TERRACE SUBDIVISION, as said lot is shown on the map of said subdivision filed in Book E of Maps at Page 58, Placer County Records; thence from said point of beginning North 19° 29' 10" West along the northeasterly line of the said Terrace Road for a distance of 253.91 feet; thence along the arc of a non-tangent curve to the right having a radius of 1900.00 feet through an angle of 1° 44' 30", distance of 57.76 feet, the chord of which is North 53° 22' 25" East 57.75 feet; thence South 34° 41' 30" East 404.33 feet, to a 3/4 inch capped pipe; thence North 73° 00' West 200.54 feet to the point of beginning.

PARCEL THREE:

A non-exclusive right of way for road and utility purposes described as follows:

A portion of fractional Section 5, Township 15 North, Range 17 East, M.D.B.& M., particularly described as follows:

BEGINNING at the most westerly corner of the parcel described hereby, said point being identical with the most northerly corner of the Lake Park Terrace Subdivision as shown on the map thereof filed in Book E of Maps at Page 58, Placer County Records; thence from the point of beginning South 19° 29' 10" East along the northeasterly line of Terrace Road and the northeasterly line of the said subdivision for a distance of 52.52 feet; thence from a tangent which bears North 52° 30' 10" East along the arc of-a curve to the right having-a radius of 1900 feet through an angle of 2° 48' 20" for a distance of 93.04 feet (said arc being represented by the chord of North 53° 54' 20" East 93.02 feet); thence North 55° 18' 30" East 144.78 feet; thence North 34° 41' 30" West 50.00 feet to a point on the southeasterly line of California State Highway 111-PLA-39-A; thence along the southeasterly line of the said highway right of way on the following two consecutive courses: (1) South 55° 18' 30" West 144.78 feet; and (2) along the arc of a curve to the left having a radius of 1950 feet through an angle of curve to the left having a radius of 1950 feet through an angle of 2° 19' 40" for a distance of 79.22 feet (said arc being represented by the chord of South 54° 08' 40" West 79.22 feet) to the point of beginning.

Said easement is appurtenant only to the following described parcel of land being a portion of Parcel Two described above:

A portion of fractional Section 5, Township 15 North, Range 17 East, M.D.B.&M., particularly described as follows:

BEGINNING at the most westerly corner of the parcel described hereby, a point on the northeasterly line of a county road known as Terrace Road, said line being also the northeasterly line of Lake Park Terrace Subdivision as shown on the map thereof filed in Book E of Maps at Page 58, Placer County Records, and from said point the most northerly corner of said subdivision bears North 19° feet; thence from the point of beginning along the arc of a curve to the right, from a tangent which bears North 52° 30' 10" East, having a radius of 1900 feet; through an angle of 1° 44' 30" for a distance of 57.76 feet (said arc being represented by the chord of North 53° 22' 25" East 57.75 feet; thence South 34° 41' 30" East 135.00 feet; thence South 55° 18' 30" West 93.88 feet to a point on the northeasterly line of said subdivision and county road; thence North 19° 29' 10" West along the last mentioned line for a distance of 137.88 feet to the point of beginning.

TOGETHER WITH all appurtenances and improvements located thereon subject to all easements, rights of way, reservations, restrictions and encumbrances of record.

ROCKY RIDGE SWIMMING POOL PARCEL

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

That portion of fractional Section 5, Township 15 North, Range 17 East, M.D.M., described as follows:

Beginning at a point in the Northwest quarter of said fractional Section 5, from whence a 2" capped iron pipe marking the North-west corner of said fractional Section 5 bears North 52° 56' 17" West 1163.14 feet; thence from said point of beginning, North 67° 12' 07" East 7.50 feet; thence South 71° 07' 00" East 209.91 feet; thence from a tangent that bears South 22° 24' 42" West, along the arc of a curve concave to the Southeast, having a radius of 530.00 feet, subtended by a chord bearing South 19° 50' 31" West 47.53 feet; thence tangent to said curve, South 17° 16' 19" West 109.28 feet; thence North 71° 07' 00" West 163.37 feet; thence North 00° 50' 32" West 161.23 feet to the point of beginning.

ROCKY RIDGE TENNIS COURT PARCEL

EXHIBIT "A-5"

Page 3 of 3

(Cont'd)

PARCEL FIVE:

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

That portion of fractional Section 5, Township 15 North, Range 17 East, M.D.M., described as follows:

Commencing at a 2" capped iron pipe marking the Northwest corner of said Section 5; thence along the North line of said Section 5, North 89° 54' 15" East 387.02 feet; thence leaving said North line, South 00° 05' 45" East 290.13 feet; thence along the arc of a tangent curve concave to the Northeast, having a radius of 270.00 feet; subtended by a chord bearing South 16° 46' 15" East 154.95 feet to the true point of beginning; thence from said TRUE POINT OF BEGINNING along a line non-tangent to said curve North 45° 00' 00" East 87.08 feet; thence North 89° 54' 15" East 289.05 feet; thence South 00° 33' 15" West 81.77 feet; thence along the arc of a tangent curve concave to the Northwest, having a radius of 180.00 feet, subtended by a chord bearing South 23° 33' 15" West 140.66 feet; thence South 46° 33' 15" West 165.59 feet; thence North 33° 26' 45" West 314.62 feet to the true point of beginning.

The meridian of this description is based on the North line of the hereinabove described Section 5 being North 89° 54' 15" East as shown on that certain Record of Survey of Rocky Ridge filed in the office of the Recorder of Placer County in Book 3 of Surveys, at Page 49.

Together with all appurtenances and improvements located thereon subject to all easements, rights of way, reservations, restrictions and encumbrances of record.