DECLARATION OF RESTRICTIONS
OF
CAMBRIDGE ESTATES
(PLANNED DEVELOPMENT)

Revision History

Date	Changes
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DECLARATION OF RESTRICTIONS

OF

CAMBRIDGE ESTATES

(PLANNED DEVELOPMENT)

THIS DECLARATION is made on the date hereinafter set forth by MARTIS VALLEY INVESTMENTS, a California Limited Partnership (herein referred to as "Declarant"):

SECTION I: RECITALS

1.01 Description of Real Property.

Declarant is the Owner of that certain real property located in Nevada County, California, which is more particularly described on Exhibit "A" attached hereto and incorporated herein.

1.02 Multiple Phases.

Declarant has improved or intends to improve the Project by subdividing and constructing it into seventeen (17) residential Lots improved with dwellings ("Lots") and one (1) common area Lot with improvements ("Common Area").

The development of the Project is in the first phase of a proposed five (5) phased project. It is anticipated that the future phases, if annexed, will consist of a total of one hundred seventy-seven (177) residential Lots and additional common area lots; all constructed in accordance with any development plans, maps and specifications on file with Nevada County and the California Department of Real Estate.

Declarant may, but is not required to, annex future phases to the Project.

Any annexation by Declarant shall be done in accordance with Section 3.01.

1.03 Ownership Interests.

Each Owner shall receive fee title to his lot, membership in the Cambridge Estates Homeowners Association ("Association"), which shall hold title to the Common Area, a non-exclusive easement for use, enjoyment, ingress and egress over the Common Area, and such other interests as are provided herein.

1.04 Common Plan for Project.

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

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

SECTION 2: DEFINITIONS

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

2.01. "Articles"

Shall mean the Articles of Incorporation of Cambridge Estates Homeowners Association, and any amendments thereto.

2.02. "Assessment"

Shall mean that portion of the cost of maintaining, improving, repairing, operating and managing the Property which is to be paid by each Lot Owner as determined by the Association.

2.03. "Association"

Shall mean the Cambridge Estates Homeowners Association, a California non-profit mutual benefit corporation, the members of which shall be the Owners of Lots in the Project, their successors and assigns.

2.04. "Association Rules"

Shall mean rules which may be adopted by the Association.

2.05. "Board" or "Board of Directors"

Shall mean the governing body of the Association.

2.06. "Bylaws"

Shall mean the Bylaws of Cambridge Estates Homeowners Association, and any amendments thereto.

2.07. "Common Area"

Shall mean Parcel "0" as shown on the Map and all improvements erected thereon. The Common Area shall not include the residential Lots. Title to the Common Area shall be held by the Association for the use, enjoyment and benefit of the members. The common area may be expanded through the annexation of additional properties described in Exhibit "B."

2.08. "Common Expenses"

Shall mean and include the actual and estimated expenses of operating the Property and any reasonable reserve for such purposes as found and determined by the Board and all sums designated Common Expenses by or pursuant to the Project Documents.

2.09. "Declarant"

Shall mean Martis Valley Investments, a California Limited Partnership, its successors and assigns, if such successors and assigns are assigned the rights of Declarant pursuant to Section 16.08 hereof or if such successor or assign is a mortgagee acquiring Declarant's interest in the Project by foreclosure or by deed in lieu of foreclosure.

2.10. "Declaration"

Shall mean this Declaration of Restrictions, and any amendments, modifications or supplements thereto.

2.11. "Eligible First Mortgagee"

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

2.12. "Final Public Report"

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

2.13. "Improvements"

Shall mean all structures and improvements on the Property, including, but not limited to, buildings, paving, fences, signs and landscaping.

2.14. "Lot"

Shall mean any parcel of land shown on the Map, with the exception of the Common Area.

2.15. "Map"

Shall mean that subdivision map entitled "Cambridge Estates," recorded on August 10, 1992, in Book 8 of Maps, Page 6, in the Official Records of Nevada County.

2.16. "Member"

Shall mean a person or entity entitled to membership in the Association as provided herein. Each Owner or Co-Owner shall be a member.

2.17. "Mortgage"

Shall mean a mortgage or deed of trust encumbering a Lot or other portion of the Project. Mortgage shall include a beneficiary or a holder of a deed of trust as well as a mortgage. "First Mortgage" or "First Mortgagee" is one having priority over all other Mortgages or holders of Mortgages encumbering the same Lot or other portion of the Project. A "First Mortgagee" shall include any holder, including FHLMC and FNMA, of a First Mortgage on a Lot or other portion of the Project. "FHLMC" shall mean the Federal Home Loan Mortgage Corporation. "FNMA" shall mean the Federal National Mortgage Association.

2.18. "Owner" or "Owners"

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

2.19. "Project"

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

2.20 "Project Documents"

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

2.21. "Property" or "Properties"

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

2.22. "Unit"

Shall mean a dwelling structure on a Lot.

SECTION 3: PROPERTY RIGHTS

3.01. Common Area.

The Common Area shall be owned by the Association for the use and benefit of Members.

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

3.02. Partition Prohibited.

The common areas shall remain undivided as set forth above. Except as provided by California Civil Code Section 1359, no Owner shall bring any action for partition, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Project. Judicial partition by sale of a single Lot owned by two (2) or more persons and division of the sale proceeds is not prohibited hereby, but partition of title to a single Lot is prohibited.

3.03 Annexation of Additional Property.

Additional property may be annexed to and become subject to this Declaration by any of the following methods set forth in this section. Upon annexation, additional parcels shall become subject to this Declaration without the necessity of amending individual sections hereof.

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

1. Date for Annexation: Any annexation pursuant to this Section shall be made prior to the third (3rd) anniversary of the issuance of the original Public Report for the immediately preceding phase. Declarant shall be under no obligation to develop, or annex said additional phases and real property, and Declarant makes no representation with respect to whether or not such additional real property will ever be developed or annexed. This Section shall not be amended without the written approval of Declarant.

2. No Unreasonable Burden. Any annexation pursuant to this Section shall not result in an unreasonable diminution of the benefits to, or an unreasonable increase in the burdens upon, existing Owners in the Project, and shall be consistent with the phasing plan presented to the California Department of Real Estate at the time of application of the original Final Public Report for the sale of Lots in the Project. It is anticipated that the total number of Lots annexed to the Project pursuant to this section will be approximately one hundred seventy-seven (177) Lots.

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

B. Annexation Pursuant to Approval: Upon approval in writing of the Association, pursuant to vote or written consent of sixty-six and two-thirds percent (66 2/3%) of the total votes residing in members other than the Declarant, the Association and the Owner of any property who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association, may file of record a Declaration of Annexation in the manner described in Section 3.03.A(3) (except that the approval of Declarant shall not be required other than as part of the membership approval).

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

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

3.04. Reserves for Rental Program in Annexed Phase.

Declarant shall pay to the Association, concurrently with the closing of the escrow for the first sale of a Lot in an annexed phase, appropriate amounts for reserves for replacement or deferred maintenance of common area improvements in the annexed phase necessitated by or arising out of the use and occupancy of residential units under a rental program conducted by Declarant which has been in effect for a period of at least one (1) year as of the date of closing of the escrow for the first sale of a Lot in the annexed phase.

3.05. Easements.

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

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

1. Section 9 of this Declaration authorizes the Board to impose monetary penalties, temporary suspensions of an Owner's rights as a member of the Association or other appropriate discipline for failure to comply with the Project Documents provided that the established procedures are followed for notice and hearing which satisfy the minimum requirements of Corporations Code Section 7341 and are followed with respect to the accused member before a decision to impose discipline is reached.

2. The right of the Association to dedicate, sell, transfer or mortgage all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument signed or approved by two-thirds (2/3) of the members agreeing to such dedication or transfer has been recorded, provided, however, that no such dedication shall impair the ingress and egress to any individual Lot.

B. Future Restricted Common Areas. The Association may grant an Owner an easement on the Common Area adjacent to the Owner's Lot for the purpose of maintaining a fenced patio area, air conditioning and heating units, a fireplace structure and any other amenity or utility incidental to the use of the Unit.

C. Easements for Utilities and Maintenance. Easements over, under, upon, across, above or through any portion of the Property for purposes including but not limited to access, the installation, repair and maintenance of electric, telephone, water, gas and sanitary sewer lines and facilities, heating facilities, cable or master television antenna lines, drainage facilities, walkways and landscaping as shown on the recorded map of the property, and as may be hereafter required or needed to service the Property, are hereby reserved by Declarant and its successors and assigns, including the Association, together with the right to grant and transfer the same. Utility service equipment and facilities may be installed on or through dwelling units to serve other dwelling units in the Project as required by utility companies serving the Project. Utility companies shall have a right of access to all Lots and buildings where necessary to perform necessary maintenance and repair.

Each Owner is entitled to reasonable access to the Common Areas for the purpose of maintaining the internal and external telephone wiring. The access shall be subject to the consent of the Board, whose approval shall not be unreasonably withheld, and which may include the Board's approval of telephone wiring upon the exterior of the Common Areas, and other conditions as the Board determines reasonable.

D. Encroachment Easements. Each Lot within the Property is hereby declared to have an easement over all adjoining Lots and the Common Area for the purpose of accommodating any encroachment due to foundations, exterior walls, windows, roof overhangs and fences or walls which are built in accordance with the original design, plans and specifications of Declarant, or due to minor engineering errors, minor errors in original construction, settlement or shifting of the building, or similar causes. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the Owners of each adjoining Lot agree that minor encroachments over adjoining Lots or Common Area shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

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

Association through the common fund. Except in case of an emergency, twenty-four (24) hour advance notice shall be given to the Owner or occupant.

The foregoing easements are granted and reserved subject to the condition that their use and enjoyment shall not unreasonably interfere with the use, occupancy or enjoyment of all or any part of the neighboring Lots or Common Area.

SECTION 4: USE RESTRICTIONS

4.01. Use of Lots.

No Lot, or any portion thereof, shall be occupied and used except for single family residential purposes by the Owners, their contract purchasers, lessees, tenants, or social guests. No trade or business or commercial activity shall be carried on or conducted upon any Lot, except that Declarant, its successors or assigns, may use any Lot in the Project owned by Declarant for a model home site and display and sales office during construction and until the last Lot is sold by Declarant, or, where Declarant elects to retain one (1) or more Lots as an investment, until three (3) years from the date of closing of the first sale of a Lot in the latest annexed phase of the Project, whichever occurs first. The provisions of this Section shall not prohibit home occupations as long as they are merely incidental to the use of the Lot as a dwelling, are permitted by local law, are conducted in such a manner as not to adversely affect other Owners' use and enjoyment of the Project and have received prior written approval of the Board. No health care facilities operating a business or charity of any kind shall be permitted in the Project.

4.02. Garages and Parking.

Each Owner shall keep his garage area in a neat and orderly condition with any storage areas completely enclosed. Garage doors shall be kept closed when not in use. Garages shall not be used for storing or parking campers, trailers, boats or recreational vehicles, or for any purpose which would prevent Owner from parking his passenger vehicles in his garage. Each Owner shall keep his driveway clean and free of debris.

4.03. Vehicle Restrictions.

No trailer, camper, mobile home, commercial vehicle, truck (other than a standard size pickup truck or standard size van), boat or similar equipment shall be permitted to remain upon any area within the Property, other than within an enclosed garage. Commercial vehicles shall not include sedans or standard-size pickup trucks which are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board. No noisy or smoky vehicles shall be operated on the Property. No unlicensed motor vehicles shall be operated upon the Property.

4.04. Signs.

No sign of any kind shall be displayed to the public view on or from any Unit or any portion of the Property without the approval of the Association, except as follows:

A. One (1) sign of customary and reasonable dimensions advertising a Lot for sale, lease, rent or exchange displayed from a Lot; and

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

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

4.05. Animals.

No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any Lot or portion of the Property, except dogs or cats, not exceeding two (2) of each, which are kept as household pets. However, owners of Lots greater than one (1) acre to gross area may keep and maintain thereon horses under the following conditions:

A. Not more than two (2) horses may be kept or maintained on any Lot at any one period of time.

B. The area on the Lot where horses are kept and maintained shall be completely and adequately fenced.

C. All corrals, fences and other structures used in connection with the keeping and maintenance of horses shall conform with County ordinance in effect at the time of construction.

D. No such horses shall be kept or maintained for any commercial purpose or in any manner so as to constitute a nuisance or in any manner which may violate any law or regulation.

No animals, livestock or poultry of any kind shall be kept, raised or bred for commercial purposes. Notwithstanding the foregoing, no pets may be kept on the Property which results in an annoyance or nuisance to other Owners. No pets shall be allowed on the Common Area except as may be permitted by rules of the Board. No dog shall enter the Common Area except while on a leash which is held by a person capable of controlling it. Owners shall prevent their pets from soiling any portions of the Common Area and shall promptly clean up any mess left by their pets. Owners shall be fully responsible for any damage caused by their pets. No structure for the sole habitation of said animals shall be located or kept within twenty-five (25) feet of any dwelling erected on adjacent lots without the consent of the persons then occupying said adjacent dwelling.

4.06. Garbage; Storage of Materials.

All garbage and trash shall be regularly removed from the Property and shall not be allowed to accumulate thereon. It shall be placed and kept in covered sanitary containers where it is not visible from any neighboring Lot except for a reasonable time prior to or after collection. All wood piles or storage piles shall be kept screened and concealed from view of other Lots, streets and Common Areas. Garbage and trash shall be placed for pick up as required by the disposal service and any rules adopted by the Association. No materials or waste shall be stored in such manner that they may be transferred off the property by natural causes such as wind or rain. No garbage, refuse, or soil materials shall be placed on any vacant lots or land within the project.

4.07. Antennae; Roof Projections.

Except for any antennae, chimneys, vent stacks or other items or equipment upon or projecting from the roof which are installed by Declarant as part of the initial improvements, no such item or equipment shall be erected or maintained upon the outside of any building on the properties unless the same has been approved by the Architectural Control Committee. No alteration to or modification of a central television antenna system or cable television system, whichever is applicable, as developed by Declarant and as maintained by the Association, shall be permitted, and no Owner may be permitted to construct and/or use his own external radio and/or television transmitting or receiving antenna, without the written consent of the Architectural Control Committee. All fees for the use of any cable television system shall be borne by the respective Lot Owners, and not by the Association.

4.08. Right to Lease.

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

4.09. Architectural Approval.

The Architectural Control Committee shall consist of five (5) members. Declarant may appoint all of the original members of the Committee and all replacements until the first anniversary of the issuance of the original Public Report for the first (or only) phase of the Project. The Declarant reserves to itself the power to appoint a majority of the members of the Committee until ninety percent (90%) of all the Lots in the Project (including subsequent phases) have been sold or until the fifth anniversary of the original issuance of the Final Public Report for the first (or only) phase of the Project, whichever occurs first.

After one (1) year from the date of the issuance of the original Public Report for the first (or only) phase, the Board shall have the power to appoint one member to the Architectural Control Committee until ninety percent (90%) of all the Lots in the overall Project have been sold or until the fifth anniversary date of the original issuance of the Final Public Report for the first (or only) phase of the Project, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Control Committee. Members appointed to the Architectural Control Committee by the Board shall be from the membership of each phase of the Project. Members appointed to the Architectural Committee by the Declarant need not be members of the Association. In the event of death or resignation of any member of the Committee, the successor shall be appointed by the person, entity or group which appointed such member until Declarant no longer has the right to appoint any members to the Committee, and thereafter the Board shall have the full authority to designate such a successor. The members of the Committee shall not be entitled to any compensation for services performed pursuant hereto.

No building, fence, wall, obstruction, screen, awning, or structure of any kind shall be commenced, erected or maintained upon the Property, nor shall any alteration or improvement of any kind be made thereto until the same has been approved in writing by an Architectural Control Committee appointed by the Board. Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the Architectural Control Committee for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topography, and finish grade elevation. No fence or wall shall be erected, placed or altered on any Lot nearer to any street than the minimum building set back line. No permission or approval shall be required to repaint in accordance with Declarant's original color scheme previously approved by the Committee or the Board, or to rebuild in accordance with plans and specifications previously approved by the Committee or by the Board. Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his residence, or to paint the interior of his residence any color desired.

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

Failure of the Committee to act within thirty (30) days after the plans have been submitted to it shall constitute approval.

4.10. Dwellings.

No dwelling or other improvement shall be constructed or permitted to remain, which does not meet the following criteria, except where the Committee specifically approves, in writing, a variance therefrom:

A. Size. No residence or dwelling shall be erected or permitted to remain on any lot in said subdivision having a total floor area, exclusive of open porches, garages, or other outbuildings, of less than two thousand (2,000) square feet.

B. Useful Life. All dwellings must be constructed on-site, permanently affixed to the land, and must have, in the estimation of the Committee, a useful life of at least thirty (30) years.

C. Driveways. All dwellings must have an all-weather driveway or private road suitably graded and surfaced. Surfacing material other than asphalt or concrete must be approved by the Committee and conform with County ordinances in effect at the time of construction.

D. Service and Storage Areas. Storage and Service Areas shall be so located or enclosed that they are not visible from any street, road, or drive which provides access to any other dwelling or place. No clothing or household fabrics shall be hung out on any lots unless the same are enclosed by a fence or other enclosure at least six (6) inches higher than such hanging articles, but in no case shall the fence or other enclosure exceed six (6) feet in height. No machinery or appliances of any type, nor any inoperable motor vehicles of any type shall be stored on any lot or parcel. Any machinery, appliance or motor vehicle in violation of this subsection may be removed at the owner's expense.

E. Fences. All fences and similar exterior structures shall be constructed solely of wood or stone, except for other materials approved by the Architectural Control Committee for that particular use and conform with County ordinances in effect at the time of construction.

F. Maintenance. The land and all improvements shall be maintained by the owner in good condition and repair.

G. Trees. No trees shall be removed without the prior written consent of the Architectural Control Committee.

H. Water Meters. At the time of building permit issuance, each Owner shall be required to install water meters and service lines on his Lot at his sole cost and expense.

I. Stoves. Only one (1) wood or coal burning stove per unit shall be permitted. All stoves shall comply with EPA phase II emission standards, as set forth below:

1. Catalytic wood heaters shall not cause emissions of greater than five and five tenths (5.5) grams per hour.

2. Non-catalytic wood heaters shall not cause emissions of greater than nine (9) grams per hour.

3. Wood heaters certified to meet the above standards by the U.S. EPA under 40 CFR Part 60 shall be deemed in compliance with the above standards. Pellet fueled wood heaters labeled as exempt from 40 CFR Part 60 shall be deemed in compliance with the above standards.

J. How to Properly Burn Wood. In order to properly burn wood, you should utilize the following guidelines: burn only clean, dry wood and nonglossy white paper; build small, hot fires instead of large smoldering ones; burn mostly seasoned hardwoods and fire logs; watch your chimney for smoke; follow your wood heater's operating instructions carefully; inspect often and keep your wood heater and chimney in top shape.

K. Water Conservation Efforts. All residences shall be constructed with low-flow plumbing fixtures.

L. Landscaping. Only native plants and/or drought tolerant plant species shall be used for landscaping around proposed residences. Owners shall retain existing Jeffrey Pines and other naturally occurring vegetation.

M. Lighting and Glare Impacts. All artificial lighting shall be subject to the review and approval of the Committee. The design and installation of all lighting shall limit fugitive light impacts to a non-significant level.

N. Solar Energy Utilization. All residences shall be located on a Lot to utilize passive solar heating and allow for optimal orientation and tilt of any solar collectors. Windows shall face South where possible. It is desirable to shade with overhangs and wing walls and use flow-through ventilation and light-colored roofs. Adjacent homes and trees shall not block sunlight from the collectors.

4.11. Completion and Occupancy of Dwellings.

The construction of all improvements shall be prosecuted diligently and completed within a reasonable time. The exterior finish, including finished painting of any dwelling, shall be in any event completed within six (6) months after the commencement of construction. No dwelling shall be occupied prior to its completion.

4.12. Construction Activities.

The following criteria have been established to prevent or minimize the temporary discharge of pollutants or nutrients associated with construction activities:

A. Prior to the initiation of any construction-related activities, the discharger shall install temporary erosion control measures (i.e., filter fabric fencing, roof eave dripline trenches, etc.) to prevent transport of earthen materials and other wastes off the property.

B. There shall be no removal of vegetation nor disturbance of ground surface conditions between October 15 of any year and May 1 of the following year. A written variance to the ground disturbance dates stated above may be granted by the County of Nevada where it can be shown that granting such a variance would not contribute to the degradation of water quality.

C. Ground compaction and disturbance activities shall be prevented in unpaved areas not subject to construction. Areas not subject to construction shall be fenced or otherwise marked to limit access. These boundary facilities shall be inspected periodically and shall be maintained when necessary.

D. Dust shall be controlled to prevent the transport of such material off the project site or into any surface water drainage course.

E. All disturbed areas shall be adequately restabilized or revegetated. Revegetated areas shall be continually maintained until vegetation becomes established. Only native plants and/or drought tolerant plant species shall be used for landscaping around proposed residences. Owners shall retain existing Jeffrey Pines and other naturally occurring vegetation.

F. Prior to October 15 of each year, the discharger shall provide permanent or temporary (if project is incomplete) stabilization of all disturbed or eroding areas through commencement of revegetation and/or completion of mechanical stabilization measures. Commencement of revegetation shall consist of seeding, planting, mulching, initial fertilization as needed, and initial watering as needed.

G. All surface flow from the project site shall be controlled so as to not cause downstream erosion.

H. All disturbed soils and surplus waste earthen materials shall be removed from the project site and deposited only at a legal, authorized point of disposal or reestablished on site in accordance with erosion control plans previously approved by the County of Nevada.

I. At no time shall waste earthen materials be placed in surface water drainage courses, or in such a manner as to allow the discharge of such materials to adjacent undisturbed land or to any surface water drainage course.

J. Fresh concrete or grout shall not be allowed to contact or enter surface waters.

K. The discharger shall immediately clean up and transport to a legal treatment or disposal site any spilled petroleum products or other hazardous material, to the maximum extent practicable.

L. All eroding slopes steeper than two (2) horizontal to one (1) vertical shall be stabilized.

4.13 Governmental Approval.

Before commencement of any alteration or improvements approved by the Board, the Owner shall comply with all appropriate governmental laws and regulations. Approval by the Board does not satisfy the appropriate approvals that may be required by any governmental entity with appropriate jurisdiction.

4.14 Window Coverings.

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

4.15 Clotheslines.

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

4.16 Power Equipment and Car Maintenance.

No power equipment, workshops or car maintenance of any nature (other than emergency repairs within an Owner's enclosed garage) shall be permitted on the Property without the prior written approval of the Board. In deciding to grant approval, the Board shall consider the effects of noise, air pollution, dirt or grease, fire hazard, interference with radio or television reception and similar objections.

4.17 Slope Control.

No Owner shall alter the slope or drainage pattern of any Lot or the Common Area without the prior written approval of the Architectural Control Committee and any required governmental approvals.

4.18 Stormwater Runoff.

Stormwater runoff from impervious surfaces shall be infiltrated on each lot using methods such as dripline trenches, infiltration trenches, and dry wells. Stormwater runoff collection, pretreatment, and/or infiltration disposal facilities should be designed, installed and maintained for a discharge of stormwater runoff from a twenty (20) year, one (1) hour design storm (approximately nine-tenths (0.9) inches of rainfall) from all impervious surfaces. Stormwater runoff handling and disposal facilities should be inspected annually and cleaned or renovated as needed. At no time shall waste earthen materials be placed in surface water drainage courses, or in such a manner as to allow the discharge of such materials to adjacent undisturbed land or to any surface water drainage course.

4.19 Telephone and Electrical Service Lines.

No overhead telephone or electrical service lines may be constructed on any lot or may cross over any lot. All portions of telephone and electrical service lines not located entirely within the enclosed portion of a dwelling, other than service pedestals, must be buried beneath the surface of the ground.

4.20 Liability of Owners for Damage to Common Area.

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

4.21 Sports Fixtures.

No basketball standards, hoops or backboards or other fixed sports apparatus shall be attached to any Unit or erected on any Lot.

4.22 Nuisances.

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

4.23 Compliance.

Each Owner, contract purchaser, lessee, tenant, guest, invitee or other occupant of a Lot or user of the Common Area shall comply with the provisions of the Project Documents and any Rules adopted by the Board.

SECTION 5: MAINTENANCE OBLIGATIONS

5.01 Association Maintenance Obligations.

The Association shall be responsible for maintaining, in good condition and repair, all Common Area improvements, including but not limited to the open space located on the Common Area and the masonry entrance walls.

If any of the maintenance or repair work referred to above is necessitated by the willful or negligent acts of the Owner, his family, guests or invitees, the costs of such special restoration or repairs shall be chargeable to the Owner as provided in Section 8.05.

5.02 Owners' Maintenance Obligations.

Except for those portions of the Project which the Association is required to maintain and repair as specified above, each Lot Owner shall, at his sole cost and expense, maintain and repair his Lot and all improvements thereon.

If an Owner of any Lot fails to maintain the premises and improvements situated thereon in a manner satisfactory to the Board, after approval by two-thirds (2/3) vote of the Board, the Association shall have the right and power, through its agents and employees, to enter upon and maintain, or provide for the maintenance of, any Lot and/or Unit, and to repair, maintain, and restore the Lot, and any other improvements erected thereon, which is not maintained by the Owner thereof in accordance with the requirements of these restrictions, provided that the Owner has received notice and a hearing as required by the Bylaws (except in the case of an emergency) and the Owner has failed to cure the violation or take steps necessary to cure the violation within thirty (30) days after the finding of a violation by the Association. Cost of any such repair or maintenance shall be charged to the Owner through an Individual Charge as provided in Section 8.05 Individual Charges.hereof.

SECTION 6: ASSOCIATION, ADMINISTRATION, MEMBERSHIP AND VOTING

6.01 Association to Manage Project.

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

6.02 Membership.

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

6.03 Transferred Membership.

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

6.04 Classes of Membership and Voting.

The Association shall have two (2) classes of voting members:

Class A. Class A members shall be all Owners except Declarant and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person or entity owns a Lot, all such persons and entities shall be members and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B member shall be the Declarant, who shall be entitled to three (3) votes for each Lot owned.

6.05 Termination of Class B Membership.

The Class B membership shall cease and be converted to Class A membership on the occurrence of whichever of the following is first in time:

A. On the second (2nd) anniversary of the original issuance of the most recently issued Final Public Report for a phase of the Project; or

B. On the fourth (4th) anniversary of the original issuance of the Final Public Report for the first phase of the Project.

6.06 Approval of Members Other Than Declarant.

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

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

Where a single class voting structure exists, after the conversion of Class B to Class A membership, approval of any action by the vote or written assent of a prescribed majority of the total voting power of members other than the Declarant shall also require the approval by vote or written assent of a bare majority of the total voting power of the Association.

6.07 Inspection of Books.

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

6.08 Commencement of Voting Rights.

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

6.09 Co-Owner Votes.

The vote for each Lot may not be cast on a fractional basis. If the Co-Owners of a Lot are unable to agree among themselves as to how their vote shall be cast, they shall forfeit the vote on the matter in question. If only one

Owner exercises the vote of a particular Lot, it shall be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot. If more than one Co-Owner exercises the vote for a particular Lot, their votes shall not be counted and shall be deemed void.

6.10 Membership Meetings.

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

6.11 Notice and Place of Meetings.

Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, first class mail, postage prepaid, at least ten (10) days but not more than ninety (90) days before the date of such meeting to each first mortgagee requesting notice and to each member, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the nature of the business to be transacted, and that no other business may be transacted. Meetings shall be held within the Project or at a meeting place as close thereto as reasonably possible.

6.12 Board of Directors.

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

SECTION 7: POWERS, DUTIES AND LIMITATIONS OF THE ASSOCIATION

7.01 Powers and Duties of Association.

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

A. Delegation of Authority and Powers. To delegate its authority and powers to committees, officers or employees of the Association, or to a management agent employed by the Association, as expressly authorized by the Project Documents, provided that the Board shall not delegate its responsibility:

1. To make expenditures for capital additions or improvements chargeable against the reserve funds;

2. To conduct hearings concerning compliance by an Owner or his tenant, lessee, guest or invitee with the Declaration, Bylaws or Rules and Regulations promulgated by the Board;

3. To make a decision to levy monetary fines, impose Special Assessments against individual Lots, temporarily suspend an Owner's rights as a member of the Association or otherwise impose discipline;

4. To make a decision to levy Regular or Special Assessments; or

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

B. Management Agent. To employ a management agent or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, except for the responsibility to levy fines, impose discipline, hold hearings, file suit, record or foreclose liens or make capital expenditures, provided that any contract with a firm or person appointed as a manager or managing agent or any other contract providing for services of the developer, sponsor or builder shall not exceed a one (1) year term renewable by the parties for successive one (1) year periods and shall provide for the right of the Association to terminate the same at the first annual meeting of the members of the Association, to terminate the same for cause on thirty (30) days written notice, and either party may terminate without cause and without payment of a termination fee on sixty (60) days written notice.

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

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

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

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

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

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

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

J. Granting of Easements. By majority vote, in addition to those shown on the Map, to grant easements where necessary for utilities, cable television and sewer facilities over the Common Area to serve the Common Area and the Lots.

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

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

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

N. Acquisition and Disposition of Property. To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association. Any transfer of Property shall be by document signed or approved by two-thirds (2/3) of the total voting power of the Association which shall include two-thirds (2/3) of the members other than Declarant, or where the two-class voting structure is still in effect, two-thirds (2/3) of the voting power of each class of members.

O. Budgets. To prepare, or cause to be prepared, budgets and financial statements for the Association as prescribed in this Declaration.

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

Q. Emergency Repair. To enter upon any privately owned Lot as necessary in connection with emergency repairs for which the Association is responsible for the benefit of the Common Area.

R. Election of the Board of Directors. To elect the members of the Board.

S. Other Powers. In addition to the powers contained herein, the Association may exercise the powers granted to a nonprofit mutual benefit corporation under California Corporations Code Section 7140.

T. Filling Vacancies. To fill vacancies on the Board, except for a vacancy created by the removal of a Board member.

U. Appointment of Trustee. The Association, or the Board acting on behalf of the Association, has the power to appoint or designate a trustee to enforce assessment liens by sale as provided in Section 9.02 herein and Civil Code Section 1367(b).

7.02 Property Taxes and Assessments.

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

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

7.03 Insurance.

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

7.04 Discharge of Liens.

The Association shall discharge by payment, if necessary, any lien against the Common Area, and assess the cost thereof to the Owners responsible for the existence of said lien after notice and hearing as provided in the Bylaws.

7.05 Payment of Expenses.

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

7.06 Prohibited Acts.

The Association, through its Board, shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the Association residing in members other than the Declarant:

A. Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year with the following exceptions:

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

2. Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration provided that the policy permits short rate cancellation by the insured.

3. Agreements for cable television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

4. Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration provided that the supplier or suppliers are not entities in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

B. Incurring aggregate expenditures on capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

C. Selling during any fiscal year Property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

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

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

7.07 Action Requiring Consent.

The Board shall take the following actions only upon obtaining consents of members as follows:

A. The consent of three-fourths (3/4) of the voting power of the Association residing in members other than the Declarant so long as the Declarant holds or directly controls at least twenty-five percent (25%) of the voting power of the Association, and after the Declarant no longer controls twenty-five percent (25%) or more, the consent of two-thirds (2/3) of the voting power of all members shall be necessary to do the following:

1. Borrow money, and only with the assent (by vote or written consent) of three-fourths (3/4) of the total voting power of the Association including three-fourths (3/4) of the members other than Declarant, or where the two-class voting structure is still in effect, three-fourths (3/4) of the voting power of each class of members, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

2. Dedicate, sell, transfer or mortgage all or any part of any interest it may have in the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members; provided that no such dedication, sale, transfer or mortgage shall be effective unless an instrument has been signed or approved by two-thirds (2/3) of the members agreeing to such dedication, sale, transfer or mortgage has been recorded. Any sale of all or substantially all of the corporation's assets must be in compliance with Section 7.07.B(1) below.

3. To the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit corporations organized for the same purposes as this Association or annex additional residential property in addition to the property described on Exhibits "A" and "B" hereto, provided that any such merger, consolidation or annexation shall have the assent by vote of three-fourths (3/4) of members in good standing voting in person or by proxy or by the written consent of such members, excluding Declarant.

B. Except as otherwise provided, the consent of one hundred percent (100%) of the members shall be required so long as there is any lot, parcel, area, apartment or unit for which the Association is obligated to provide management, maintenance, preservation or control for the Association to do the following:

1. Transfer all or substantially all of its assets; or

2. File a certificate of dissolution.

7.08 Board of Directors' Review of Fiscal Matters.

The Board of the Association shall do the following not less frequently than quarterly:

A. Cause a current reconciliation of the Association's operating accounts to be made and review the same.

B. Cause a current reconciliation of the Association's reserve accounts to be made and review the same.

C. Review the current year's actual reserve revenues and expenses compared to the current year's budget.

D. Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts.

E. Review an income and expense statement for the Association's operating and reserve accounts.

7.09 Commencement of Association's Duties and Powers.

Until incorporation of the Association, all duties and powers of the Association as described herein, including all rights of consent and approval, shall be and remain the duties and powers of Declarant. From and after the date of incorporation of the Association, the Association shall assume all duties and powers, and Declarant shall be relieved of any further liability, therefore.

SECTION 8: ASSESSMENTS

8.01 Agreement to Pay; Personal Obligation.

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

All Assessments and Individual Charges, together with any late charges, interest, collection costs and reasonable attorneys' fees incurred in collecting delinquent Assessments and Individual Charges, shall be the personal obligation of the Owner of such Lot at the time when the Assessments or Individual Charges fell due. If more than one (1) person or entity was the Owner of a Lot at the time the Assessments or Individual Charges fell due, the personal obligation to pay each Assessment and Individual Charge shall be joint and several. The personal obligation for delinquent Assessments and Individual Charges shall not pass to any transferee unless expressly assumed by him. No Owner may exempt himself from liability for his Assessments or Individual Charges obligation by waiver of the use or enjoyment of any of the Project.

8.02 Purpose of Assessments.

The assessments levied by the Association shall be used exclusively for paying the costs of and creating reserves for the costs of landscaping, gardening, street maintenance and repair, and other obligations which the Association is authorized or obligated to perform as described in this Declaration.

8.03 Regular Annual Assessments.

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

Until January 1 of the year immediately following the first conveyance of a Lot to an Owner, the Regular Annual Assessment for each Lot shall be prescribed by the Board. Thereafter, the Board may not, without the vote or written assent of Owners constituting a quorum, casting a majority of the votes at a meeting or election, or unless it has complied with subdivision (a) of Civil Code Section 1365 with respect to that fiscal year, impose a Regular Annual Assessment which is more than twenty percent (20%) greater than the Regular Annual Assessment for the immediately preceding fiscal year; provided, however, that the power of the Board shall not be limited with respect to Regular Assessment increases in the case of emergency situations, which is any of the following:

A. An extraordinary expense required by court order;

B. An extraordinary expense necessary to repair or maintain the Project, or any part of it for which the Association is responsible, where a threat to personal safety on the Property is discovered;

C. An extraordinary expense necessary to repair or maintain the Project or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro forma operating budget under Civil Code Section 1365. However, prior to the imposition or collection of an assessment under this section, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the members with the Notice of Assessment.

For purposes of this Section or Section 8.04, a quorum is defined as more than fifty percent (50%) of the Owners (including the Declarant) of an association.

Any meeting or election of the Association for purposes of complying with this Section or Section 8.04 shall be conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code.

If Civil Code Section 1366(b) is hereafter amended, this Section shall automatically be amended in the same manner; and if repealed, the Assessment increase restrictions imposed by this Section shall be according to law.

Not less than ninety (90) days before the beginning of each fiscal year, the Board shall prepare or cause to be prepared, and distribute to each Owner, a proposed pro forma operating statement (budget) for the forthcoming fiscal year. Any Owner or Mortgagee may make written comments to the Board with respect to said pro forma operating statement. The pro forma operating statement shall be prepared consistently with the prior fiscal year's operating statement and shall include adequate reserves for contingencies and for maintenance, repair and replacement of the Common Area improvements, Lots and Association personal property likely to need maintenance, repair or replacement in the future.

Not more than ninety (90) days nor less than forty-five (45) days before the beginning of each fiscal year, the Board shall meet for the purpose of establishing the Regular Assessment for the forthcoming fiscal year. At such meeting the Board shall review the proposed pro forma operating statement or budget, any written comments received and any other information available to it and, after making any adjustments that the Board deems appropriate, shall establish the Regular Assessment for the forthcoming fiscal year.

Not less than forty-five (45) days and not more than sixty (60) days before the beginning of each fiscal year, the Board shall distribute to each Owner a final copy of the pro forma operating statement or budget for the forthcoming fiscal year. Regular Assessments shall be payable in equal monthly installments, due on the first day of each month, unless the Board adopts some other basis for collection.

8.04 Special Assessments.

The Board may levy, in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or for extraordinary expenses incurred by the Association.

8.05 Individual Charges.

Individual Charges may be levied against a Member as follows:

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

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

8.06 Equal Division of Regular and Special Assessments.

Regular and Special Assessments shall be levied against each Lot and its Owner equally, based on a fraction, the numerator of which is one (1) and the denominator of which is the total number of Lots in the Project.

8.07 Commencement of Assessments and Individual Charges.

The right to levy Special Assessments and Individual Charges shall commence as to all Lots in a Phase of the Project on the close of escrow for the first sale of a Lot in that phase of the Project.

8.08 Delinquent Assessments.

Regular and Special Assessments levied pursuant to this Declaration are delinquent fifteen (15) days after the date they become due.

8.09 Creation of the Assessment Lien.

Each Assessment, including a penalty or fine, or installment, together with any late charge, interest, collection costs and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each Assessment is made.

SECTION 9: ENFORCEMENT OF RESTRICTIONS

9.01 General.

The Association or any Owner shall have the right to enforce compliance with the Project Documents in any manner provided by law or in equity, including without limitation, the right to enforce the Project Documents by bringing an action for damages, an action to enjoin the violation or to specifically enforce the provisions of the Project Documents, to enforce the liens provided for herein (except that no Owner shall have the right to enforce independently of the Association any Assessment, Individual Charge or Assessment lien created herein) and any statutory lien provided by law, including the foreclosure of any such lien and the appointment of a receiver for an Owner and the right to take possession of the Lot in the manner provided by law. In the event the Association or any Owner shall employ an attorney to enforce the provisions of the Project Documents against any Owner, the prevailing party shall be entitled to reasonable attorneys' fees and costs in addition to any other amounts due as provided for herein. All sums payable hereunder by an Owner shall bear interest at the maximum rate permitted by law from the due date, or if advanced or incurred by the Association or any other Owner pursuant to authorization contained in the Project Documents, commencing fifteen (15) days after repayment is demanded. All enforcement powers of the Association shall be cumulative. Failure by the Association or any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Association shall at all times comply with all applicable governmental regulations.

9.02 Specific Enforcement Rights.

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

A. Enforcement by Sanctions.

1. Limitation. The Association shall have no power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his Lot on account of a failure by the Owner to comply with provisions of the Project Documents or of duly enacted rules of operation for common areas and facilities except by judgment of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments duly levied by the Association.

2. Disciplinary Action. The Association may impose monetary penalties, temporary suspensions of a reasonable duration (not to exceed sixty (60) days per violation) of an Owner's rights as a Member of the Association or other appropriate discipline for failure to comply with the Project Documents. Notwithstanding the foregoing, the Association shall have no right to interfere with an Owner's right of ingress to or egress from his Lot.

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

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

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

The Notice of Delinquent Assessment shall not be recorded unless and until the Board or its authorized representative has delivered to the delinquent Owner, not less than fifteen (15) days before the recordation

of the Notice of Delinquent Assessment, a written demand for payment, and unless the delinquency has not been cured within said fifteen (15) day period.

Not less than fifteen (15) days after the recording of the Notice of Delinquent Assessment, the Board or its authorized representative may cause the Lot with respect to which a Notice of Delinquent Assessment has been recorded to be sold in the same manner as a sale is conducted under California Civil Code Sections 2924-2924h, or through judicial foreclosure. However, as a condition precedent to the holding of any such sale under Section 2924-2924h appropriate publication shall be made. In connection with any sale under Section 2924-2924h, the Board is authorized to appoint its attorney, any officer or director, or any title insurance company authorized to do business in California as trustee for purposes of conducting the sale. If a delinquency including Assessments and other proper charges is cured after recordation of the Notice of Delinquent Assessment but before sale, or before completing a judicial foreclosure, the Board or its authorized representative shall cause to be recorded in the office of the County Recorder a certificate setting forth the satisfaction of such claim and release of such lien. The Association, acting on behalf of the Owner, shall have the power to bid upon the Lot at foreclosure sale and to acquire, hold, lease, mortgage and convey the Lot.

D. Transfer by Sale or Foreclosure. The sale or transfer of any Lot shall not affect the Assessment lien, nor the right of the Association to impose a lien for Assessments which became due prior to such sale or transfer. However, the sale or transfer of any Lot pursuant to the exercise of a power of sale or judicial foreclosure involving a default under a First Mortgage shall extinguish the lien and right to lien for Assessments (including attorney's fees, late charges, or interest levied in connection therewith) as to payments which became due prior to such sale or transfer (except for assessment liens recorded prior to the mortgage). No amendment of the preceding sentence may be made without the consent of Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated, and the consent of the Eligible First Mortgagees comprising fifty-one percent (51%) of the Lots subject to First Mortgages. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from Owners of all Lots including such acquirer, his successors or assigns.

No transfer of the Lot as the result of a foreclosure or exercise of a power of sale shall relieve the new Owner, whether it be the former beneficiary of the First Mortgage or another person, from liability for any unpaid Assessments or Individual Charges against the Lot through and including the date of transfer. The new Owner shall be entitled to a statement from the Association dated as of the date of transfer, setting forth the amount of unpaid Assessments against the new Owner due the Association and the Lot so transferred shall not be subject to a lien for unpaid Assessments in excess of the amount set forth in the statement, provided, however, the new Owner shall be liable for any such Assessment that becomes due after the date of the transfer.

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

SECTION 10: BUDGETS, FINANCIAL STATETMENTS AND BANK ACCOUNTS

10.01 Budgets, Financial Statements.

The following financial and related information shall be regularly prepared and distributed by the Board to all members of the Association:

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

1. Estimated revenue and expenses of the Association on an accrual basis.

2. A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Civil Code Section 1365.5, which shall be printed in bold type and include all of the following:

a. The current estimated replacement cost, estimated remaining life and estimated useful life of each major component.

b. As of the end of the fiscal year for which the study is prepared:

(i) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components.

(ii) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components.

c. The percentage that the amount determined for purposes of Section 10.01.A(2)(b)(ii) is of the amount determined for purposes of Section 10.01.A(2)(b)(i).

3. A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefor.

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

The summary of the Association's reserves disclosed pursuant to Section 10.01.A(2) shall not be admissible in evidence to show improper financial management of an Association, provided that other relevant and competent evidence of the financial condition of the Association is not made inadmissible by this provision.

In lieu of the distribution of the pro forma operating budget required above, the Board may elect to distribute a summary of the pro forma operating budget to all its members with a written notice that the pro forma operating budget is available at the business office of the Association or at another suitable location within the boundaries of the development, and that copies will be provided upon request and at the expense of the Association. If any member requests that a copy of the pro forma operating budget be mailed to the member, the Association shall provide the copy to the member by first class United States mail at the expense of the Association and delivered within five (5) days. The written notice that is distributed to each of the Association members shall be in at least ten (10) point bold type on the front page of the summary of the budget.

Members shall be notified in writing, at the time the pro forma operating budget is distributed or at the time of any general mailing to the entire membership of the Association, of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

B. Balance Sheet. A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lot in the Project, and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the Lot number and the name of the entity assessed;

C. Report. A report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

1. A balance sheet as of the last day of the fiscal year.

2. An operating (income) statement for the fiscal year.

3. A statement of any changes in financial position for the fiscal year.

For any fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars ($75,000.00), a copy of the review of the annual report shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

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

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

10.02 Bank Accounts.

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

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

B. Reserve. Funds which the Association shall collect for reserves for capital expenditures relating to the repair and maintenance of the Lots and Common Area, and for such other contingencies as are required for good business practice shall, within ten (10) days after deposit in the General Account, be deposited into an interest bearing account with a bank or savings and loan association selected by the Association, or invested in Treasury Bills or Certificates of Deposit or otherwise prudently invested, which shall collectively be referred to as the "Reserve Account." Funds deposited into the Reserve Account shall be held in trust and may be used by the Association only for the purposes for which such amounts have been collected. Withdrawal of funds from the Association's reserve account shall require the signatures of either two (2) members of the governing body or one (1) member of the governing body and an officer of the Association who is not also a member of the governing body.

10.03 Limitations of Board on Reserve Account.

The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving the repair, restoration, replacement or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash flow requirements or other expenses. The transferred funds shall be restored to the reserve fund within three (3) years of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a delay would be in the best interests of the Project, delay the restoration until such time the Board reasonably determines to be appropriate. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limit required by this Section. This special assessment is not subject to the limitations imposed by Civil Code Section 1366.

10.04 Reserve Analysis.

At least once every three (3) years the Board shall cause a study of the reserve account requirements of the Project to be conducted if the current replacement value of the major components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half (1/2) of the gross budget of the Association for any fiscal year. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The study required by this Section shall, at minimum, include:

A. Identification of the major components which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years.

B. Identification of the probable remaining useful life of the components identified in Section 10.04.A as of the date of the study.

C. An estimate of the cost of repair, replacement, restoration or maintenance of each major component identified in Section 10.04.A during and at the end of its useful life.

D. An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

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

As used in this Section, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components which the Association is obligated to maintain.

SECTION 11: INSPECTION OF BOOKS AND RECORDS

11.01 Inspection by Members.

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

11.02 Review of Board Minutes.

The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any meeting of the Board, other than an executive session, shall be available to members within thirty (30) days of the meeting. The minutes, proposed minutes or summary minutes shall be distributed to any member of the Association upon request and upon reimbursement of the Association's costs in making that distribution.

11.03 Rules for Inspection by Members.

The Board shall establish reasonable rules with respect to:

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

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

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

11.04 Inspection by Directors.

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

SECTION 12: INSURANCE, DESTRUCTION, CONDEMNATION

12.01 Insurance.

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

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

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

B. Individual Fire Insurance Required. Each Owner shall obtain and maintain, at the Owner's sole expense, fire and casualty coverage as may be required by any mortgagee of the Owner's Lot and in no event less than the amount and type of fire and casualty insurance required to be obtained and maintained as determined by the Board. All such individually carried insurance shall contain a waiver of subrogation by the carrier as to the other Owners, the Association, Declarant, and the Mortgagees of such Lot.

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

D. 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 12.01.A and C. The Board is granted full right and authority to compromise and settle any claim with the insurance carrier or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

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

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

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

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

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

12.02 Destruction.

A. Minor Destruction Affecting Common Area. Notwithstanding Section 12.02.B, the Board shall have the duty to repair and reconstruct the Common Area without the consent of Members and irrespective of the amount of available insurance proceeds or other funds, in all instances of partial destruction where the estimated cost of repair and reconstruction does not exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. The Board may levy a Special Assessment for the cost of such repair and reconstruction to the extent insurance proceeds or other funds are unavailable.

B. Major Destruction Affecting Common Area.

1. Destruction; Proceeds Exceed 85% of Reconstruction Costs. If there is a total or partial destruction of the Common Area, and if the available proceeds of the insurance carried pursuant to Section 12.01 or other available funds are sufficient to cover not less than eighty-five percent (85%) of the costs of repair and reconstruction, the Common Area shall be promptly rebuilt unless, within forty-five (45) days from the date of destruction, Members then holding at least seventy-five percent (75%) of the voting power of each class determine that repair and reconstruction shall not take place.

2. Destruction; Proceeds Less than 85% of Reconstruction Costs. If the proceeds of insurance carried pursuant to Section 12.01 or other available funds are less than eighty-five percent (85%) of the costs of repair and reconstruction, repair and reconstruction shall not take place unless, within forty-five (45) days from the date of destruction, Members then holding at least a majority of the voting power of Members of each class determine that repair and reconstruction shall take place.

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

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

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

12.03 Condemnation.

A. Condemnation Affecting Common Area.

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

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

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

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

SECTION 13: MORTGAGEE PROTECTIONS

13.01 Mortgages Permitted.

Any Owner may encumber his Lot with Mortgages.

13.02 Priority of Mortgage.

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

13.03 Payment of Taxes or Premiums by Mortgagees.

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

13.04 Effect of Breach.

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

13.05 Mortgagee's Rights.

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

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

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

C. Inspect Books and Records. The Association shall make available to Owners, prospective purchasers and First Mortgagees current copies of the Project Documents, any Rules and Regulations adopted by the Board or the Association, and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances.

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

13.06 No Restrictions on Owner's Right to Ingress and Egress.

There shall be no restriction upon any Owner's right of ingress and egress to his Lot, which right shall be perpetual and appurtenant to his Lot ownership.

13.07 Notices to Mortgagees.

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

A. Any proposed amendment to the Project Documents effecting a change in:

1. The boundaries of any Lot or the exclusive use rights appurtenant thereto, if any;

2. The interests in the general or exclusive use Common Areas, if any, appurtenant to any Lot or the liability for common expenses appurtenant thereto;

3. The number of votes in the Association appurtenant to any Lot; or

4. The purposes to which any Lot or the Common Area are restricted.

B. Any proposed termination of the legal status of the Project as a planned development.

C. Any condemnation or casualty loss which affects either a material portion of the Project or any Lot on which there is a First Mortgage held, insured or guaranteed by such requesting party.

D. Any sixty (60) day delinquency in the payment of Assessments or Individual Charges owed by an Owner subject to a First Mortgage held, insured or guaranteed by such requesting party.

E. Any default in the performance by the affected Owner of any obligation under the Project Documents which is not cured within sixty (60) days.

F. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

G. Any proposed action which requires the consent of a specified percentage of First Mortgagees as specified in Section 13.08.

13.08 FNMA, FHLMC Mortgages.

A. Conditions When This Section Applicable. The provisions of this Section 13.08 shall apply if any First Mortgage is sold or transferred to FNMA or FHLMC.

B. Approval of Material Amendments. The approval of sixty-seven percent (67%) of the total voting power of the Association and fifty-one percent (51%) or more of the Eligible First Mortgagees (based upon one (1) vote for each first mortgage owned) must be obtained for amendments of a material nature to the Project Documents. A change to any of the following would be considered as material:

1. Voting rights;

2. Assessments, assessment liens, or subordination of assessment liens;

3. Reserves for maintenance, repair and replacement of common areas or any other portions of the Project which the Association has a duty to maintain, repair and replace.

4. Responsibility for maintenance and repairs;

5. Reallocation of interests in the general or exclusive use common areas, if any, or rights to their use;

6. Boundaries of any Lot;

7. Convertibility of Lots into common areas or vice versa;

8. Expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project;

9. Insurance or fidelity bonds;

10. Leasing of Lots;

11. Imposition of any right of first refusal or similar restriction on a Lot Owner's right to sell, transfer or convey his Lot;

12. A decision by the Owner's Association to establish self-management when professional management has been required previously by a First Mortgagee;

13. Restoration or repair of the Project (after a hazard damage or partial condemnation) in a manner other than that specified in the Project Documents;

14. Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs; or

15. Any provisions that expressly benefit First Mortgagees.

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

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

C. Voluntary Termination of Legal Status. Except as provided above, any election to terminate the legal status of the Project as a planned development for reasons other than substantial destruction or condemnation of the Property, must be approved by at least sixty-seven percent (67%) of the voting power of the Association and sixty-seven percent (67%) of the Eligible First Mortgagees (based upon one (1) vote for each first mortgage owned).

D. Reallocation of Interests in the Common Area. No reallocation of interests in the Common Area resulting from a partial condemnation or partial destruction of the Project shall be affected without the approval of fifty-one percent (51%) of the Eligible First Mortgagees (based upon one (1) vote for each first mortgage owned).

E. Restriction on Certain Changes. Unless at least sixty-six and two-thirds percent (66 2/3%) of the First Mortgagees (based on one (1) vote for each First Mortgage owned) or sixty-six and two-thirds percent (66 2/3%) of the Owners other than Declarant have given their prior written approval, the Association shall not:

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

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

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

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

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

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

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

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

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

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

13.09 Compliance with FHLMC or FNMA Requirements.

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

Any provision of this Declaration which confers a power or right upon FNMA or FHLMC shall be inapplicable whenever there are no units where a mortgage is held by FHLMC or FNMA.

13.10 Waivers.

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

13.11 Conflicts.

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

SECTION 14: ENFORCEMENT OF BONDED OBLIGATIONS

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

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

On satisfaction of the Declarant's obligation to complete the Common Area improvements, the Association shall acknowledge in writing that it approves the release of the bond and shall execute any other documents as may be necessary to effect the release of the bond. The Association shall not condition its approval of the release of the bond on the satisfaction of any condition other than the completion of the Common Area improvements as described on the planned construction statement. Any dispute between the Declarant and the Association regarding the completion of the Common Area shall be submitted to binding arbitration under the commercial rules of the American Arbitration Association and the prevailing party shall be entitled to recover costs, including reasonable attorneys' fees.

SECTION 15: AMENDMENTS

15.01 Prior to First Conveyance.

Prior to close of escrow on the sale of the first Lot, Declarant may amend or revoke this Declaration subject to the requirements of Business and Professions Code Section 11012 and 11018.7.

15.02 After First Conveyance.

After sale of the first Lot, this Declaration may be amended or revoked only by the affirmative vote (in person or by proxy) or written consent of Members representing at least sixty-seven percent (67%) of the voting power of each class of Members of the Association. If only one class of membership exists at the time an amendment is proposed, then it must be approved by at least sixty-seven percent (67%) of the total voting power of the Association, which shall include at least sixty-seven percent (67%) of the votes of Members other than Declarant. The percentage of the voting power necessary to amend a specific clause or provision of this Declaration shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision. Any amendment must be certified in a writing executed and acknowledged by the President of the Association.

15.03 Recordation.

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

15.04 Unanimous Consent for Specific Amendments.

The consent of all Owners shall be required for any amendment of Project Documents effecting a change in:

A. The boundaries of any Lot;

B. The undivided interest in the common elements pertaining to the Lot or the liability for Common Expenses appertaining thereto;

C. The number of votes in the Owners Association appertaining to the Lot; or

D. The fundamental purposes to which any Lot or the common elements are restricted.

SECTION 16: GENERAL PROVISIONS

16.01 Term.

The covenants and restrictions of this Declaration shall run with and bind the Property and shall inure to the benefit of and be binding on the Association and the Owners of any Lots, their legal representatives, heirs, grantees, tenants, successors and assigns, subject to this Declaration, for a term of thirty (30) years from the date this Declaration is recorded. Thereafter, they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by a majority of the then Owners of the Lots, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change said covenants and restrictions in whole or in part, or to terminate the same.

16.02 Owners' Compliance.

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

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

16.03 Notices.

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

16.04 Notice of Transfer.

No later than fifteen (15) days after the sale or transfer of any Lot under circumstances whereby the transferee becomes the Owner thereof, the transferee shall notify the Association in writing of such sale or transfer. Such notice shall set forth: (i) the Lot involved; (ii) the name and address of the transferee and transferor; and (iii) the date of sale. Unless and until such notice is given, the Association shall not be required to recognize the transferee for any purpose, and any action taken by the transferor as an Owner may be recognized by the Association. Prior to receipt of any such notification by the Association, any and all communications required or permitted to be given by the Association shall be deemed duly given and made to the transferee if duly and timely made and given to said transferor.

16.05 Delivery of Project Documents to Transferee.

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

16.06 Easements Reserved and Granted.

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

16.07 Termination of any Responsibility of Declarant.

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

16.08 Limitation of Restrictions on Declarant.

Nothing in this Declaration shall be understood or construed to:

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

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

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

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

The foregoing limitations of the application of the restrictions to Declarant shall terminate upon the sale of Declarant's entire interest in the Project, or two (2) years after the close of the first escrow, whichever occurs earlier.

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

16.09 Fair Housing.

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

16.10 Severability.

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

16.11 Conflict with Project Documents.

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

16.12 Headings.

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

16.13 Gender.

All references to the masculine gender in the Project Documents shall include the feminine and neuter gender.

IN WITNESS WHEREOF, Declarant has executed this Declaration.

DATED: _____, _____

MARTIS VALLEY INVESTMENTS,
a California Limited Partnership

By _____

STATE OF CALIFORNIA COUNTY OF _____

On _____, _____ before me, the undersigned, a Notary commissioned and sworn, personally appeared

_____

( ) personally known to me

( ) proved to me on the basis of satisfactory evidence

to be a General Partner of MARTIS VALLEY INVESTMENTS, the limited partnership that executed the within instrument, and acknowledged to me that he executed the same.

WITNESS my hand and official seal.

NOTARY PUBLIC

EXHIBIT "A"

DESCRIPTION OF PROPERTY SUBJECT TO DECLARATION

That certain real property situated **in** Nevada County, California, described as follows:

Lots 1 through 17, inclusive, and Parcel "D" as shown on the Map entitled "Cambridge Estates," filed for record August 10, 1992, in Book 8 of Maps, Page 6, Nevada County Records.

EXHIBIT "B"

Lot 2 of the Northeast quarter, the East half of Lot 1 of the Northeast quarter and Lot 2 of the Northwest quarter of Section 4, Township 17 North, Range 17 East, Mount Diablo Meridian, Nevada County, California

EXCEPTING THEREFROM all that portion thereof described in the deed recorded February 5, 1974, in Book 677 of Official Records, at Page 197, executed by Carey & Carey, to the County of Nevada.

ALSO EXCEPTING THEREFROM all that portion conveyed by the Deed recorded January 26, 1981, Official Records, Document No. 81-01999, executed by Carey & Carey, a partnership, to Sierra Pacific Power Company,

ALSO EXCEPTING THEREFROM all that portion of the Northeast quarter of said Section 4, more particularly described as follows:

Beginning at the Northeast corner of said Section 4, said corner being marked by a 2 inch capped iron pipe; thence South 00° 24' 45" East 1180.00 feet along the East line of said Section 4; thence South 89° 35' 15" West 1468.97 feet to a point on a curve of the Easterly right of way of Glenshire Drive being concave Northwesterly with a back tangent of South 26° 07' 28" West and a radius of 440.00 feet; thence Northerly 140.68 feet along said right of way curve through a central angle of 18° 19' 07"; thence North 07° 48' 21" East 394.20 feet along said right of way to the beginning of a curve concave Westerly having a radius of 1640.00 feet; thence continuing along said right of way Northerly 254.03 feet along said curve through a central angle of 08° 52' 30"; thence North 17° 04' 09" West 207.89 feet along said right of way to the beginning of a curve concave Southwesterly having a radius of 540.00 feet; thence continuing along said right of way Northerly 173.00 feet along said curve through a central angle of 18° 21' 19" to the North line of said Section 4; thence leaving said right of way North 88° 32' 24" East 1386.08 feet to the point of beginning.

END OF DOCUMENT