



2003-0014465

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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GRIZZLY RANCH

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GRIZZLY RANCH
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**MASTER DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GRIZZLY RANCH**

This Declaration is made by Grizzly Creek Development, LLC, a Delaware limited liability company ("Declarant").

RECITALS

A. Declarant owns certain real property located in the County of Plumas, State of California, that is more particularly described in Exhibit "A" (the "Overall Property").

B. This Declaration shall initially apply only to that portion of the Overall Property described in attached Exhibit "B" (the "Initial Covered Property"). It is the present intention of the Declarant that the real property described in Exhibit "B" constitute the initial Phase of a multi-phase planned development. Other portions or Phases of the Overall Property may be subjected to this Declaration by the annexation process set forth in Article XV, below. Article XV also includes provisions authorizing the deannexation of property from this Declaration under certain circumstances. The Initial Covered Property and other lands that are subsequently annexed to the Grizzly Ranch common interest development in accordance with Article XV, below, are referred to herein as "Grizzly Ranch" or, in some contexts, the "Development". The Overall Property includes approximately 1040 acres.

C. Declarant hereby declares that all of the property included within Grizzly Ranch shall be held, sold and conveyed subject to the following easements, restrictions, associations, reservations, covenants and conditions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of Residences, Common Facilities and other improvements now or hereafter constructed within Grizzly Ranch. These covenants, easements, restrictions, conditions, associations and reservations: (i) create a general plan and scheme for the subdivision development, sale and use of Grizzly Ranch as a "planned development" as that term is defined in California Civil Code section 1351(k); (ii) are for the benefit and protection of the Grizzly Ranch development and for the protection and enhancement of the desirability, value and attractiveness of all Homesites, Common Areas and other parcels of property located therein; (iii) run with the lands comprising Grizzly Ranch and bind all parties having or acquiring any right, title or interest in any portions of such property; and (iv) inure to the benefit of the successors and assigns of each Owner of a Homesite in Grizzly Ranch.

D. It is the further intention of the Declarant to sell and convey residential Homesites to Owners, subject to the protective covenants, conditions, restrictions, limitations, reservations, liens, grants of easements, rights, rights of way, charges and equitable servitudes between Declarant and such Owners as set forth in this Declaration and any duly adopted amendments thereto. Although most Homesites in Grizzly Ranch will be improved by construction of single

family custom homes, other portions of Grizzly Ranch may be developed in a cabin cluster or cottage design, with residential units in those areas reflecting a unified architectural design and appearance.

E. Finally, it is the intention of Declarant to convey to the Association the Common Areas and Common Facilities located within Grizzly Ranch. Those Common Areas and Common Facilities shall be owned and maintained by the Association and reserved exclusively for the use and enjoyment of the Members of the Association, their tenants, lessees, guests and invitees, subject to the terms and conditions of this Declaration and the other Governing Documents.

F. Also included within the boundaries of the Overall Property, but not included within Grizzly Ranch common interest development is real property, approximately 188 ± acres in size and more particularly described in Section 1.17, below, which is being developed as an 18 hole golf course and related facilities and improvements (collectively referred to herein as the "Golf Course"). It is not the intention of the Declarant to annex the Golf Course to Grizzly Ranch common interest development, to subject the Golf Course property to this Declaration, or to convey any of the improvements or lands constituting the Golf Course to the Association. Membership in any golf club that may be established with respect to the Golf Course and any other use or enjoyment of the Golf Course is subject to the control of the owner of the Golf Course, and may include non-resident golf memberships sold to members of the general public. Nevertheless, various provisions of this Declaration are for the benefit of the owner of the Golf Course and may not be amended or deleted without the consent of the owner of the Golf Course. Those provisions are identified in Section 19.02(b)(ii), below. Declarant may in the future arrange and participate in tournaments at the Golf Course, invitees to which may include guests of the Declarant or the owner of the Golf Course.

G. Notwithstanding the anticipated development of the Overall Property in accordance with the plan of phased development contemplated by this Declaration, nothing in this Declaration shall be construed or interpreted to commit Declarant to the development of any portion of the Overall Property in accordance with any present planning, or to the annexation of all or any part of the Overall Property to this Declaration, whether or not it is so developed. Accordingly, nothing contained herein shall obligate Declarant to refrain from the further subdivision or resubdivision of the lands comprising the Overall Property, and Declarant shall be free to so further subdivide or resubdivide. Nothing contained herein shall obligate Declarant to refrain from the further subdivision, resubdivision or reversion to acreage of portions of the Overall Property not theretofore annexed, and Declarant shall be free to so further subdivide or resubdivide, or revert those portions of the Overall Property. Declarant may develop commercial properties in a future Phase of the Overall property. Finally, there is no guarantee that the Golf Course will be operated as such indefinitely or that the terms and conditions of membership and or use of the Golf Course and its facilities will not change in the future.

ARTICLE I

Definitions

Section 1.01. "Articles" means the Articles of Incorporation of the Association, which

are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

Section 1.02. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and his or her Homesite in accordance with the provisions of Article IV, below.

Section 1.03. "Association" means the Grizzly Ranch Association, a California nonprofit mutual benefit corporation, its successors and assigns. The Association is an "association" as defined in California Civil Code section 1351(a).

Section 1.04. "Association Rules" means the rules, regulations and policies adopted by the Board of Directors of the Association, pursuant to Section 3.08, below, as the same may be in effect from time to time. Once the Design Review Board is a committee comprised solely of persons appointed by the Association's Board of Directors (see Section 5.02, below) the Association Rules shall also include the Design Guidelines.

Section 1.05. "Board of Directors" or "Board" means the Board of Directors of the Association.

Section 1.06. "Bylaws" means the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 1.07. "Common Area" and "Common Areas" mean all real property owned, controlled or maintained by the Association for the common use and enjoyment of the Owners. The Common Areas to be owned by the Association at the time of the conveyance of the first Homesite in the Initial Covered Property is described in Exhibit "C", attached hereto. Unless the context clearly indicates a contrary intent, any reference herein to the "Common Areas" shall also include any Common Facilities located thereon. The Common Area does not mean or include property that may be described as common area in any Supplemental Declaration pertaining to a separate residential subdivision within a particular Phase of the Development if that common area is owned, managed or controlled by a separate Sub-Association with jurisdiction solely within that subdivision Phase. If Common Areas are included in any Subsequent Phase Property, the Declaration of Annexation or Supplemental Declaration relating to that Subsequent Phase Property shall amend Exhibit "C" to include the newly annexed Common Area property.

Section 1.08. "Common Expense" means any use of Common Funds authorized by Article IV, below, to perform the duties and responsibilities of the Association as set forth in Article IX of the Bylaws and this Declaration. Common Expenses include, without limitation: (a) all expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Area and Common Facilities; (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors; (c) any amounts reasonably necessary for reserves for maintenance, repair and replacement of the Common Areas and Common Facilities, and for nonpayment of any

Assessments; and (d) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents.

Section 1.09. "Common Facility" or "Common Facilities" means the golf cart paths, a gatehouse structure and gates and other entrance features at the principal entrance to the Development on Grizzly Ranch Road, landscaping in portions of the Common Areas, a network of hiking and biking trails throughout the Development, and the other landscaping, fences, utilities, berms, pipes, lines, lighting fixtures, buildings, structures and facilities constructed or installed, or to be constructed or installed, or currently located within the Common Area and owned by the Association. If Grizzly Ranch is developed in accordance with current planning, future phases of the Development will include a Swim and Fitness Center, Tennis Courts, and a pedestrian and Bicycle bridge over Grizzly Road. The Golf Course is not a Common Facility.

Section 1.10. A "Cost Center" shall be a designation assigned by the Association to a discrete portion or Phase of Grizzly Ranch (and to the Owners of Homesites located therein) for the purpose of expense accounting and Assessment, all as more particularly provided in Sections 4.01(e) and 4.02(b), below. A Cost Center is likely to be created when the Association is maintaining property or Common Facilities located within the designated Cost Center area which are fully or partially restricted to Owners of the Homesites within the Cost Center.

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

Section 1.12. "Declarant" means Grizzly Creek Development, LLC, a Delaware limited liability company. The term "Declarant" shall also mean any successor or assign of Declarant, if (i) a certificate, signed by Declarant and Declarant's successor or assign, has been recorded in the County in which the successor or assign assumes the rights and duties of Declarant to some portion of Grizzly Ranch or (ii) such successor or assign acquires all of Grizzly Ranch and the remainder of the Overall Property then owned by a Declarant which must be more than one Homesite.

There may be more than one Declarant at any given time; provided, however, that in the case of multiple Declarants, each Declarant, other than the principal Declarant, shall be a Declarant only with respect to those portions of Grizzly Ranch common interest development that is owned by that Declarant and the rights and obligations of the Declarant with respect to the Association and its Members shall be exercised as agreed among the co-Declarants with the consent of the Department of Real Estate.

A Declarant shall cease being a Declarant when both of the following conditions exist: the Declarant no longer owns any portion of Grizzly Ranch and no Subsequent Phase Property exists that is still the subject to a unilateral right of annexation in favor of the Declarant pursuant to Section 15.02, below. Unless the designation of "principal Declarant" is assigned to another entity by a certificate executed and recorded as stated above, Grizzly Creek Development, LLC shall be the principal Declarant if there are more than one Declarant.

Section 1.13. "Declaration" means this instrument, as it may be amended from time to time and only Supplemental Declarations and Declaration of Annexation which may be Recorded against any portion of Grizzly Ranch from time to time.

Section 1.14. "Design Guidelines" means the document by that name which has, in its initial form, been prepared by the Declarant to inform Owners and their contractors of the procedural rules and plan submission requirements of the Design Review Board, as well as specific construction and improvement requirements that must be observed with respect to Homesite Improvement projects within Grizzly Ranch. See Section 5.05, below.

Section 1.15. "Design Review Board" or "DRB" means the committee created in accordance with Article V, below.

Section 1.16. "District" means the Grizzly Ranch Community Services District, a public agency, which has jurisdiction within the Grizzly Ranch common interest development. The District was formed pursuant to California Government Code section 61000 et seq, with all powers required for development of Grizzly Ranch (see also Section 7.07, below).

Section 1.17. "Golf Course" means that certain real property more particularly described in Exhibit "D", and the golf course fairways, clubhouse (with dining, pro shop and locker rooms for men and women), practice facilities (including driving and short game ranges and putting greens), golf cart storage facilities, tees, greens, roughs, lakes, ponds, streams, waterfalls and other facilities or properties owned, managed or maintained by the owner of the Golf Course. The Golf Course is not a Common Facility and will be owned and operated by a separate entity that is referred to herein as the "Golf Club".

Section 1.18. "Governing Documents" is a collective term that means and refers to this Declaration and to the Articles of Incorporation and Bylaws of the Association, and the Association Rules.

Section 1.19. "Grizzly Ranch" means and refers to the Initial Covered Property described in Exhibit "B", and any additional property that is subsequently annexed to this Declaration and to the Grizzly Ranch common interest development in accordance with Article XV, below. On occasion Grizzly Ranch, as so defined, is referred to in this Declaration as the "Development".

Section 1.20. "Homesite" means any parcel of real property designated by a number on the Subdivision Map for any portion of Grizzly Ranch, excluding the Common Area. When appropriate within the context of this Declaration, the term "Homesite" shall also include the Residence and other Improvements constructed or to be constructed on a Homesite.

Section 1.21. "Improvement" as used herein includes, without limitation, any improvement or project undertaken or contemplated by an Owner (other than the Declarant) within any portion of Grizzly Ranch involving the construction, installation, alteration or remodeling of any Residence structures, garages, out buildings, walls, fences, swimming pools, landscaping, landscape structures, patio awnings, solar heating equipment, spas, antennas,

television satellite reception equipment, utility lines or any other structure of any kind. Improvement projects are subject to design review and approval pursuant to Article V, below. The term "Improvement" shall not include any work or project that is confined entirely to the interior of a Residence or other building, unless the project will result in use of the Homesite for purposes or activities that are not incidental to the primary use of the Homesite for residential dwelling purposes.

Section 1.22. "Initial Covered Property" means the real property more particularly described in Exhibit "B", attached hereto.

Section 1.23. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the meeting in person or by proxy or the number of members casting written ballots equals or exceeds the quorum requirement for valid Member action, as specified by the Bylaws or otherwise by statute.

Section 1.24. "Member" means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to Section 13.06, below.

Section 1.25. "Mortgage" means any security device encumbering all or any portion of Grizzly Ranch, including any deed of trust. "Mortgagee" shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

Section 1.26. "Overall Property" means the property described in Exhibit "A", of this Declaration.

Section 1.27. "Owner" means any person, firm, corporation or other entity which owns a fee simple interest in any Homesite. The term "Owner" shall include the Declarant for so long as the Declarant possesses any Homesite within Grizzly Ranch. If a Homesite is transferred or conveyed to a trust, the Owner is the trustee or the co-trustees of such trust. In addition, the term "Owner" shall also mean a contract purchaser under an installment sale contract, but shall exclude any person having an interest in a Homesite merely as security for the performance of an obligation.

Section 1.28. "Owner of Record" means any person, firm, corporation or other entity in which title to a Homesite is vested as shown by the official records of the Office of the County Recorder.

Section 1.29. "Phase" means any Homesites and/or Common Areas that are simultaneously subjected to the provisions of this Declaration either by recording this Declaration against the property comprising the Initial Covered Property, or by recording a Declaration of Annexation in accordance with Article XV, below, that causes additional Subsequent Phase Property to be subject to this Declaration.

Section 1.30. "Planned Development Permit" means that certain permit number 1-09-00-4 issued by the County of Plumas to the Declarant and dated June 21, 2000, as amended

on September 12, 2000, January 10, 2001 and August 14, 2002, and as said Permit may be later amended or supplemented.

Section 1.31. "Public Report" means a final subdivision public report issued by the Department of Real Estate in compliance with California Business and Professions Code sections 11000 et seq., or any similar California statute hereafter enacted.

Section 1.32. "Record" and "Recordation" mean, with respect to any document, the recordation or filing of such document in the Office of the County Recorder.

Section 1.33. "Regular Assessment" means an Assessment levied against an Owner and his or her Homesite in accordance with Section 4.02, below.

Section 1.34. "Reserves" means those Common Expenses for which Association funds are set aside pursuant to Article IV of this Declaration and California Civil Code section 1365.5 for the funding of periodic painting, maintenance, repair and replacement projects with respect to the major components of the Common Areas and Common Facilities that the Association is obligated to maintain, repair and/or replace. "Reserves," as so defined, do not include those Common Expenses that would reasonably be expected to recur on an annual or less frequent basis. The amounts required to properly fund Reserves shall be determined annually by the Board of Directors of the Association in accordance with the standards prescribed by maintenance cost guidelines prepared in accordance with California Civil Code sections 1365(a) and 1365.5(e) and prudent property management practices generally applied in "common interest developments" (as that term is defined in California Civil Code section 1351(c)) in the geographic region in which the Grizzly Ranch development is located.

Section 1.35. "Residence" means a private, single-family dwelling constructed or to be constructed on any Homesite.

Section 1.36. "Single Family Residential Use" means occupation and use of a Residence for single family dwelling purposes in conformity with this Declaration and the requirements imposed by applicable zoning or other applicable laws or governmental regulations limiting the number of persons who may occupy single family residential dwellings.

Section 1.37. "Special Assessment" means an Assessment levied against an Owner and his or her Homesite in accordance with Section 4.03, below.

Section 1.38. "Special Individual Assessment" means an Assessment levied against an Owner and his or her Homesite in accordance with Section 4.04, below.

Section 1.39. "Sub-Association" means any association organized by the Declarant or authorized in a Supplemental Declaration to own or maintain common areas or Residence exteriors within a Phase of the Overall Property

Section 1.40. "Subdivision Map" means the map for any portion of Grizzly Ranch.

Section 1.41. "Subsequent Phase Property". This Declaration contemplates that those portions of the Overall Property that are not initially subjected to this Declaration may, from time to time, be subjected to this Declaration by annexation in accordance with Article XV, below. Any portion of the Overall Property not at a particular time subject to this Declaration is referred to as "Subsequent Phase Property." There is no assurance that any portion of the Subsequent Phase Property will be annexed to this Declaration, or, if annexed, that such property will be subject to exactly the same covenants, conditions and restrictions set forth herein.

Section 1.42. "Subsidy Agreement" means a contract between the Declarant and the Association, in a form and content acceptable to the Department of Real Estate, documenting the terms of any program in which the Declarant undertakes to subsidize the cost of operating and maintaining Common Areas or Common Facilities and/or the cost of providing services to the Owners and residents of Homesites within Grizzly Ranch, all as more particularly specified in Department of Real Estate Regulation section 2792.10.

Section 1.43. "Supplemental Declaration" means any declaration (as defined in California Civil Code section 1351(h)), Recorded pursuant to Section 15.06, below, which supplements this Declaration and which may affect solely a Condominium Project, a Planned Development or some other Phase of the Overall Property. Supplemental Declarations may be entitled "Amendments to Declaration" in order to satisfy County Recording requirements.

Section 1.44. "Swim and Fitness Center" means the recreational swim and fitness facilities to be located on Subsequent Phase Property within Grizzly Ranch, in which the Declarant intends to provide a lap pool, social pool, hot tub and massage studios.

Section 1.45. "Tennis Courts" means the recreational tennis facilities to be located on Subsequent Phase Property within Grizzly Ranch.

Section 1.46. "Visible From Neighboring Property" means, with respect to any given object, that the object is visible to a six-foot tall person standing at the finished floor elevation (or in the case of streets or open space the finished grade thereof) of the neighboring property, whether a Homesite, street or Common Area.

Section 1.47. "Voting Power" means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at any time a determination of voting rights is made. To be part of the Voting Power, a Member must be in good standing, as defined in the Bylaws and/or the Association Rules.

ARTICLE II

Property Rights and Obligations of Owners

Section 2.01 Declaration Regarding Properties.

(a) Identification of Properties that are Subject to this Declaration. The real property comprising the Initial Covered Property and any Subsequent Phase Property that is later annexed

to the Grizzly Ranch common interest development shall be held, conveyed, divided, encumbered, hypothecated, leased, rented, used, occupied and improved only upon compliance with and subject to the provisions of this Declaration, which is hereby declared to: (i) be in furtherance of a plan for the subdivision of Grizzly Ranch and the sale of residential Homesites within Grizzly Ranch; (ii) be for the benefit and protection of the Development and the Residences and other improvements constructed therein and to enhance the desirability, value and attractiveness of the Development; (iii) be for the benefit of the Owners; (iv) run with the land and be binding upon all parties having or acquiring any right, title or interest in Grizzly Ranch or any portion thereof; (v) inure to the benefit of every portion of Grizzly Ranch and any interest therein; and (vi) inure to the benefit of and be binding upon each Owner, the Declarant and each successor in interest of the Declarant as long as the Declarant or any successor in interest of the Declarant shall hold an interest in any portion of Grizzly Ranch.

(b) **Binding Effect on Successors In Interest.** Each conveyance, transfer, sale, assignment, lease or sublease made by Declarant of the Common Area and of any Homesite shall be deemed to incorporate by reference all of the provisions of this Declaration. All present and future Owners, tenants and occupants or Residences or Homesites within Grizzly Ranch shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same shall be amended from time to time unless a particular provision of the Governing Documents is specifically restricted to one or more classes of persons (i.e., Owners, tenants, invitees, etc.). The acceptance of a deed to any Homesite, the execution of a lease, sublease or contract of sale with respect to any Homesite or the entering into occupancy of any Residence shall make the provisions of this Declaration binding upon said persons and they shall thereafter be obligated to observe and **comply with all Governing Documents.**

Section 2.02. Authority of Declarant to Approve Boundary Line Adjustments. At any time within five (5) years from the date that the first Homesite in a Phase is conveyed to an Owner other than Declarant, the boundaries of any Homesite or Common Area in that Phase may be altered by a Homesite line adjustment or other change reflected on a subsequently Recorded Record of Survey, Parcel Map, or Subdivision Map, provided that the altered boundaries are approved by Declarant and all Owners of the property involved in the boundary adjustment. In the event a boundary line adjustment involves Association property, the Board shall be **authorized to grant approval on behalf of the Association.** Any such alteration shall be effective upon Recordation of the Record of Survey, Parcel Map, or Subdivision Map. Upon such Recordation, the **boundaries of the altered Homesite or Common Area shall be altered for purposes of this Declaration to conform to the boundaries as shown on the Record of Survey, Parcel Map, or Subdivision Map.**

Section 2.03. Property Rights in Common Area.

(a) **Fee Title in Association.** Declarant shall convey fee simple title to the Common Area located in each phase of Grizzly Ranch to the Association, free of all encumbrances and liens, with the exception of current real property taxes (which shall be prorated as of the date of such conveyance) and any easements, conditions and reservations then of record, including those set forth in this Declaration. Such conveyance shall be made prior to, or concurrently with, the first transfer or conveyance by Declarant of a Homesite in such phase to a purchaser.

(b) Rights of Owners in Common Areas. The interest of each Homesite Owner in and to the use and benefit of the Common Area and the Common Facilities shall be appurtenant to the Homesite owned by the Owner and shall not be sold, conveyed or otherwise transferred by the Owner separately from the ownership interest in the Homesite. Any sale, transfer or conveyance of such Homesite shall transfer the appurtenant right to use and enjoy the Common Area and Common Facilities. There shall be no judicial partition of the Common Area or any part thereof, and each Owner, whether by deed, gift, devise, or operation of law for his or her own benefit and for the benefit of all other Owners specifically waives and abandons all rights, interest and causes of action for a judicial partition of any ownership interest in the Common Area and does further covenant that no action for **judicial partition shall be instituted, prosecuted or reduced to judgment.** The rights of all Owners in the Common Area shall be further subject to the requirements and restrictions set forth in Section 2.04, below.

(c) Right of the Association to Make Common Area Boundary Line Adjustments. With the exception of any Common Areas designated as Open Space or Wetland Mitigation Areas, and subject to the restrictions stated in this subparagraph (c), the Association's Board of Directors shall have the power and authority to convey fee interests in portions of the Common Area and to make minor adjustments in the boundary lines between Homesites or between Homesites and any Common Areas when the Board, in its reasonable discretion, finds that any such conveyance or boundary line adjustment is necessary to: (i) eliminate the encroachment of Golf Course improvements on the adjacent Common Area, (ii) conform the boundaries of a Homesite, the Golf Course or Common Areas to the natural contour of the land for purposes of permitting or promoting an efficient division of maintenance responsibilities between the Owners, the owner of the Golf Course and/or the Association; or (iii) to account for on-site conditions or unique topographic features discovered during the course of development. Such conveyances of Common Area and boundary line adjustments may be made with any Owner of adjacent property (including Declarant) or the owner of the Golf Course.

The party receiving a conveyance pursuant to this subparagraph (c) shall take the land so conveyed free of any requirement that such lands be devoted to use as Common Area. Any conveyance pursuant to this subparagraph shall conform to a final map or a parcel map approved by the County, comply with all applicable **governmental** Homesite line adjustment procedures, and require the consent of all owners of lands directly involved in the adjustment. So long as the Declarant owns any Homesites in Grizzly **Ranch**, the Association's rights hereunder may only be exercised with the prior written consent of the Declarant.

Upon such a conveyance, such lands may be used for any purpose not prohibited by the Declaration and which is otherwise permitted by law; provided that discussion of the intended use or uses thereof occurred in a meeting of the Board of Directors and reference to such discussion is made in the minutes of such meeting.

The Association's authority hereunder shall not extend to any Common Area that is designated on any Subdivision Map as Open Space or as a Wetland Mitigation area. In addition, transfers of fee estates in any portion of the Common Area to a Homesite pursuant to this subparagraph (c) shall not exceed two thousand (2,000) square feet. Subject to the foregoing

square footage limitation, the Association shall also be authorized and empowered to record an instrument designating portions of the Common Area as "exclusive use common area", as defined in California Civil Code section 1351(i), for the benefit of an appurtenant Homesite, in lieu of conveying a fee interest in the portion of the Common Area that is being designated as exclusive use common area.

Section 2.04. Owners' Nonexclusive Easements of Enjoyment. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Area, including ingress and egress to and from his or her Homesite, which shall be appurtenant to and shall pass with the title to every Homesite, subject to the following provisions:

(a) Right of Association to Regulate Common Area Uses and Access to Environmentally Sensitive Areas. The Association shall have the right to limit the number of guests of Members who may use any recreational Common Facilities situated within the Common Area so as to avoid an overburdening of those Facilities. The Association shall also be empowered to regulate or prohibit access altogether to Common Areas that are subject to a conservation easement or are otherwise considered environmentally sensitive. Such areas may be identified by appropriate signage and/or protective fencing.

(b) Right of Association to Adopt Rules. The right of the Association to adopt Association Rules as provided in Section 3.08, below, regulating the use and enjoyment of Grizzly Ranch for the benefit and well-being of the Owners in common, and, in the event of the breach of such rules or any provision of any Governing Document by any Owner or tenant, to initiate disciplinary action against the violating Owner or tenant in accordance with Section 13.06, below. Such action may include the levying of fines and/or the temporary suspension of the voting rights and/or the right to use the Common Facilities, other than roads, by any Owner and the Owner's tenants and guests.

(c) Right to Incur Indebtedness. The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and Common Facilities.

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

(e) Rights of Easement Holders. All easements affecting the Common Area which are described in Article IX, below.

(f) Rights of Use by Declarant. The right of Declarant and its employees, sales agents, prospective purchasers, customers and representatives, to enter upon and to use the

Common Areas for development and sales activities in accordance with Section 16.03, below. Such use shall not unreasonably interfere with the rights of use and enjoyment of the other Owners as provided herein.

(g) Use of Swim and Fitness Center by Non-Members. The right of the Association to enter into agreements that shall permit members of the Golf Course who are not Members of the Association to use the Swim and Fitness Center. The Tennis Courts and other recreational facilities of Grizzly Ranch shall not be subject to such agreements and use by non-Members.

Section 2.05. No Right By Property Ownership to Use the Golf Course. Ownership of a Homesite within Grizzly Ranch shall not confer any property rights or rights of access, use or enjoyment in and to the Golf Course, which is not a part of the Grizzly Ranch common interest development. There is no guarantee that the Golf Course will be operated as such indefinitely. Accordingly, neither being an Owner of a Homesite within Grizzly Ranch nor being a Member of the Association shall confer any property rights, ownership interest, or rights of access, use or enjoyment in and to the Golf Course; provided, however, that the Association and Members shall have access to the fishing pond and fishing pavilion pursuant to the easement described in Section 7.04(c), below. Rights to use and enjoy the Golf Course are within the exclusive control of the owner of the Golf Course property and will be given by such owner to such persons, including without limitation, members of the general public, and on such terms and conditions as the owner of the Golf Course may determine from time to time. The owner of the Golf Course may amend or waive its determinations and policies with respect to use of the Golf Course property at any time. See also Sections 3.07(b)(ii)(E) and Article XVII, below, which also pertain to access to the Golf Course and other golf facilities.

Section 2.06. Delegation of Use.

(a) Delegation of Use and Leasing of Residences. Any Owner may delegate his or her rights to use and enjoy the Common Area and Common Facilities to his or her family members or tenants, lessees or contract purchasers who reside in the Residence.

(b) Requirements That Must Be Observed In All Residential Leases. Except as otherwise provided in the next succeeding paragraph, the following specific limitations shall apply to all leases or tenancies of a Residence within Grizzly Ranch: (i) with the exception of vacation rentals that are being administered by responsible vacation rental program administrator, no Residence may be leased or rented for a period of less than thirty (30) days; (ii) any rental of a Residence must apply to the entire Residence including its appurtenant rights to use and enjoy recreational Common Facilities; and (iii) any rental shall be evidenced by a written lease or rental agreement which shall provide that the tenancy is subject to the terms of the Governing Documents and that any failure of the tenant to comply with the terms of any Governing Document relating to residential leases, property use restrictions or the use and enjoyment of any portion of the Common Areas and Common Facilities shall constitute a default under the lease or rental agreement and shall entitle the Owner to terminate the tenancy upon thirty (30) days' written notice. The Owner-lessor's right to terminate a lease or rental agreement on account of the tenant's violation of the Governing Documents shall in no way restrict the right of the Association, the Declarant, or any Owner to enforce the Governing Documents in

accordance with Article XIII, below, when the Owner's tenant is violating the Governing Documents,

Any Residence or Residences that have been organized with the approval of the Declarant as a "time-share project" (as that term is defined in Business & Professions Code §11003.5) and any golf cabin-style Residences (as so designated in a Declaration of Annexation or Supplemental Declaration) shall not be subject to the minimum lease term requirements set forth above or the requirement that a written lease or rental agreement be in effect. See also Section 8.01(d), below.

(c) Discipline of Lessees. Subject to subparagraph (d), below, in the event that any tenant or lessee fails to honor the provisions of any Governing Document, the Association shall be entitled to take such corrective action as it deems necessary or appropriate under the circumstances in order to preserve the quiet enjoyment of other Owners and residents within the Project. Without limiting, the foregoing, the Association's actions in response to a tenant's violation of the Governing Documents may include: (i) suspension of the tenant's privileges to use the Common Area and/or Common Facilities, or (ii) the imposition of fines and penalties against the Owner-lessor of the Residence.

(d) Due Process Requirements for Disciplinary Action. Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction to any portion of the Development or to preserve the rights of quiet enjoyment of other Owners, the Association shall have no right to initiate disciplinary action against an Owner-lessor (or the Owner's lessee or tenant) on account of the misconduct of the Owner's lessee or tenant unless and until the following conditions have been satisfied: (i) the Owner has received written notice from the Board, the Association's property manager or an authorized committee of the Board detailing the nature of the lessee's/tenant's alleged infraction or misconduct and advising the Owner of his or her right to a hearing on the matter in the event the Owner believes that remedial or disciplinary action is unwarranted or unnecessary; (ii) the Owner has been given a reasonable opportunity to take corrective action on a voluntary basis or to appear at a hearing, if one is requested by the Owner, and (iii) the Owner has failed to prevent or correct the tenant's objectionable actions or misconduct. Any hearing requested hereunder shall be conducted in accordance with Section 13.06, below.

Section 2.07. Obligations of Owners. Owners of Homesites within Grizzly Ranch shall be subject to the following:

(a) Owner's Duty to Notify Association of Tenants and Contract Purchasers. Each Owner shall notify the secretary of the Association or the Association's property manager, if any, of the names of any contract purchaser or tenant residing in the Owner's Homesite.

(b) Contract Purchasers. A contract seller of a Homesite must delegate his or her voting rights as a Member of the Association and his or her right to use and enjoy the Common Area and Common Facilities to any contract purchaser in possession of the property. Notwithstanding the foregoing, the contract seller shall remain liable for any default in the

payment of Assessments by the contract purchaser until title to the property sold has been transferred to the purchaser.

(c) Notification Regarding Governing Documents.

(i) As more particularly provided in California Civil Code section 1368, as soon as practicable before transfer of title or the execution of a real property sales contract with respect to any Homesite, the Owner thereof must give the prospective purchaser:

(A) A copy of the Governing Documents;

(B) A copy of the most recent documents distributed by the Association pursuant to California Civil Code section 1365 (see Article XII of the Bylaws);

(C) A true statement in writing obtained from an authorized representative of the Association as to: (1) the amount of the Association's current regular and special assessments and fees; (2) any assessments levied upon the Owner's Homesite that are unpaid on the date of the statement; (3) any monetary fines or penalties levied upon the Owner's Homesite and unpaid on the date of the statement; and (4) true and accurate information on late charges, interest, and costs of collection which, as of the date of the statement, are or may become a lien on the Owner's Homesite;

(D) A copy or summary of any notice previously sent to the Owner pursuant to Civil Code section 1363(h), that sets forth any alleged violations of the governing documents that remains unresolved at the time of the request; and

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

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

(iii) The provisions of this section, except for those provisions relating to the furnishing of a delinquency statement, shall not apply to any Owner who is subject to the requirements of California Business and Professions Code section 11018.1 (i.e., the obligation to provide prospective purchasers with a Department of Real Estate Public Report).

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

for the purpose of protecting the interests of all Owners or protecting the Common Area and Common Facilities.

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

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

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

ARTICLE III Grizzly Ranch Association

Section 3.01. Formation. The Grizzly Ranch Association is a California nonprofit mutual benefit corporation. On or before the first close of escrow for the sale of a Homesite in each Phase of Grizzly Ranch to an Owner, the Declarant shall convey fee simple title to the Common Area located in that Phase to the Association as provided in Section 15.04, below. The Association shall be charged with the duties and invested with the powers set forth in Article IX of the Bylaws and other provisions of the Governing Documents, including, but not limited to, the ownership, control, maintenance and repair of the Common Areas and Common Facilities of Grizzly Ranch.

Section 3.02. Association Action; Board of Directors and Officers. With the exception of those matters requiring approval of Members under the Governing Documents or California law, the affairs of the Association shall be conducted and all corporate powers shall be exercised by the Board of Directors and such officers as the Board may elect or appoint. Except as otherwise provided in the Governing Documents or California law, all matters requiring the approval of Members shall be deemed approved if approved by a Majority of a Quorum of the Members.

Section 3.03. Membership.

(a) Qualifications. Each Owner of a Homesite, including the Declarant, shall be a Member of the Association. An Owner shall hold one membership in the Association for each Homesite that the Member owns. Sole or joint ownership of a Homesite shall be the sole qualification for membership in the Association. Each Owner shall remain a Member of the Association until his or her ownership of, or ownership interest in, all Homesites in Grizzly

Ranch ceases, at which time the Owner's membership in the Association shall automatically cease. Persons or entities who hold an interest in a Homesite merely as security for performance of an obligation are not Members.

(b) Members' Rights and Duties. Membership in the Association shall give rise to the rights, duties, and obligations set forth in the Governing Documents and any amendments thereto.

Section 3.04. Membership Voting.

(a) Commencement of Voting Rights. Unless the sale of Homesites within Grizzly Ranch is subject to a Subsidy Agreement (see Section 1.42, above) which provides otherwise, voting rights attributable to the ownership of Homesites shall not vest until Assessments against those Homesites have been levied by the Association.

(b) Classes of Membership. The Association shall have two (2) classes of voting membership: Class A Members shall initially be all Owners except the Declarant and the Class B Member shall be the Declarant. The voting rights and other privileges of each class of membership and the conversion of the Declarant's Class B membership into Class A memberships shall be as set forth in Article IV of the Bylaws.

(c) Suspension of Voting Rights. Voting rights may be temporarily suspended under those circumstances described in Section 13.06, below.

(d) Intent of Provisions Imposing Limitations on Declarant Voting Rights. With the exception of any membership vote pursuant to Section 3.11, below (relating to the enforcement of bonded obligations), no provision of any Governing Document requiring approval of a prescribed majority of the voting power of the Association other than the Declarant is intended to preclude the Declarant from casting votes attributable to any Homesites owned by the Declarant. Instead, what is required is the matter receive the approval of a bare majority of the Class B voting power as well as the approval of the prescribed majority of the Class A voting power. Once the Class B membership has been converted to Class A membership, the intent is to require the approval of a bare majority of the total voting power of the Association as well as the approval of the prescribed majority of the total voting power of the Association other than the Declarant.

Section 3.05. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Homesites within Grizzly Ranch and to enforce payment of such Assessments, as more particularly provided in Article IV, below. Any Assessments levied by the Association against its Members shall be levied in accordance with, and pursuant to, the provisions of this Declaration.

Section 3.06. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the conveyance of the Homesite to which it is appurtenant, and then, only to the grantee. In the case of a sale, the membership appurtenant to the transferred Homesite shall pass automatically to the purchaser.

upon the Recordation of a deed evidencing the transfer of title. In the case of an encumbrance recorded with respect to any Homesite, the Mortgagee shall not possess any membership rights until the Mortgagee becomes an Owner by foreclosure or acceptance of a deed in lieu thereof. Tenants who are delegated rights of use pursuant to the rental or lease of a Residence (see Section 2.06, above) do not thereby become Members, although the tenant and his or her family and guests shall at all times be subject to the property use restrictions and enforcement/disciplinary provisions of the Governing Documents. If any Owner fails or refuses to transfer the membership registered in his or her name to the purchaser of his or her Homesite, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 3.07. Powers and Authority of the Association.

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

(b) Association's Limited Right of Entry.

(i) Right of Entry, Generally. Without limiting the foregoing description of powers, but in addition thereto, the Association and its agents shall have the right and power, pursuant to this subparagraph (b), to enter any Homesite to perform the Association's obligations under this Declaration, including: (A) obligations to enforce the design review and approval requirements, minimum construction standards and/or land use restrictions of Articles V, VI and VIII, below; (B) any obligations with respect to construction, maintenance and repair of adjacent Common Facilities; (C) to make necessary repairs that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, any portion of the Grizzly Ranch development or the Owners in common; and/or (D) to perform weed abatement or tree removal when the condition of a Homesite (improved or unimproved) presents an unreasonable risk of fire danger or trees on the Homesite are determined by a competent arborist retained by the Association to be both diseased and a threat to the continued health and viability of other natural trees in the vicinity of the Homesite.

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

(A) The right of entry may be exercised immediately and without prior notice to the Owner or resident in case of an emergency originating in or threatening the Homesite or any neighboring Homesites or Common Areas. For purposes of this subparagraph (ii)(A), an emergency shall be defined as a condition or occurrence that makes it impossible or impractical to provide the Homesite Owner or residents of the Homesite with the prior notice described in subparagraph (ii)(B), below, and still provide an effective response to the emergency condition. Under such circumstances, the Association's work may be performed whether or not the Owner or other residents of the Homesite are present.

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

(C) In all non-emergency situations involving access by the Association for purposes of enforcing the Governing Documents against an Owner in default, the Association's entry shall be subject to observance of the notice and hearing requirements imposed by Section 13.06, below. In any instance where entry is being considered to remove native trees that have been determined to be diseased by insects or other conditions that pose a potential threat to trees or structures on neighboring Homesites or Common Areas, the Association's prior notice of intent to exercise this right of entry shall be accompanied by the arborist's report on the condition of the tree(s) that are identified as being diseased or in an otherwise hazardous condition.

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

(E) Neither the Association nor any Owner shall have any right of entry onto the Golf Course property without the prior consent of the owner of the Golf Course, unless an Owner's right of entry results from an Owner's status as a golfer who is playing the course with the permission of the owner of the Golf Course.

Section 3.08. Association Rules.

(a) Rule Making Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners ("Association Rules"). The Association Rules may concern, but need not be limited to: (i) matters pertaining to use of the Common Area and Common Facilities; (ii) architectural control and the guidelines of the Design Review Board adopted pursuant to Section 5.05, below; (iii) regulation of pet ownership, parking, signs, collection and disposal of refuse and other matters subject to regulation and restriction under Article VIII, below; (iv) collection of delinquent Assessments; (v) minimum standards of maintenance of landscaping or other Improvements on any Homesite; (vi) the conduct of disciplinary proceedings in

accordance with Section 13.06, below, and (vii) and any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

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

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

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

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

Section 3.09. Breach of Rules or Restrictions. Any breach of the Design Guidelines or of any other Governing Document provision shall give rise to the rights and remedies set forth in Article XIII, below.

Section 3.10. Limitation on Liability of the Association's Directors and Officers.

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

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

maintenance of Common Areas and Common Facilities and enforcement of the Governing Documents.

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

- (i) The Board member or officer owns no more than two Homesites;
- (ii) The act or omission was performed within the scope of the volunteer
- (iii) The act or omission was performed in good faith;
- (iv) The act or omission was not willful, wanton, or grossly negligent;

(v) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made general liability insurance with coverage of at least: One Million Dollars (\$1,000,000.00).

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

Section 3.11. Enforcement of Bonded Obligations. If any of the Common Area Improvements within Grizzly Ranch have not been completed when the California Real Estate Commissioner issues a final subdivision Public Report for any Phase of Grizzly Ranch, and if the Association is the obligee under a bond or other arrangement ("bond") to secure performance of a commitment of the Declarant to complete such Common Area Improvements, then 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 Improvements 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. However, if the Association has given an extension in writing for the completion of any Common Area Improvement, the Board shall consider and vote on the action to enforce the obligations under the bond only if a notice of completion has not been filed within thirty (30) days after the expiration of the extension.

If the Board fails to consider and vote on the action to enforce the obligations under the bond or decides not to initiate action to enforce the obligations under the bond, then on the petition in writing to the Board signed by Members representing not less than five percent (5%)

of the total voting power of the Association other than the Declarant, the Board shall call a special membership meeting for the purpose of voting to override the decision of the Board not to initiate action or to compel the Board to take action to enforce the obligations under the bond.

The meeting shall be called by the Board by fixing a date not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of said petition. Notice of the meeting shall be given to all Owners entitled to vote in the manner provided in Section 5.04 of the Bylaws for notices of special membership meetings. At the meeting, the vote in person or by proxy of a majority of the Owners entitled to vote (other than Declarant) in favor of taking action to enforce the obligations under the bond shall be deemed to be the decision of the Association and the Board shall then implement the Owners' decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE IV **Assessments**

Section 4.01. Assessments Generally.

(a) Covenant to Pay Assessments. Declarant for each Homesite owned within Grizzly Ranch, and each Owner of a Homesite by acceptance of a deed therefor (whether or not it shall be so expressed in such deed), covenants and agrees to pay to the Association: (i) Regular Assessments; (ii) Special Assessments; and (iii) Special Individual Assessments. Each such Assessment shall be established and collected as hereinafter provided.

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

(c) Creation of Assessment Lien. With the exception of the limitations imposed by law on the collection of certain Special Individual Assessments by use of lien and foreclosure remedies, all Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a charge on the Homesite and shall be a continuing lien upon the Homesite against which such Assessment is made. Any lien for unpaid Assessments created pursuant to the provisions of this Article may be subject to foreclosure as provided in Section 4.10(b). below.

(d) No Avoidance of Assessment Obligations. No Owner may exempt himself/herself or the Owner's Homesite from liability or charge for the Owner's share of any Assessment made against the Owner or his or her share of any Regular or Special Assessment made against the Owner's Homesite, by waiving or relinquishing, or offering to waive or relinquish, the Owner's right to use and enjoy all or any portion of the Common Area or Common Facilities or by the abandonment or non-use of the Owner's Homesite.

(e) Designation of Cost Centers. The Association shall have the power and authority to designate Homesites, Parcels and Common Areas within Grizzly Ranch as Cost Centers for purposes of expense accounting and the equitable allocation of Regular Assessments, in accordance with Section 4.02(b)(ii), below. A Cost Center is likely to be designated when one of the following occurs: (i) the maintenance or use of a particular Improvement or maintenance area within the designated Cost Center is fully or partially restricted to Owners of Homesites located within the area designated as a "Cost Center," or (ii) when certain Owners of Homesites within a designated Cost Center are receiving services from the Association that are in addition to, or significantly greater than, the services provided to other Owners or residents. Ordinarily, a Cost Center shall be established whenever it is reasonable to anticipate that any Owner or group of Owners will derive as much as ten percent (10%) more than Owners in general in the value of a common service(s) supplied by the Association.

There are no Cost Centers within any portion of Grizzly Ranch, as described in Exhibit "B". As Subsequent Phase Property is subjected to this Declaration, new Cost Centers within the annexed Phase may be designated in the Supplemental Declaration Recorded with respect to the annexed Phase which shall (i) identify the Homesites comprising the Cost Center; (ii) identify the Common Facilities, maintenance areas or other services that will exclusively or disproportionately benefit the Owners of Homesites within the Phase; and (iii) provide for the allocation of Common Expenses attributable to the identified Common Facilities or services to Owners within the Cost Center as a Cost Center Assessment Component of their Regular Assessment.

(f) Improper Assessment. The Association shall not impose or collect an Assessment, penalty or fee which exceeds the amount necessary for the purpose or purposes for which it is levied.

Section 4.02. Regular Assessments.

(a) Regular Assessments Generally. Not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year, the Board shall determine the estimated Common Expenses of the Association for that fiscal year. Establishing the Common Expenses of the Association shall be an element of the budgeting process described in Article XII of the Association Bylaws. Subject to the Member approval requirements for certain Assessment increases, as specified in subparagraph (c) of this Section 4.02 such estimated amount be assessed against all Owners as the Regular Assessment for that fiscal year (the "Aggregate Regular Assessment Amount"). If the Board fails to establish the Regular Assessment for any fiscal year, then the Aggregate Regular Assessment Amount for that fiscal

year shall be established in accordance with the budget last approved by the Board or by the Department of Real Estate, as the case may be.

(b) Components of The Regular Assessment: Cost Centers.

(i) General Assessment Component. The Common Expenses of the Association exclusive of Common Expenses budgeted to any Cost Center (the "General Assessment Component") shall be allocated among and charged to all the Owners of Homesites according to the allocation formula set forth in subparagraphs (b)(i) and (ii) of this section. The General Assessment Component shall take into account the amount of contributions to be made pursuant to any Maintenance Agreement or a Subsidy Agreement approved by the Department of Real Estate to defray Common Expenses included in the General Assessment Component.

(ii) Cost Center Assessment Component. When a Cost Center is established, the expenses of operating, maintaining and replacing the included Improvements or maintenance areas (including, without limitation, Reserve contributions and expenses for insurance and management, utility, legal, accounting and patrol services) shall be borne solely or disproportionately by the Owners of the Homesites within the designated Cost Center ("Cost Center Assessment Component").

Unless otherwise provided in a Supplemental Declaration, the Cost Center Assessment Component shall be allocated equally among all Homesites located within the Cost Center. The Cost Center Assessment Component shall take into account the amount of contributions to be made pursuant to any Maintenance Agreement (Section 7.05(e), below) or Subsidy Agreement (Section 1.42, above) which pertain to expense items identified as part of the Cost Center.

(c) Establishment of Regular Assessment; Member Approval Requirements for Certain Assessment Increases.

Unless Member approval is required as a prerequisite to the imposition of an increase in the annual Regular Assessment as stated in this subparagraph (c), the total Common Expenses estimated in the Association's budget (less projected income from sources other than Assessments) shall become the Aggregate Regular Assessment Amount for the next succeeding fiscal year. During the first fiscal year in which Regular Assessments are imposed, the maximum authorized Regular Assessments shall be determined by reference to the Regular Assessments disclosed in the budget of the Association filed with the Department of Real Estate at the time the Regular Assessments commence.

Subject to Section 4.05. below. ("Emergency Assessments"), the Association shall not levy, for any fiscal year, an annual Regular Assessment per Homesite which is more than twenty percent (20%) greater than the Regular Assessment levied in the immediately preceding fiscal year (the "Maximum Authorized Regular Assessment") without the prior approval of the Members in accordance with Section 4.08. below. Furthermore, any increase in the Regular Assessment shall require member approval in accordance with Section 4.08. below, if the Board of Directors fails to comply with California Civil Code section 1365(a) by distributing a budget

or budget summary to the Members not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year (see Section 12.05 of the Bylaws).

If an increase of more than twenty percent (20%) in the amount of the Regular Assessment for any Homesite or Homesites (over the prior year's Regular Assessment for those Homesites) results solely from increases in the Cost Center Assessment Component of the Regular Assessment for such Homesites, the required approval shall be of Members whose Homesites are located within the Cost Center.

(d) Commencement Date for Regular Assessments. Regular Assessments shall commence as to each Homesite within a Phase upon the earlier to occur of (i) the date specified in a Supplemental Declaration and Notice of Commencement of Regular Assessments, Recorded by Declarant with respect to the Phase (which date shall be after to the date of Recordation of this Declaration); or (ii) to the first day of the first month following the month in which the first Close of Escrow occurs for the sale of a Homesite in the Phase to a person other than the Declarant. Each Homesite in the subject Phase shall thereafter be subject to its share of the then established annual Regular Assessment. The first annual Regular Assessment shall be pro rated, if necessary, according to the number of months remaining in the fiscal year established in the Association's Bylaws.

(e) Allocation of Regular Assessment.

(i) Association Common Expenses. Except as otherwise provided in subparagraph (e)(ii), below, the total estimated Common Expenses, determined in accordance with subparagraph (a), above, shall be allocated among, assessed against, and charged to each Owner according to the ratio of the number of Homesites within Grizzly Ranch owned by the assessed Owner to the total number of Homesites subject to Assessments so that each Homesite bears an equal share of the total Regular Assessment.

(ii) Partial Exemption for Uncompleted Common Facilities. All Owners, including Declarant, shall be exempt from the payment of that portion of any Regular Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of any Common Facility that is not completed at the time Assessments commence. The Assessment exemption provided by this subparagraph shall be in effect only until the earliest of the following events: (A) a notice of completion of the Common Facility has been Recorded; or (B) the Common Facility has been placed in use.

(f) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property owner or as a Member of the Association. The Assessment roll shall show, for each Homesite, the name and address of the Owner of Record, all Regular, Special and Special Individual Assessments levied against each Owner and his or her Homesite, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by Section 2.07(c)(i)(C), above, hereof shall

be conclusive upon the Association and the Owner of such Homesite as to the amount of such indebtedness appearing on the Association's Assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

(g) Mailing Notice of Assessment. No less than forty-five (45) days prior to the beginning of the next fiscal year, the Board of Directors shall mail to each Owner (including Declarant with respect to any unsold or retained Homesites), at the street address of the Owner's Homesite, or at such other address as the Owner may from time to time designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year.

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

(i) Installment Payment. The Regular Assessment made against each Owner shall be due and payable in advance to the Association in equal quarterly installments on the first day of each quarter or on such other date or dates as may be established from time to time by the Association's Board of Directors. Installments of Regular Assessments shall be delinquent if not paid within fifteen (15) days of the due date as established by the Board.

Section 4.03. Special Assessments.

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

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

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

adequate insurance on the Common Area and existing Common Facilities in accordance with Article X, below.

(b) Special Assessments Requiring Membership Approval. The following Special Assessments require prior membership approval in accordance with Section 4.08, below: (i) any Special Assessments which, in the aggregate, exceed five percent (5%) of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied; and (ii) any Special Assessments imposed pursuant to subparagraph (a)(i) of this section when the Board has failed to distribute a budget to the Members within the time specified in Section 12.05(a) of the Bylaws. The foregoing Member approval requirements shall not apply, however, to any Special Assessment imposed to address any "emergency situation" as defined in Section 4.05, below.

(c) Cost Center Special Assessments. In the event that a Special Assessment is only needed to fund an extraordinary expense or new capital improvement within a Cost Center, the Board may levy a Special Assessment that is applicable solely to that Cost Center.

(d) Allocation and Payment of Special Assessments. When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against and charged to each Owner and his or her Homesite (including the Declarant as to any unsold or retained Homesites) in the same manner prescribed for the allocation of Regular Assessments pursuant to Section 4.02(d), above. The Special Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner.

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

Section 4.04. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments. In addition to the Special Assessments levied against all Owners in accordance with Section 4.03, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (iii), below; provided, however, that no Special Individual Assessments may be imposed against an Owner pursuant to this Section 4.04 until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Section 13.06, below, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

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

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses to: (A) accomplish the payment of delinquent Assessments; (B) perform any repair, maintenance or replacement to any portion of Grizzly Ranch that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion; or (C) otherwise bring the Owner and/or his or her Homesite into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties duly imposed hereunder, title company fees, accounting fees, court costs and reasonable attorneys' fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(iii) Required Maintenance on Homesites. If any Homesite is maintained so to become a nuisance, fire or safety hazard for any reason, the Association shall have the right enter said Homesite, correct the condition and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner. Any entry on the Homesite of any Owner by the Association shall be effected in accordance with Section 3.07(b), above.

(b) Levy of Special Individual Assessment and Payment. Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed, in subparagraph (a) of this section, such Special Individual Assessment shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to the affected Owner. The Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within thirty (30) days after the mailing of notice of the Assessment. As more particularly provided in Section 4.10(b)(vi), below, only certain Special Individual Assessments may be collected through the use of lien and foreclosure remedies.

(c) Limitation on Right to Lien Homesites For Special Individual Assessments. With the exception of (i) Special Individual Assessments imposed by the Board of Directors to recover reasonable late payment penalties for delinquent Assessments and/or charges to reimburse the Association for its reasonable costs (including attorneys' fees) of collecting delinquent Assessments and (ii) Special Individual Assessments imposed on an Owner as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Areas and or Common Facilities for which the assessed Owner (or the assessed Owner's family members, guests or tenants) were responsible. Special Individual Assessments shall not be recoverable through the imposition of a lien against the Owner's Homesite enforceable through foreclosure. However, Special Individual Assessments duly levied for any permissible purpose may be recovered by the Association through other legal processes

(typically a small claims court action). Special Individual Assessments imposed under either of the circumstances described in (i) and (ii) of this subparagraph (c) shall be subject to imposition of a lien and enforceable through foreclosure or sale under a power of sale for failure of an Owner to pay such Assessment, all as more particularly provided in Section 4.10, below.

Section 4.05. Assessments to Address Emergency Situations.

(a) Authority of Board to Impose Emergency Assessments. The requirement of a membership vote to approve: (i) Regular Assessment increases in excess of twenty percent (20%) of the previous year's Regular Assessment; or (ii) Special Assessments which, in the aggregate, exceed five percent (5%) of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied, shall not apply to Assessments necessary to address emergency situations ("Emergency Assessments"). For purposes of this section, an emergency situation is any of the following:

(A) An extraordinary expense required by an order of a court.

(B) An extraordinary expense necessary to repair or maintain the Common Areas or Common Facilities where a threat to personal safety is discovered.

(C) An extraordinary expense necessary to repair or maintain the Common Areas or Common Facilities that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to Section 12.05(a) of the Bylaws; provided, however, that prior to the imposition or collection of an assessment under this subparagraph (C), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of the Assessment.

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

Section 4.06. Purpose and Reasonableness of Assessments. Each Assessment made in accordance with the provisions of this Declaration is hereby declared and agreed to be for use exclusively: (a) to promote the recreation, health, safety and welfare of individuals residing within any portion of the Development; (b) to promote the enjoyment and use the Grizzly Ranch community by the Owners and their families, tenants, invitees, licensees, guests and employees;

and (c) to provide for the repair, maintenance, replacement and protection of the Common Area and Common Facilities. Without limiting the foregoing, it is specifically recognized that some Common Facilities exist and are operated and maintained for the benefit of the Owners and residents of Grizzly Ranch regardless of whether such amenities generate revenues in excess of their allocable operating and maintenance expenses. In no event shall funds be raised or spent from Assessments for the purpose of improving or maintaining the Golf Course or any other facilities of the Golf Course.

Section 4.07. Exemption of Certain Portions of the Development From Assessments.

The following real property subject to this Declaration shall, unless devoted to the use as a Residence, be exempt from the Assessments and the lien thereof provided herein:

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

Section 4.08. Notice and Procedure for Member Approval Pursuant to Sections 4.02 and 4.03. In the event that Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 4.02 and 4.03, above, the affirmative vote required to approve the increase shall be a Majority of a Quorum of the Members. The minimum quorum percentage for any vote pursuant to this section shall be satisfied by the attendance at a membership meeting where the vote is conducted, in person or by proxy, of Members comprising at least fifty percent (50%) of the total Voting Power of the Members. If the vote to approve the Assessment is conducted by use of written ballot voting, the minimum quorum percentage will be satisfied when ballots are returned within the time prescribed for written ballot voting from at least fifty percent (50%) of the total Voting Power of the Members.

Section 4.09. Maintenance of Assessment Funds.

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

(b) Expenditure of Assessment Funds. Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments. If the proceeds of any Special Assessment exceed the requirement of which such Assessment was levied, such surplus may, in the Board's discretion, be: (i) returned proportionately to the contributors thereof; (ii) reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, underfunded; or (iii) credited proportionately on account of the Owners' future Regular Assessment obligations.

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

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

(d) Reserve Funds. As more particularly provided in Article XII of the Association Bylaws, the Association Board is required by law to periodically identify the major components of the Development that the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of thirty (30) years or less. In the capital reserve analysis process, the Board is also obligated to identify the probable remaining useful life of the components identified in the study and to estimate the cost of repair, replacement, restoration, or maintenance of the components during and at the end of their useful life. The information developed in this capital reserve replacement analysis is then to be used by the Board as a component of preparing the annual budget of the Association. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or for litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses, provided the Board has made a

written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund.

The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Development, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this subparagraph (d). This Special Assessment is subject to the Member approval requirements of California Civil Code section 1366 and Section 4.03(b), above, if the aggregate amount of the Special Assessment exceeds five percent (5%) of the budgeted gross expenses of the Association for the year in which the Special Assessment is imposed. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

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

(e) Limitations on Association's Authority to Assign or Pledge Assessment Obligations. The Association may not voluntarily assign or pledge its right to collect payments or Assessments, or to enforce or foreclosure a lien to a third party, except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law, when acting within the scope of that charter or license, as security for a loan obtained by the Association. However, the restrictions imposed by this subparagraph (e) shall not restrict the right or ability of the Association to assign any unpaid obligations to a former Member to a third party for purposes of collection.

Section 4.10. Collection of Assessments: Enforcement of Liens. Installments of Regular Assessments shall be delinquent if not paid within fifteen (15) days of the due date as established by the Board. Special Assessments, Special Individual Assessments and Emergency Assessments shall be delinquent if not paid within the times prescribed in Sections 4.03(d), 4.04(b) and 4.05(b), respectively. When an Assessment becomes delinquent, the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code sections 1366(c) and 1366.1 or comparable successor statutes. Once an assessment becomes delinquent, the Association may elect to one or both of the following remedies:

late fees

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

(b) Imposition and Enforcement of Assessment Lien and Limitations Thereon. Except as otherwise provided in subparagraph (v), below, with respect to the limitation on the imposition of liens for Special Individual Assessments, the Association may impose a lien against the Owner's Homesite for the amount of the delinquent Assessment or Assessments, plus any reasonable costs of collection (including reasonable attorneys fees), late charges and interest by taking the following steps:

(i) At least thirty (30) days prior to recording a lien upon the Owner's Homesite to collect a delinquent Assessment, the Association shall notify the Owner in writing by certified mail of the following (the "Delinquency Notice"):

(A) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount, a statement that the Owner of the Homesite has the right to inspect the Association records, pursuant to section 8333 of the Corporations Code, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed: "IMPORTANT NOTICE: IF YOUR HOMESITE IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."

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

(C) A statement that the Owner will have no liability to pay the charges, interest, and costs of collection, if it is determined that a timely payment of the Assessment was paid to the Association.

(D) The right of the notified Owner to request a meeting with the Board as provided in subparagraph (iv), below.

(ii) Any payments made by the Homesite Owner toward the delinquent Assessment shall first be applied to the Assessments that are owed at the time the payment is made: and only after the Assessments owed are paid in full shall the payments be applied to the fees and the costs of collection, attorneys' fees, late charges or interest. When an Owner makes a payment, the Owner may request a receipt and the Association shall provide it. The receipt shall indicate the date of payment and the person who received the payment on behalf of the Association. The Association shall provide its Members with a mailing address for overnight payment of Assessments.

(iii) An Owner may dispute the amounts claimed as due and owing in the Delinquency Notice by submitting to the Board a written explanation of the reasons for his or her dispute. If the Owner wishes to submit an explanation, it must be mailed to the Association within fifteen (15) days of the postmark of the Delinquency Notice. The Board shall respond in writing to the Owner within fifteen (15) days of the date of the postmark of the Owner's explanation.

(iv) An Owner may also submit a written request to meet with the Board to discuss a payment plan for the delinquent assessment. This request must also be made within fifteen (15) days of the postmark of the Delinquency Notice. The Association shall provide the Owners with the standards for payment plans, if such standards have been adopted. So long as a timely request for a meeting has been tendered, the Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the request for a meeting, unless there is no regularly-scheduled Board meeting within that period, in which case the Board may designate a committee of one or more Members to meet with the Owner.

(v) The amount of the Assessment, plus any costs of collection, late charges, and interest assessed in accordance with Civil Code section 1366 shall be a lien on the Owner's Homesite from and after the time the Association causes to be recorded with the County Recorder a Notice of Delinquent Assessment, which shall state the amount of the Assessment and other sums imposed in accordance with Civil Code section 1366, a legal description of the Owner's Homesite against which the Assessment and other sums are levied, the name of the record owner of the Owner's Homesite against which the lien is imposed. In order for the lien to be imposed by non-judicial foreclosure as provided in subparagraph (viii), below, the Notice of Delinquent Assessment shall state the name and address of the trustee authorized by the Association to enforce the lien by sale. The Notice of Delinquent Assessment shall be signed by any officer of the Association or by the person designated by the Association for that purpose and mailed in the manner set forth in Civil Code section 2924b to all record owners of the Owner's Homesite no later than ten (10) calendar days after Recordation of the Notice of Delinquent Assessment. Within twenty-one (21) days of the payment of the sums specified in the Notice of Delinquent Assessment, the Association shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Homesite Owner with a copy of the lien release or notice thereby making a matter of record that the delinquent Assessment has been satisfied and the lien for the delinquent Assessment has been released.

(vi) For so long as any Homesites in the Development are being sold under authority of a Department of Real Estate Public Report, a Special Individual Assessment or other monetary charge imposed by the Association: (A) as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Area Improvements or landscaping for which the Member or the Member's guests or tenants were responsible; or (B) as a disciplinary measure for failure of a Member to comply with the Governing Documents (except for reasonable late payment penalties, interest, and other reasonable costs of collection authorized by Civil Code section 1366) may not be characterized nor treated as an Assessment that may become a lien against the Member's Homesite enforceable by the sale of the interest

under Civil Code sections 2924, 2924b and 2924c. Once the Association is no longer subject to the regulatory jurisdiction of the Department of Real Estate, a Special Individual Assessment or other monetary charge imposed by the Association as a means of reimbursing the Association for costs incurred in the repair of damage to Common Areas and Common Facilities for which the Member or the Member's guests or tenants were responsible may become a lien against the Member's Homesite that is enforceable by sale of the Homesite in non-judicial foreclosure pursuant to Civil Code sections 2924, 2924b and 2924c.

(vii) A lien created pursuant to subparagraphs (v) or (vi), above, shall be prior to all other liens recorded against the Owner's Homesite subsequent to the Notice of Delinquent Assessment, except as described in Section 4.12, below.

(viii) Subject to the limitations of this Section 4.10(b), after the expiration of thirty (30) days following the recording of a Notice of Delinquent Assessment, the lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Civil Code section 2934a. Any sale by the trustee shall be conducted in accordance with Civil Code sections 2924, 2924b and 2924c applicable to the exercise of powers of sale in mortgages and deeds of trusts. The fees of a trustee may not exceed the amounts prescribed in Civil Code sections 2924c and 2924d.

(ix) If it is determined that a lien previously recorded against a Homesite was recorded in error, the party who recorded the lien, within twenty-one (21) calendar days, shall record or cause to be recorded in the Office of the County a lien release or notice of rescission and provide the Homesite Owner with a declaration that the lien filing or recording was in error and a copy of the lien release or notice of rescission.

(x) If the Association fails to comply with the procedures set forth in this Section 4.10(b) prior to recording a lien, the Association shall recommence the required notice process. Any costs associated with recommencing the notice process shall be borne by the Association and not by the Homesite Owner.

The provisions of this Section 4.10(b) are intended to comply with the requirements of Civil Code section 1367.1 in effect as of January 1, 2003. If these sections are amended or modified in the future in a way that is binding on the Association and causes this section to be in conflict with applicable law, the provisions of this Section 4.10(b) automatically shall be amended or modified in the same manner.

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

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

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

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

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

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

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

Section 4.13. Unallocated Taxes. In the event that any taxes are assessed against the Common Area or the personal property of the Association, rather than being included in the assessed valuation of Homesites, such taxes shall be included in the Regular Assessments imposed pursuant to Section 4.02, above, and, if necessary, a Special Assessment may be levied against the Homesites pursuant to Section 4.03, above, in an amount equal to such taxes to be paid in two installments, thirty (30) days prior to the due date of each tax installment.

ARTICLE V
Design Review and Approval of Improvement Projects

Section 5.01. Design Review Board Approval of Improvements.

(a) Approval Generally. Prior to commencement of construction or installation of any Improvement within Grizzly Ranch (as defined in Section 1.21, above), other than the initial construction of Residences by the Declarant, the Owner planning such Improvement must submit to the Design Review Board a written request for approval. The Owner's request shall include structural plans, specifications and plot plans satisfying the minimum requirements set forth in the Design Guidelines adopted pursuant to Section 5.05, below. Unless the Design Review Board's approval of the proposal is first obtained, no work on the Improvement shall be undertaken. The Design Review Board shall base its decision on the criteria described in Section 5.06, below.

(b) Modifications to Approved Plans Must Also Be Approved. Once a proposed work of Improvement has been duly approved by the Design Review Board, no material modifications shall be made in the approved plans and specifications therefore and no subsequent alteration, relocation, addition or modification shall be made to the work of Improvement, as approved, without a separate submittal to, and review and approval by, the Design Review Board. If the proposed modification will have, or is likely to have, a material affect on other aspects or components of the work, the Design Review Board, in its discretion, may order the Owner and his or her contractors and agents to cease working not only on the modified component of the Improvement, but also on any other affected component.

In the event that it comes to the knowledge and attention of the Association, its Design Review Board, or the agents or employees of either that a work of Improvement, or any modification thereof, is proceeding without proper approval, the Association shall be entitled to exercise the enforcement remedies specified in Section 5.15, below, including, without limitation, ordering an immediate cessation and abatement of all aspects of the work of Improvement by "red tagging" the project until such time as proper Design Review Board review and approval is obtained.

Section 5.02. Composition of the Design Review Board.

(a) Composition of the Design Review Board, Generally. The composition of the Design Review Board will evolve during the development of Grizzly Ranch, as follows:

(i) The Design Review Board shall consist of either three (3) or five (5) members who shall either be representatives or designees of the Declarant or members of the Association who are in good standing. The Declarant may appoint all of the members of the Design Review Board and all replacements until the first anniversary of the issuance of the first Public Report for the Initial Covered Property.

(ii) Beginning with the first anniversary of the issuance of the first Public Report, Declarant may appoint a majority of the members of the Design Review Board. The remaining member or members of the Design Review Board shall be appointed by members of the Association's Board of Directors other than those directors who are Declarant's representative(s) on the Board; provided, however, that the Declarant shall be entitled to delegate to the owner of the Golf Course the right to appoint one member of the Design Review Board.

(iii) At the earlier to occur of: (A) the closing of ninety percent (90%) of the Homesites planned for the Overall Property; or (B) the tenth (10th) anniversary of the original issuance of the original Public Report for the first Phase of the Development, the Design Review Board shall become a committee of the Association and, except as provided in the next succeeding paragraph, all members of the Design Review Board shall be appointed by the Board of Directors.

(iv) At all times at least two (2) members of the Design Review Board shall have a professional degree or other background in design, land planning, architecture or some other field which is related to the functions to be performed by the Design Review Board if individuals with such degrees or other backgrounds are available and willing to serve.

(b) Authority of the Owner of the Golf Course to Appoint a Member of the Design Review Board. Notwithstanding the foregoing authority of the Board of Directors to appoint members of the Design Review Board, the Owner of the Golf Course may continue to have a representative on the Design Review Board, with full voting rights until the earlier to occur of the following events: (i) the Golf Course Owner's voluntary relinquishment of this power of appointment in a writing delivered to the Board of Directors; or (ii) the completion of construction of Residences on ninety percent (90%) of all Homesites sharing a common boundary with any Golf Course real property. When the Design Review Board is a true committee of the Association, the Board, in its discretion, may implement a system of staggered terms for Design Review Board members in order to provide assurance of continuity and experience in the administration of the Design Review Board's duties and responsibilities hereunder.

(c) Qualifications for Appointment. The appointees of Declarant and the Golf Course Owner need not be Owners of Homesites and do not need to possess any special qualifications of any type except such as the Declarant/Golf Course Owner may, in its discretion, require. All persons appointed to the Design Review Board by the Association's Board of Directors must be Members of the Association and Owners of Homesites within Grizzly Ranch.

(d) Terms of Office of Design Review Board Members. With the exception of those Design Review Board members appointed by the Declarant and the owner of the Golf Course (if appointment authority is delegated to the owner of the Golf Course) and unless the Association implements a system of staggered terms for Design Review Board members, all members of the Design Review Board shall serve for one year terms, subject to the right of the Board to reappoint incumbent Design Review Board members to consecutive terms of office. During the period when the Declarant has the authority to appoint a majority of the members of the Design Review Board, the Declarant shall appoint one Design Review Board person as chair.

Thereafter, the Design Review Board members shall appoint one Design Review Board member as chairperson. All members shall serve until the expiration of the term for which they were appointed or until they resign or are replaced.

(e) No Compensation for Services; Reimbursement of Expenses. Neither the members of the Design Review Board nor its designated representatives shall be entitled to any compensation for services performed pursuant to this Declaration. The Design Review Board members shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred by them in the performance of any Design Review Board functions. Requests for reimbursement shall be supported by adequate documentation and shall be submitted to, and approved by, the Board of Directors. Nothing herein shall limit the right of the Association or the Declarant from retaining the services of a person or persons as employees or independent contractors (including an architect and/or engineer) with responsibility for assisting the Design Review Board in such matters as: (i) the day-to-day administration of the process of Design Review and approval, (ii) the intake and review of plans and specifications, (iii) communications with plan applicants, (iv) making recommendations to the Design Review Board with respect to the approval, denial or modification of submitted plans and specifications, and (v) communications with Owners and contractors during the course of construction.

(f) Appointment of Subordinate Committees. During the period while the Declarant has the authority to appoint at least a majority of the members of the Design Review Board the Declarant shall have the authority to designate a subordinate committee with jurisdiction to review and approve minor projects and modifications to existing, approved structures. If organized, the requirements for representation on the sub-committee by Owners other than the Declarant which apply to the Design Review Board shall also apply to the sub-committee. The scope of the sub-committee's duties and responsibilities may be further defined in the Design Guidelines.

In addition to the authority of the Declarant to create a subordinate committee to review and approve minor projects or modifications to existing Improvements, Supplemental Declarations recorded with respect to a Phase may provide for a design review board with jurisdiction over the review and approval of Improvement projects on Homesites within the Phase (see Section 15.06(b)(iii)).

Section 5.03. Duties. It shall be the duty of the Design Review Board to consider and act upon the proposals and plans for Improvements submitted to it pursuant to this Declaration, to adopt Design Guidelines pursuant to Section 5.05, below, to perform other duties delegated to it by the Board of Directors and to carry out all other duties imposed upon it by this Declaration.

Section 5.04. Meetings. The Design Review Board shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of the Design Review Board members shall constitute an act by the Design Review Board and the Design Review Board shall keep and maintain a written record of all actions taken.

The Owner-Applicant shall be entitled to appear at any meeting of the Design Review Board at which the Owner's proposal is scheduled for review and consideration. The Owner

shall be entitled to be heard on the matter and may be accompanied by his or her architect, engineer and/or contractor. Reasonable notice of the time, place and proposed agenda for Design Review Board meetings shall be communicated before the date of the meeting to any Owner-Applicant whose application is scheduled to be heard.

Section 5.05. Design Guidelines. The Design Review Board may, from time to time, adopt, amend and repeal rules and regulations to be known as "Design Guidelines". The Design Guidelines shall interpret and implement the provisions of this Declaration that pertain to Improvement projects (particularly this Article V and Article VI (Minimum Construction Standards) by setting forth:

(a) The procedures for Design Review Board review and approval of Owner submittals of proposed Improvement projects (including, without limitation, minimum requirements for submitting a complete application for project approval);

(b) Guidelines for the construction of Improvements, including, without limitation, architectural design, placement on Homesites (consistent with the set-back requirements imposed by Section 6.06, below), color schemes, exterior finishes and materials and similar features which are recommended or required for use on any Improvements or categories of Improvements within Grizzly Ranch. Without limitation, these guidelines may include charts of approved colors, typical plans and specifications for commonly recurring projects, such as fencing, and the manner in which the height or number of stories of a Residence are to be determined (particularly in the case of Residences built on Homesites with steep slopes).

(c) The Guidelines can identify categories of Improvement projects or components of the plan review and approval process which can be administered by the Association staff or other designee of the Design Review Board without the need for direct involvement by the Design Review Board in order to expedite the processing of applications for approval. In the event that the Design Review Board determines that certain project approvals or plan processing requirements can appropriately be administered by the Association staff or other Design Review Board designee, such delegation and the scope thereof shall be specified in the Rules;

(d) The criteria and procedures for requesting variances from any property use restrictions or minimum construction standards that would otherwise apply to the proposed Improvement under the Governing Documents (see Section 5.16, below);

(e) Minimum requirements for the maintenance, supervision and restoration of construction sites by Owners and their contractors. Without limiting the foregoing, the Guidelines may specifically regulate the activities of contractors and subcontractors (including, without limitation, hours of permitted construction activity), who shall be deemed to be the Owner's agents for purposes of rules enforcement and compliance matters;

(f) Minimum requirements for the landscaping of areas of the Homesite that are disturbed by construction activity, which require particular landscape Improvements or which encourage minimal use of landscape irrigation in order to control drainage, limit runoff, avoid erosion and or risk to native trees, to otherwise enhance the appearance of the Homesite;

(g) Any requirements for the payment of inspection/plan processing fees and deposits to assure the Owner's/contractor's proper and timely performance in accordance with the approved plans and specifications and the application, use and/or refund of such fees and deposits;

(h) Uniform and reasonable time limitations for completion of approved Improvement projects or other duly noted compliance matters. Said rules may also include procedures to request an extension of the usual completion time in order to avoid hardship or to accommodate other factors beyond the Owner's reasonable control which have interrupted the progress of the Improvement project;

(i) Procedures permitting expedited or summary approval of minor projects by the Association staff where ministerial (i.e., nondiscretionary) review and approval is appropriate;

The Design Guidelines shall be effective when the initial Design Guidelines are adopted by the Design Review Board; provided, however, that if design guidelines are proposed for a Phase or a townhouse or Condominium Project for which design review will be performed by a design review board other than the Design Review Board organized pursuant to Section 5.02, above, such design guidelines shall also be approved by the Declarant. Notwithstanding the foregoing, the Design Guidelines shall implement the provisions of this Master Declaration in a reasonable, uniform and nondiscriminatory manner and no guideline, standard or requirement of the Design Guidelines shall be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Design Guidelines and this Declaration, the provisions of the Declaration shall prevail.

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

(a) The plans and specifications for the project conform to this Declaration and to the Design Guidelines in effect at the time the plans and specifications are submitted to the Design Review Board;

(b) The Improvement, if approved and constructed in accordance with the approved plans and specifications, will be in harmony with the external design and appearance of other structures and/or landscaping within Grizzly Ranch;

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

(d) The proposed Improvement(s), if approved, will otherwise be consistent with the architectural and aesthetic standards prevailing within Grizzly Ranch and with the overall plan and scheme of development within Grizzly Ranch, as that plan and scheme of development is reasonably interpreted and applied by the Design Review Board in its discretion;

Without limiting the foregoing, the exterior elevations of any structures (including fencing) and landscaping undertaken by any Owner or Resident (other than the Declarant) on any Homesite located adjacent to, and within twenty-five (25) feet of any Golf Course fairway must be approved by the representative of the Golf Course owner serving on the Design Review Board, said approval not to be unreasonably withheld.

While it is recognized that the Design Review Board's determination to either approve, or to deny approval, of a proposed Improvement project will, of necessity, be subjective to some degree, the members of the Design Review Board shall act reasonably and in good faith and shall consider such factors as the quality of workmanship and materials proposed for the Improvement project, the harmony of its exterior design, finished materials and color with that of other existing structures, and the proposed location of the Improvement in relation to the existing topography, finished grade elevations, roads, Common Areas and other existing structures.

The approval by the Design Review Board of any plans, drawings or specifications for any work of Improvement done or proposed, or for any other matter requiring the approval of the Design Review Board under this Declaration, or any waiver thereof, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval by the same or some other Owner. Different locations for Improvements, the size of the structure, proximity to other Residences or Common Facilities and other factors may be taken into consideration by the Design Review Board in reviewing a particular submittal. Accordingly, the Design Review Board shall be entitled to determine that a proposed Improvement or component thereof is unacceptable when proposed on a particular Homesite, even if the same or a similar Improvement/component has previously been approved for use at another location if factors such as drainage, topography, noise or visibility from roads, Common Areas or other Homesites or prior adverse experience with the product, the design or with similar Improvements mitigate against erection of the Improvement or use of a particular component thereof on the Homesite involved in the Owner's submittal.

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

Section 5.07. Procedures for Obtaining Design Approval.

(a) Plan Submission Requirements. All Owners who desire to undertake any work of Improvement (as defined in Section 1.21, above) must apply to the Design Review Board and receive its prior approval. The application shall be in writing and shall contain all information that is necessary to reasonably evaluate the nature, design, location and extent of the proposed Improvement, including, at a minimum, plans and specifications for the Improvement project that are consistent with the minimum plan and specification submission requirements stated in the Design Guidelines

If the contemplated work is of a nature that does not merit extensive plans and specifications, the Design Review Board may (but shall not be obligated to) waive or modify any

of the plan and specification requirements applicable to more extensive Improvement project upon receipt of a written request from the applicant to do so or the Design Guidelines may exempt certain Improvement projects from some or all of the plan submission requirements.

(b) Inspection Fee and Deposits. Once the Design Review Board is under the control of the Association, the Design Guidelines may require that the submission of plans and specifications be accompanied by a reasonable fee. The Design Guidelines may also provide for a cash deposit procedure to help ensure proper and timely completion of works of Improvement in accordance with approved plans and specifications and to reimburse the Association for damage to roadways and other Common Facilities resulting from the Owner's construction project.

Section 5.08. Delivery of Plans and Specifications. Plans and specifications shall be submitted to the Design Review Board by personal delivery or first-class mail addressed to the Secretary of the Association or the Chairman of the Design Review Board at the Association's principal office.

Section 5.09. Time Limits for Approval or Rejection. Within thirty (30) days after submission of plans and specifications satisfying the requirements of the Design Guidelines, the Design Review Board shall return one set of such plans to the applicant, with either written notice of approval or disapproval or with written suggestions of changes required for approval. If written suggestions of changes required for approval accompany the returned set of plans, the applicant may implement such changes to the plans and within thirty (30) days resubmit plans incorporating such changes for approval to the Design Review Board, which shall not unreasonably withhold its approval so long as the Owner has complied in all material respects with the requested changes. If no written notice of approval or disapproval is received by the applicant within thirty (30) days after the Owner's plans and specifications (or revisions thereto) are submitted to the Design Review Board, the plans shall be deemed to have been approved as submitted.

Section 5.10. Employment of Architect or Engineer. If at any time the Design Review Board determines that it would be in the best interests of the Association and its Members for an applicant to employ an architect, licensed building designer or engineer to design or review any proposed Improvements or component thereof, the Design Review Board shall advise the applicant in writing of its determination whereupon all plans and specifications so designated by the Design Review Board must thereafter bear appropriate evidence of such preparation or review.

Section 5.11. Proceeding With Work. Upon receipt of approval from the Design Review Board, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction and erection of the Improvement and excavation pursuant to said approval, said commencement to be, in all cases, within six (6) months from the date of such approval, and the project shall be diligently pursued to completion. If the Owner shall fail to comply with this section, any approval given pursuant to this Article, shall be deemed revoked unless the Design Review Board, upon written request of the Owner made prior to the expiration of the initial six-month period, extends the time for commencement

or completion. No such extension shall be granted except upon a finding by the Design Review Board that there has been no change in the circumstances upon which the original approval was granted and that the Owner has a bona fide intention and ability to complete the project within the time specified in the extension request.

Section 5.12. Failure to Complete Work. Unless the Owner has been granted an extension of time to complete the project by the Design Review Board, construction, reconstruction, refinishing or alteration of any such Improvement must be complete within one (1) year after construction has commenced, except and for so long as such completion is rendered impossible or would result in great hardship to the Owner because of strikes, fires, national emergencies, natural calamities or other supervening forces beyond the control of the Owner or his or her agents. In the case of building Improvements the requirements of this section shall be deemed to have been met if, within the one-year construction period, the Owner has completed construction of the building's foundation and all exterior surfaces (including the roof, exterior walls, windows and doors).

If the Owner fails to comply with this section, the Design Review Board shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of Sections 5.13(c) and (d), below, as though the failure to complete the Improvement was a noncompliance with approved plans.

Section 5.13. Inspection of Work by Design Review Board. Inspection of the work relating to any approved Improvement and correction of defects therein shall proceed as follows:

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

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

(c) Within thirty (30) days thereafter, the Design Review Board, or its duly authorized representative, may inspect the Improvement to determine whether it was constructed, reconstructed, altered or refinished in substantial compliance with the approval plans. If the Design Review Board finds that the Improvement was not erected, constructed or installed in substantial compliance with the Owner's approved plans, then within the 30-day inspection period the Design Review Board shall give the Owner a written notice of noncompliance detailing those aspects of the project that must be modified, completed or corrected. If the violation or nonconforming work is not corrected, the Association and the Design Review Board shall have the rights and remedies set forth in Section 5.15 (enforcement), below.

(d) If for any reason the Design Review Board fails to notify the Owner of any noncompliance within thirty (30) days after receipt of the Owner's notice of completion, the Improvement shall be deemed to have been constructed in accordance with the approved plans

for the project, unless the Owner knows of the noncompliance and intentionally misleads the Design Review Board with respect thereto.

Section 5.14. Landscaping. As specified in Section 1.21, above, landscaping shall be deemed to be a work of Improvement requiring Design Review Board approval hereunder. Landscaping shall include lawns, shrubs, trees and flowers. The use of artificial materials such as plastic plants, or flowers, astro turf, or gravel gardens will be disapproved by the Design Review Board. All approved landscaping must be completed within sixty (60) days after a notice of occupancy has been filed with the County for the Owner's Residence and, in the event that the landscaping has not been completed by the occupancy date, the Design Review Board may, in its discretion, require an Owner-Applicant to post a bond in an amount not to exceed the estimated cost of the landscaping work, or a cash deposit not to exceed \$1000.00 in lieu thereto, to ensure the applicant's timely completion of the landscaping work. Rather than requiring a separate landscaping deposit the Design Review Board may elect to rely on a single cash deposit covering all aspects of the project.

Section 5.15. Enforcement.

(a) **Stop Work Orders.** In addition to other enforcement remedies set forth in this Declaration, the Design Review Board shall have the authority to order an abatement ("red tag") of any construction, alteration or other matter for which approval is required, to the extent that it has not been approved by the Design Review Board or if it does not conform to the plans and specifications submitted to and approved by the Design Review Board. If an Improvement project is red tagged, the Owner and his or her contractor shall cease all construction activity until such time as the issue giving rise to the red tag order is resolved. The red tag notice shall clearly state the reasons why the abatement has been ordered.

(b) **No Waiver.** No work for which approval is required shall be deemed to be approved simply because it has been completed without a complaint, notice of violation, or commencement of a suit to enjoin such work.

(c) **Effect of Failure to Remedy Noncompliance.** If the Owner fails to remedy any noticed noncompliance within thirty (30) days from the date of such notification, or if the Owner feels that the project has been red tagged without justification, the Design Review Board shall notify the Board in writing of such failure. The Board shall then set a date on which a hearing before the Board shall be held regarding the alleged noncompliance. The hearing shall be conducted in accordance with Section 13.06(d), below.

(d) **Attorneys' Fees and Costs.** If any legal proceeding is initiated to enforce any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorneys' fees in addition to the costs of such proceeding.

Section 5.16. Variances. The Design Review Board, in its sole discretion, shall be entitled to allow reasonable variances in any procedures specified in this Article, the minimum construction standards specified in Article VI, below, or in any land use restrictions specified in

Article VIII, below, to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships.

The Design Review Board must make a good faith written determination that the variance is consistent with one or more of the following criteria: (i) the requested variance will not constitute a material deviation from any restriction contained herein or that the variance proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) that the variance relates to a requirement land use restriction or minimum construction standard otherwise applicable hereunder that is unnecessary or burdensome under the circumstances; or (iii) that the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance with respect, to any other Homesite or Common Area within Grizzly Ranch. At the request of the Design Review Board the Association Board is authorized and empowered to execute and Record a notice of any variance granted pursuant to this section in a form that is acceptable to the County Recorder's Office.

Section 5.17. Compliance Certificate. Within thirty (30) days after written demand is delivered to the Design Review Board by any Owner, the Design Review Board shall provide the requesting Owner with a certificate, executed by any two of its members, certifying (with respect to any Homesite owned by the applicant Owner) that as of the date thereof, either: (a) all Improvements made and other work completed by said Owner comply with this Declaration; or (b) such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements or work and set forth with particularity the basis of such noncompliance. Any purchaser from the Owner, or from anyone deriving any interest in said Homesite through the Owner, shall be entitled to rely on the Design Review Board's compliance certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, the Design Review Board, the Declarant, all Owners and any persons deriving any interest through them.

Section 5.18. Limitation on Liability. Design Review Board approval of plans shall not constitute a representation, warranty or guarantee, whether express or implied, that such plans and specifications comply with good engineering design or with zoning or building ordinances, or other governmental regulations or restrictions. By approving any Owner's plans and specifications, neither the Design Review Board, the members thereof, the Association, any Member thereof, the members of the Board nor the Declarant assumes any liability or responsibility therefor, or for any defect in the structure constructed from such plans or specifications. Neither the Design Review Board, nor any member thereof, the Association, any Member thereof, the members of the Board nor the Declarant shall be liable to any Member, Owner, occupant, or other person or entity for any damage, loss, or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; or (b) the construction or performance of any work, whether or not pursuant to the approved plans, drawings, and specifications.

Section 5.19. Declarant Exemption. The Design Review Board shall have no authority, power or jurisdiction over Homesites or other parcels within Grizzly Ranch owned by Declarant until such time as Declarant conveys title to the Homesite or other parcel to a

purchaser or other transferee who is not designated as a successor Declarant (see Section 1.12, above).

Section 5.20. Compliance With Governmental Regulations. Review and approval by the Design Review Board of any proposals, plans or other submittals pertaining to Improvements shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements, the responsibility for which shall lie solely with the Homesite Owner who desires to construct, install, or modify the Improvement.

ARTICLE VI Minimum Construction Standards

Unless a variance is requested from, and granted by, the Design Review Board in accordance with Section 5.16, above, Improvements constructed on any Homesite shall conform to the Design Guidelines, and with the following minimum construction standards:

Section 6.01. Site Analysis and Design. Site analysis and planning prior to specific design of a Residence and related site Improvements is a critical first step in the overall design process. Site planning relies heavily on site analysis so that location and design of proposed structures and Improvements relate to existing terrain and preserve the natural features of the site. Every project shall begin with a Site Analysis. The Design Guidelines more fully describes site analysis and design requirements. Site analysis includes both on-site and off-site considerations.

Section 6.02. Building Location. All Residences and ancillary buildings must be located within the Building Envelope of a Homesite, and additionally, comply with any applicable zoning ordinance or other governmental restriction. A Building Envelope will be defined for each Homesite. A plot plan, incorporating a Building Envelope, easements, contour lines and intervals shall be provided to each Owner as needed for the Owner's processing of building permit applications. In addition, each Homesite will have its own lot book, a copy of which the Declarant will provide to the Homesite's Owner. The size of the Building Envelope will vary from Homesite to Homesite, and be based on criteria such as overall Homesite size, topography, view corridors, relationship to adjacent Homesites and access. All outdoor amenity areas and ancillary uncovered Improvements shall be located within the Building Envelope, except for a driveway and retaining walls necessary for the construction of a driveway. Homesites which include natural slopes in excess of 30% within the Building Envelope will be subject to special design requirements. Additional requirements and restrictions relating to Building Envelopes are set forth in the Design Guidelines.

Section 6.03. Licensed Contractor. Residential structures shall be constructed by a contractor licensed under the laws of the State of California.

Section 6.04. Approval by Design Review Board. No building, fence, wall or other permanent structure or Improvement shall be erected, altered or placed on any Homesite until building plans, specifications and a plot plan showing the location of structures on the Homesites

have been submitted to the Design Review Board for review and approval as described in Article V, above, and as more fully described in the Design Guidelines.

Section 6.05 Building Size Requirements. The intent of building size requirements are to preserve natural landforms and existing landscape, and minimize visual impacts relating to building size by encouraging Owners and Architects to create high quality homes within the smallest volume consistent with the satisfaction of the Owner's need for space. Additional building size requirements, including maximum living area square footage, building height and building mass are more fully covered in the Design Guidelines. Each Homesite may have a different building size requirement depending on Homesite size and location within Grizzly Ranch.

Section 6.06 Setbacks and Location of Structure. Structures must be located within a Building Envelope, and comply with any applicable zoning ordinance or other governmental restriction. Additional requirements relating to location of structures within a Building Envelope and how Building Envelopes are established are more fully covered in the Design Guidelines.

Section 6.07. Harmony with Surrounding Terrain and Structures. It is the intent of Grizzly Ranch to have all improvements in harmony with the native environment including landscape and topography. In general, visually conspicuous structures and other improvements shall be avoided. Architectural design shall be visually adaptive and sensitive to the native environment, and buildings and foundations shall step to follow natural terrain to the greatest extent possible. Extensive grading to create a pad for a Homesite will not be permitted. The character, scale, building materials, colors, screening of exterior appurtenances, exterior lighting and similar elements shall be in harmony with the site and compatible with the character of adjacent buildings and building on the same Homesite. No recreational vehicle, trailer, mobile home, camper, tent, shack, used structures, structures of a temporary character, or other outbuildings shall be used on any Homesite as a Residence. The Design Guidelines more fully describe provisions to address the intent of this section.

Section 6.08. Utilities. All utilities serving Grizzly Ranch subdivision are underground, and all utility services to any Improvement constructed on any Homesite shall be placed underground.

Section 6.09. No Used Materials. No used buildings or structures, intended for use as a Residence shall be placed on any Homesite.

Section 6.10. Heating Systems.

(a) No residences shall be heated solely by wood burning appliances. Each Residence shall be equipped with a conventional hearing device utilizing propane, natural gas, electricity, geothermal heat pump, solar or other extremely low-emitting energy source with sufficient capacity to heat all areas of the Residence without reliance on wood burning heating devices. All wood burning devices shall be EPA-Certified Phase II woodstoves or equivalent devices and must be installed in compliance with Plumas County and Northern Sierra Air Quality Management District regulations. Fireplaces are considered to be wood combustion

units. Open hearth fireplaces that are not Environmental protection Agency Phase II or equivalent devices shall be permitted if the Declarant and the County conclude that an agreement through which the Declarant would pay into an appropriate County air quality fund the sum of \$1000.00 for each open hearth fireplace built or installed. The fund will be used to replace residential wood combustion units that are not Environmental Protection Agency Phase II or equivalent with residential wood combustion units that are Environmental Protection Agency Phase II or equivalent or with a heating unit that is not a wood combustion unit. The \$1000.00 payment will be adjusted annually to reflect the changes in the California Consumer Price Index relative to the California Consumer Price Index in the year 2003.

(b) Subject to limitations imposed by California law, the Design Review Board shall be entitled to adopt, as part of the Design Guidelines, reasonable regulations regarding the installation of solar heating systems. These rules may include limitations on placement and design of such systems to the extent necessary to avoid an unsightly appearance from neighboring Homesites or Common Area.

Section 6.11. Colors and Exterior Finishes. It is the intent of Grizzly Ranch to preserve the appearance of the natural landscape and preclude the use of colors or materials that would appear out of place. The color of all exterior building materials shall be in harmony with the existing environment, as determined by the Design Review Board in its discretion. The Design Guidelines include a color palette of generally approved exterior finish colors. The color palette is only a starting point, and the approval of colors on a given Homesite will be based on other factors such as location of Homesite within the development, relationship to nearby improvements, and the surrounding natural landscape within the immediate vicinity of the Homesite. The Design Review Board is concerned with the color and finish of all materials visible from the home exterior including, but not limited to siding, roofs, stone, exterior floors, post caps, light fixtures, flashing, trim, posts, beams, chimney caps, exposed vents, outlet covers, hardware, windows and doors, including garage doors. Reflective finishes (other than glass) are generally not permitted, and all exterior finishes, textures and material, including roof materials, must be adequately described in plans and specifications and samples must be submitted along with the plans and specifications and be approved by the Design Review Board. Imitation materials (i.e., materials that mimic something they are not), including but not limited to slump block, imitation log siding, manufactured stone, vinyl siding imitating board siding, grooved plywood siding attempting to look like vertical board siding, etc. will generally not be allowed. Additional requirements addressing colors and exterior finishes are more fully covered in the Design Guidelines

Section 6.12. Roofing Materials. The primary roof materials for homes in Grizzly Ranch shall be composition shingle and metal. Roof materials must be subtle: no large variations in color, false shadow lines or high contrast roofing material will be allowed. Metal roofs may include natural weathering steel, steel having factory applied fluorocarbon resin coating in an approved color range and a flat or matte finish, and copper. High-quality architectural-grade composition shingle roofs will be considered on individual merit. All roofing must be Class A. For fire safety, wood shakes and wood shingle roofs are not allowed, including those that are rated class A. Tar and gravel roofs which are exposed to public view are not allowed, and each tar and gravel roof will be reviewed on a case-by-case basis. All roofing materials must be

adequately shown in plans and specifications, including manufacturer's specification and sample. Manufacturer's specifications may affect approval. Requirements relating to roofing material and application are more fully covered in the Design Guidelines.

Section 6.13. Siding Materials The predominant exterior materials shall consist of stone and wood. Generally, allowable wood siding materials include shingles, beveled or tongue-in-groove board siding, logs, board on board or board and batten siding. Plywood for siding, or other exterior application visible from off the Homesite is not allowed. Stone should be weathered and appear native to the site. The character and color of stone must generally be similar to those naturally occurring surface rocks found on Grizzly Ranch property or within the local area. Stonework should generally be conceived as a structural element as opposed to a veneer material. On-site mockup samples may be required in order to gain approval. Siding materials and applications are more fully covered in the Design Guidelines and all materials and applications must be approved by the Design Review Board.

Section 6.14. Grading, Drainage, Erosion Control and Driveways.

(a) **Grading.** No excavation (cut or fill) on slopes exceeding twenty percent (20%) shall be allowed for the creation of a building pad. For purposes of this restriction, a "building pad" shall mean the leveling of an area created by grading cut or cut and fill methods upon which building construction shall be placed and shall not be interpreted to preclude landscape terracing by the use of retaining walls. Excavation on slopes above twenty percent (20%) shall be limited to footing, basement or lower floor retaining walls, utility trenching, landscape terracing, and driveways. All plot plans for building permits within the area of a Subdivision Map which does not have an additional information map showing slope areas exceeding twenty percent (20%) shall show the slope of the Homesite. Interceptor ditches shall be constructed at the top of all cut slopes (upper side of building pad). All cut slopes shall be graded 2:1 or flatter, where possible, or otherwise stabilized unless the cut face is dense clay material or rock. All fill slopes shall be compacted as required by the Uniform Building Code. All cut and fill slopes shall be revegetated or otherwise stabilized. Accordingly, applications for building permits where there will be cut or fill slopes shall include a grading plan that shall include a revegetation or stabilization plan.

(b) **Drainage.** No Owner shall do any work, construct any Improvement, place any landscaping or create any condition whatsoever which shall alter or interfere with the drainage pattern for the Owner's of any adjacent Homesites or parcels or Common Area as established in connection with the approval of the final subdivision and parcel maps applicable to Grizzly Ranch by the County, except to the extent such alteration in drainage pattern is approved in writing by the Design Review Board, the County, and all other public authorities having jurisdiction. Plans and specifications submitted by an Owner to the Design Review Board in connection with the construction of a Residence or other major structural Improvement shall include a drainage plan in sufficient detail to permit the Design Review Board to assess the impacts, if any, of the Improvement on natural drainage courses. Finished exterior grades for Homesite Improvements shall be sloped away from foundations to provide removal of surface water runoff away from structures. All building pads shall be provided with drainage away from foundations and to a properly controlled discharge system. No surface runoff should be allowed

to flow from the pad over an unprotected slope. Terraced Homesites should avoid uncontrolled discharge of surface water runoff onto adjoining Homesites.

(c) Erosion Control. The Design Guidelines and applicable governmental erosion control standards and requirements shall apply to all construction activities. Use of Best Management Practices (BMPs), both temporary during construction and permanent, are encouraged to the extent that they satisfy the requirements of all governmental agencies. Generally, erosion control includes measures to address soil and slope stabilization, and every construction activity that may disturb the native surface cover or soil must submit, along with construction plans, an erosion control plan, or description of measures proposed to address erosion control. The Design Guidelines include preferred measures that will aesthetically compliment the surrounding landscape and color palette, and the Design Review Board may approve those measures provided they satisfy governmental agency requirements. No disturbed surface or soil shall be left unprotected through a winter season without erosion control measures. Temporary measure shall be employed until revegetation is established.

(d) Driveways and Associated Parking. Driveways shall be surfaced (asphalt or rock) prior to October 15th of each construction year. Driveways shall not traverse slopes greater than sixteen percent (16%) except where this restriction will preclude driveway construction. In no event shall a driveway traverse slopes greater than twenty-five percent (25%) except with a site specific erosion control plan. These restrictions shall be interpreted as an average slope over at least three ten-foot contour intervals (thirty (30) vertical feet). Common driveway easements may be used for up to three Homesites on slopes of more than ten percent (10%). Common driveways shall be considered roads for purposes of improvement plans and section 9-3.701 of the Plumas County Code. No gravel/oil and chip/natural soil or any unsecured finish is permitted on driveways. Each Homesite may be accessed by a single driveway only, except where unique terrain may justify a second access from the roadway. The paved surface of a driveway must be at least 10 feet wide and must generally not exceed 12 feet in width from the roadway to a point where it crosses into the Building Envelope area. Access drives must generally be located to preserve natural site features and minimize disruption of the existing landscape. Where feasible, a driveway should be located where it requires the least amount of cut or fill. Additional driveway, and associated parking, are more fully covered in the Design Guidelines. Also see Section 8.15, below, for additional requirements on parking.

Section 6.15. Antennas and Satellite Dishes. No outside television antenna, satellite dish or similar device for the transmission or reception of television, radio, satellite, or other signals of any kind shall be permitted within the Development, except:

(a) Declarant and the Association shall have the right, without obligation, to erect, place or install and maintain any such apparatus for the benefit of all or a portion of the Development.

(b) Antennas or satellite dishes that are one meter or less in diameter or diagonal measurement which are designed to receive video programming services via multi-point distribution services, including multi-channel multipoint distribution services, instructional

television fixed services and local multipoint distribution services (collectively "Permitted Device(s)") may be erected, placed or installed on a Homesite, provided that:

(i) Any such Permitted Device is placed in the least conspicuous location on the Residence at which an acceptable quality signal can be received and is either not Visible from Neighboring Property or is screened from the view form streets of any neighboring Homesite, Common Area or the Golf Course.

(ii) Reasonable restrictions which do not significantly increase the cost of installation of a Permitted Device or significantly decrease its efficiency or performance, including, without limitation, screening material, location or complimentary-color painting of the Permitted Device, may be imposed as part of the Design Guidelines. In no event can the Association or the Design Review Board impose a pre-installation design review process so long as the Owner is installing a Permitted Device.

Section 6.16. Exterior Lighting. The principal objective of exterior lighting at Grizzly Ranch is to maintain a rural feeling by keeping the night landscape as dark as possible, consistent with considerations for safety and security. Where lighting is necessary for purposes of safety or security, every effort must be made to mask and screen unwanted spill, or nuisance from impacting, neighboring properties, or causing a visual impact to passing motorists. Vapor lights of any kind, including but not limited to sodium or mercury vapor, will not be permitted. Exterior wall and building light fixtures must be integrated into the architectural composition of the home. Landscape lighting is allowed, but limited in area and intensity. Additional requirements are more fully covered in the Design Guidelines.

Section 6.17. Patios, Driveways and Other Horizontal Surface Materials. Any horizontal surface such as patios, walks and driveways are subject to design standards as to colors, material and patters. Surfaces must not reflect significant amounts of sunlight and, therefore, care must be taken to avoid light, bright, reflective or sparkly surfaces. Additional requirements are more fully covered in the Design Guidelines.

Section 6.18. Postal Delivery Receptacles. All mail, newspaper or other like deliveries to Homesites or Residences within the Development shall be made to central mail distribution facilities within Grizzly Ranch. No Homesite or Residence shall have its own separate mail receptacle.

Section 6.19. Garages and Carports. Each residence shall have at least a two car garage which may be either of an attached or detached design. Driveway access and garage location are important design considerations when planning a home in Grizzly Ranch. Every attempt should be made to minimize the potential view of the garage doors from the street and the Golf Course. As a rule, garage doors facing the street or the Golf Course will not be approved unless unique site constraints justify and exception to this rule. Carports may be approved when proposed to be in addition to, not in place of the required garage spaces. Access and orientation restrictions shall be the same as for a garage. Each single family residence shall be equipped with a golf cart charging station and if any parcels are developed as a condominium project, the project shall

include a golf cart charging station for every four condominium units. Additional requirements and standards are more fully covered in the Design Guidelines.

Section 6.20. Site walls, Screens and Fences. Site walls, screens or fences may be approved when they are proposed as a visual extension of the residence, attached at one end, limited in length and height and use similar materials and finishes. Generally, screens or fences purchased as prefabricated stock units will not be approved, and chain link fencing is not allowed. Walls and fences may define pet runs, courtyards or terraces in close proximity to the residence, but in no case will site walls, screens, or fences be permitted to delineate the Building Envelope or property. Additional requirements and standards are more fully covered in the Design Guidelines.

Section 6.21. Improvement Projects Adjacent to the Golf Course. No Owner may construct or alter any Improvement within twenty-five (25) feet of any Golf Course fairway without the express written approval of the owner of the Golf Course. In no event shall a Homesite adjacent to any Golf Course fairway be improved so as to permit direct golf cart access from the Homesite to the adjacent fairway.

Section 6.22. Landscape Improvements. Landscape at Grizzly Ranch is composed of two vegetation elements, namely the Native Vegetation, and the Enhanced Vegetation:

(a) Native Vegetation. Native vegetation includes a rich variety of native plant species which are naturally found on Grizzly Ranch, and on surrounding areas, including trees, shrubs, groundcovers, flowers and grasses. Disturbed portions of native vegetation, whether preexisting or as a result of construction activities, will require restoration as a part of every project. The site analysis requirement as described in Section 6.01 will identify areas of preexisting site disturbance, and on-site native landscape information which will be incorporated into a revegetation plan for each Homesite as part of the Design Review Process. The revegetation plan should use the approved revegetation plant list as a starting point in preparing the Plan, but requirements for specific Homesites may be more or less restrictive depending on location of the site within the community and landscape indigenous to the site. Additional requirements are more fully covered in the Design Guidelines.

(b) Enhanced Vegetation. Enhanced vegetation involves introduced plant species that are not known to naturally occur within Grizzly Ranch, but are compatible and included in an Approved Plant List. An Owner may select appropriate trees, shrubs, flowers, groundcover and grasses from the List to include in a Landscape Plan. The purpose of the enhanced vegetation species is to allow the Owner who wishes to provide personalized landscaping to do so as long as it is sensitive to the natural character of native landscape on the Homesite and adjacent areas. It compliments the architectural character of the Residence, and it is limited in scope. Additional requirements are more fully covered in the Design Guidelines.

(c) Irrigation. Generally, enhanced vegetation zones are the only areas that may receive permanent irrigation systems, and Owners are encouraged to minimize irrigated areas on their Homesites. The use of traditional spray type systems will generally be limited to turf areas, and drip irrigation systems will be required in most landscape situations. Water conservation will

be encouraged for outdoor water use. Additional requirements are more fully covered in the Design Guidelines.

Section 6.23. Tree and Native Vegetation Preservation Measures. The following tree preservation measures shall be strictly observed by all Owners and contractors and by the Association with respect to native trees located no Common Areas:

(a) During Homesite development, native groundcover and vegetation, outside of construction areas, shall be disturbed as little as possible during the course of construction. Areas to be protected shall be shown on the building permit plot plans.

(b) each tree and/or group of trees to be preserved shall be enclosed with a four-foot plastic, orange/red mesh fence prior to commencement of construction. Fencing shall be located one-foot outside the drip line of the tree(s).

(c) equipment operation should be limited and no vehicles may be parked within the drip line of trees to be preserved;

(d) underground utility trenching shall be allowed within the drip line of trees only with the approval of the Design Review Board. Where trenching within the root zone is unavoidable, a common trench should be used for all utilities;

(d) grading must not create ponding conditions around trees; and

(e) removal of native trees must only be done pursuant to a Forest Practices Permit or Conversion Permit.

Section 6.24. Restrictions on Burning and Fire Protection Matters.

(a) **Beckworth Fire Protection District.** As of the recordation date of this Declaration, fire protection services are being provided to the Development by the Beckworth Fire Protection District.

(b) **Exterior Fires.** There shall be no exterior fires at any location within the Development (with the exception of barbeque fires, as described below), including but not limited to, open burning of cleared vegetation and burning of construction debris or illegal material. Acceptable substitutes for open burning of cleared vegetation include measures such as chipping, fuel wooding or yarding. Barbecue fires located only upon Homesites and contained within receptacles designed for such purpose are permitted. No Owner or resident shall permit any condition to exist on his or her Homesite, including, without limitation, trash piles, or weeds, which create a fire hazard or is in violation of local fire regulations.

(c) **State Responsibility Area.** Owners are on notice that Grizzly Ranch is located within a "State Responsibility Area" and, as such, is subject to fire protection regulations established by the California State Board of Forestry. Such regulations include provisions applicable to the construction of Residences.

Section 6.25 Flag Poles. Flags of a modest size may be displayed if approved by the Design Review Board. One flag of the United States may be displayed in accordance with applicable law. Flag poles must be in proportion to the approved flag size and may not extend above the nearest roof ridge. Freestanding flag poles may only be approved where they have a minimal or no adverse visual impact on other Homesites in the Development or when viewed from the Golf Course.

Section 6.26. Sports Equipment and Similar Structures.

(a) Play Equipment. Play structures, trampolines, swing sets, slides or other similar devices are only allowed when approved in advance by the Design Review Board. The Design Review Board may grant approval if the structure or equipment is located within screened areas, is constructed and finished with materials that complement the Residence and equipment or structure does not exceed 8 feet in height. Play structures with brightly colored awnings will be discouraged and the equipment or structure must have a color consistent with the intent of the Design Guidelines. In considering the proposed location of play structures on a Homesite the Design Review Board shall consider the proximity to patios, decks and other outdoor entertainment and social areas on neighboring improved Homesites.

(b) Sports and Tennis Courts. Due to adverse impacts on the quiet enjoyment of neighboring residents and the need for significant grading, sports and tennis courts will not generally be approved on Homesites within Grizzly Ranch. In no event shall approved courts have exterior lighting.

(c) Basketball Standards and Other Outdoor Sports Apparatus. Basketball hoops and standards will be allowed on a case-by-case basis by the Design Review Board where the hoop, backboard and all related hardware are either portable or, if attached to the Residence, the backboard and all related hardware are finished to match the structure. In addition to color-matched backboards, clear backboards are permitted. When possible, Owners should locate basketball hoops at a point on a Homesite where they will not be seen from any street, Common Area, the Golf Course or any neighboring Homesite. Basketball hoops are not allowed on any Homesites that are improved as cottages or cluster-home units. Tennis courts, sports courts and other outdoor play equipment shall only be permitted in accordance with this Section 6.26, and the Design Guidelines. Portable basketball standards shall be retracted and stored out of view when not in active use. The Association Rules may further define what constitutes "active use" so as to permit portable standards to remain standing during reasonable breaks in play.

Section 6.27 Swimming Pools, Spas, and Water Elements. Sunken or concealed exterior spas, if provided, must be designed as a visual extension of the Residence through use of walls, roofs, or courtyards. The sides of portable spas must not be visible from off the Homesite. Swimming pools may be approved for Homesites on a case-by-case basis, and may not be permitted on all Homesites. Approval will include consideration for noise and views with respect to surrounding properties, including all neighbors, the Golf Course or other open space and Common Areas. Ponds, fountains, reflecting pools, and other water elements may be approved, provided their design and location relates to the home and remain inconspicuous from all

locations off of the Homesite. Additional requirements and standards are more fully covered in the Design Guidelines.

ARTICLE VII Maintenance Responsibilities

Section 7.01. Common Area and Certain Public Properties.

(a) Association Common Area Maintenance Obligations, Generally. The Association shall be solely responsible for all maintenance, repair, upkeep and replacement within the Common Area, including, without limitation the maintenance, snow plowing, and repair of private roads within the Development. This Association maintenance obligations shall extend to the golf cart, pedestrian and bicycle bridge over Grizzly Road, provided that the cost of such obligation shall be mitigated by the contributions provided for in Section 7.05(d), below. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any improvement upon, or shall create any excavation or fill or change the natural or existing drainage of any portion of the Common Area. In addition, no person shall remove any tree, shrub or other vegetation from, or plant any tree, shrub, or other vegetation upon the Common Area without express approval of the Association. Without limiting the foregoing, the Association shall be empowered to maintain and plow the private roads and shared driveway easements within the Development.

(b) Additional Maintenance/Repair Responsibilities Imposed by Supplemental Declarations or Declarations of Annexation. Supplemental Declarations and/or Declarations of Annexation may provide for additional Common Areas to be owned and maintained or simply maintained by the Association. In such cases, the Association shall accept and/or maintain the areas described and provided for therein. The Association shall maintain front yards of Residential Homesites if so provided by any Supplemental Declaration or by any maintenance agreement between the Association and a Sub-Association. In the event that maintenance obligations or other services are performed by the Association which do not benefit all Homesites within Grizzly Ranch, a Cost Center shall be established for those obligations or services pursuant to Section 4.02(b)(ii), above.

(c) Commencement of Maintenance of Common Areas. Notwithstanding any conveyance of Common Areas to the Association, the Association's responsibility to maintain the Common Areas located in any Phase shall not begin until the later of the following events: (i) inspection and approval of such Common Areas by the Association, not to be unreasonably withheld or delayed, or (ii) commencement of Regular Assessments in such Phase; except that, if such Phase consists of only Common Area, subdivision (ii) shall be inapplicable. Prior to the commencement of the Association's maintenance responsibility, such maintenance shall be the responsibility of Declarant.

(ii) Notwithstanding the foregoing, if the contractors or subcontractors of Declarant are contractually obligated to maintain the landscaping or other improvements within the Common Areas, the Association shall not interfere with the performance of such warranty or

other contractual maintenance obligations. The maintenance performed by the contractors or subcontractors of Declarant shall not postpone the commencement of Regular Assessments pursuant to this Declaration nor entitle either Declarant to claim any offset or reduction in the amount of such Assessments. If a portion of the Common Area is dedicated to and accepted for maintenance by the County, the District, or some other governmental agency, then the Association may, in the Board's discretion, maintain the area if the County, the District, or other responsible governmental agency fails to maintain the area to a standard acceptable to the Association, or elects to abandon further maintenance of the area.

(d) Maintenance of Certain Publicly Owned Parcels Within Grizzly Ranch. As Subsequent Phase Property is added to Grizzly Ranch, it is anticipated that the Declaration of Annexation or Supplemental Declaration for any such Subsequent Phase Property may identify areas within public rights-of-way or on other public lands adjacent to Grizzly Ranch that must be maintained by the Association, such as landscaping at road intersections.

(e) Maintenance of Open Space and Conservation Easements. Unless such maintenance is provided by the District or by a charitable trust or similar third-party, the Association shall be authorized and empowered to provide maintenance for Open Space and Conservation Easements within the Development in accordance with maintenance standards required by the Army Corps of Engineers or other responsible governmental agency.

(f) Compliance with Mitigation Monitoring Program Under Planned Development Permit. Condition 24 of the Planned Development Permit adopts and incorporates by reference the Mitigation Monitoring Program that is set forth in Chapter 5 of the Final Supplemental Environmental Impact Report for Planned Development Permit PD 4-96/97-14. In instances of noncompliance with the mitigation measures, the Planning Department shall have the authority to require corrective action by the Association or the Community Services District as to mitigation measures and obligations that are within their respective jurisdictions (see also Section 7.07, below) said corrective action to be undertaken within a reasonable time, as determined by the Planning Department. If the responsible party does not take action, the Planning Department shall have the authority to initiate its own corrective actions, and seek reimbursement from the Association or the Community Services District, as the case may be. Any other costs incurred by the County during monitoring, except those incurred for inspections which would otherwise be made, shall be reimbursed by the Declarant until such time as the Association is established and thereafter by the Association as to those mitigation and monitoring measures that are its responsibilities under the Mitigation and Monitoring Program.

Section 7.02. Owner Maintenance Responsibilities. Each Owner shall be responsible for the maintenance and repair of his or her Residence, Homesite, and landscaping in a first-class, neat and attractive appearance. Owners shall not permit their Homesites to become unsightly or to pose an unreasonable threat of fire hazard to neighboring Homesites or Common Areas.

Section 7.03. Association Recovery of Costs of Certain Repairs and Maintenance.

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

(b) Owner Defaults in Maintenance Responsibilities. If an Owner fails to perform maintenance or repair functions on the Owner's Homesite for which he or she is responsible, the Association may give written notice to the offending Owner with a request to correct the failure within fifteen (15) days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance, the Association may exercise its rights under Section 3.07(b), above, to enter the Owner's Homesite and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing in accordance with 13.06, below.

(c) Sub-Association Defaults in Maintenance Responsibilities. The same enforcement authority described in subparagraph (b), above, with respect to Owner defaults shall exist in favor of the Association with respect to any default by a Sub-Association in the performance of maintenance or repair obligations imposed on the Sub-Association pursuant to any Supplemental Declaration. The costs and expenses incurred by the Association under such circumstances shall be reimbursed, in full, by the Sub-Association.

Section 7.04. Golf Course Maintenance.

(a) Golf Course Appearance. Each Owner acknowledges and agrees that neither the Association nor any Owner shall have any right to compel the Golf Course owner to maintain the Golf Course or any improvements thereon to any particular standard of care and that the appearance of the Golf Course and improvements shall be determined in the sole discretion of the Golf Course owner.

(b) Golf Course Cart Paths. Portions of the golf cart path system may be situated within the Common Area. No Owner or invitee shall have any right to use any portion of the golf cart path system, including any portion situated on the Common Area without the prior approval of the owner or manager of the Golf Course. The Golf Course owner shall have the sole duty and obligation to maintain any portion of the golf cart path system which may be located within the Common Area.

(c) Streams, Ponds and Water Features.

(i) The Golf Course owner shall have the sole duty and obligation to maintain the water features located throughout the Development, including the streams, waterfalls, creeks, and fishing pond stocked with trout or other fish and its adjoining fishing pavilion structure. The Association shall enter into an easement agreement with the owner of the

Golf Course pursuant to which the Association and its Members shall be granted an easement to access the fishing pond, which easement may include a cost sharing arrangement covering certain maintenance costs incurred by the Golf Course in connection with its fishing pond and fishing pavilion maintenance obligations.

(ii) No Owner or invitee shall have any right to use any portion of the water features located throughout the Development, including any portions of the streams, waterfalls, creeks, and fishing pond situated on or adjacent to such Owner's Homesite or the Common Area, whether for swimming, fishing, boating or other recreational purposes, except as provided for in the easement agreement for use of the fishing pond referred to in subparagraph (i), above.

(d) Access Easement on Adjoining Homesites for Maintenance. As more particularly provided in subparagraph (e), below, the owner of the Golf Course shall have the right to enter upon any unimproved areas of Homesites that share a common boundary line with any Golf Course fairway for the purpose of maintaining a clean and attractive edge from the Golf Course fairway into the adjacent Homesite. Conversely, Owners which share a common boundary line with Golf Course fairways may make arrangements with the owner of the Golf Course to permit such Owner to extend landscaping up to Homesite setbacks, pursuant to a revocable license, so as to maintain an attractive transition from the Golf Course to adjacent Homesites at the expense of the Owner.

(e) Authority to Maintain Property Adjacent to Golf Course. If either the Association or an Owner fails to maintain any landscaping situated within thirty (30) feet of the Golf Course or at or along the entry to the Development ("defaulting party"), the owner of the Golf Course shall have the right, but not the duty, to maintain the landscaping or to clear brush at the sole cost and expense of the defaulting party. If the owner of the Golf Course desires to perform any such maintenance authorized by the preceding sentence, the owner of the Golf Course shall first notify the defaulting party in writing and provide the defaulting party with at least thirty (30) days from the date of the notice to perform such maintenance. If the defaulting party fails to commence and complete such maintenance within such thirty (30) day period, the owner of the Golf Course shall have the right, in the nature of an easement, to enter the Homesite or Common Area on which the maintenance is required (i.e., the thirty (30) foot area adjacent to the Golf Course) during reasonable business hours and perform such maintenance. The defaulting party shall reimburse the owner of the Golf Course for the costs of performing any such maintenance within (10) days after receipt of a demand for reimbursement.

Section 7.05. Cooperative Maintenance Obligations.

(a) Cooperation Among Association, Owners and Owner of Golf Course, Generally. To the extent necessary or desirable to accomplish the Association's maintenance obligations hereunder, individual Owners shall cooperate with the Association and (with respect to Homesites adjacent to the Golf Course) the Golf Course owner, and the agents and maintenance personnel of the Association and or the Golf Course owner in the prosecution of their respective maintenance activities.

(b) Assumption of Association Maintenance Responsibilities by Golf Course Owner. The Association maintenance responsibilities, either expressly or impliedly referred to in Section 7.01, above, may be assumed and discharged by the owner or operator of the Golf Course pursuant to a maintenance agreement negotiated between the Association and the Golf Course owner (see subparagraph (e), below).

(c) Management of Swim and Fitness Center and Tennis Courts. The Association may enter into agreements with the owner of the Golf Course for the management of the Swim and Fitness Center and the Tennis Courts (if such facilities are included in any Subsequent Phase Property), which agreements may include a reciprocal easement and maintenance agreement which would also create an easement in favor of the Swim and Fitness Center to use the Golf Course's parking facilities.

(d) Maintenance of Golf Cart, Pedestrian and Bicycle Bridge Over Grizzly Road. The Association shall enter into an easement and contribution agreement with the owner of the Golf Course pursuant to which the Association shall grant an easement to the owner of the Golf Course and the owner of the Golf Course shall be obligated to contribute to the costs associated with the Association's maintenance of the pedestrian and bicycle bridge over Grizzly Road that is planned to be constructed in a portion of the Subsequent Phase Property.

(e) Execution of Maintenance Agreements. Except as otherwise provided in this Declaration, neither Declarant nor any of its agents shall enter into any contract which would bind the Association or the Board for a period in excess of one year. Subject to this limitation on contract term, the Declarant may cause agreements, contracts, declarations or other documents ("Maintenance Agreements") to be executed which impose on portions of the Overall Property not then annexed, obligations to make contributions with respect to certain Common Expenses. If any Maintenance Agreements terminate or expire or cease to apply to particular property, the Association shall have the power and the duty, at the request of the owner of any portion of Grizzly Ranch theretofore obligated pursuant to the Maintenance Agreement to execute in recordable form an agreement and acknowledgment that the Maintenance Agreement has terminated, expired, or ceases to apply to a particular property, as the case may be.

The Association may also enter into Maintenance Agreements (for periods not to exceed one year) with the Declarant or the owner of the Golf Course, or local governmental agencies in order to achieve economies of scale or to efficiently and cost effectively share maintenance equipment, maintenance personnel or contractors and other resources and to discharge responsibilities imposed on the Association by its Governing Documents.

Section 7.06. Drainage Structures, Ditches and Swales.

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

(b) Except as provided in subparagraph (a), above, each Owner shall keep drainage courses, ditches and swales on his or her Homesite free and clear of all obstructions, and shall, in

cooperation with contiguous property Owners (including the Association and the Declarant and the Golf Course owner as to any contiguous parcels owned by them), maintain all such drainage ditches, swales and culverts common to their Homesites in good order.

(c) No Owner or resident shall alter or obstruct a natural drainage course, or materially add to the natural water volume of said drainage course without making adequate provisions with respect to neighboring Homesites and Common Areas. Any such alterations, obstructions, or additions to water volume shall be considered a work of Improvement that is subject to prior review and approval by the Design Review Board.

Section 7.07. Community Services District Maintenance Responsibilities.

(a) Responsibilities of the District. At the inception of the Development a Community Services District was formed to provide governance over the future community of Grizzly Ranch through an entity with all permitted powers/uses allowed under the Community Services District Law of the State of California (Government Code section 61000, et seq.), and specifically to provide the following services, among others, at the inception of the Development:

- (i) Water for domestic use, irrigation, sanitation, industrial use, fire protection and recreation;
- (ii) The collection, treatment or disposal of sewage and waste water;
- (iii) The collection or disposal of solid waste matter; and
- (iv) Ongoing monitoring and maintenance of installed drainage and erosion and sediment control facilities and plans.

(b) Easements in Favor of the District.

(i) An easement is hereby granted to the Community Services District, its officers, agents and employees, and to any contractor selected by the Community Services District, to enter into or cross over any Homesite every eighteen (18) months (or at such other intervals as may be required by the District) to inspect and perform maintenance as needed on each Homesite's effluent grinder for the disposal of sewage and other waste water. Maintenance of grinders and other related waste water disposal facilities located on Homesites shall be in accordance with minimum specifications and procedures promulgated by the Community Services District from time to time.

(ii) In accordance with Condition of Approval Number 12 of the Planned Development Permit concurrent with the Recordation of the Subdivision Map for the Initial Covered Property the Declarant also granted the District an easement for access to and appropriation of ground water stores beneath the Initial Covered Property in amounts sufficient to provide all domestic and emergency water service for all development that is proposed or undertaken within the Initial Covered Property. As required by said Condition of Approval. as

subsequent Phases of Grizzly Ranch are developed and annexed pursuant to Article XV, below, a similar easement in favor of the District shall be conveyed to the District with respect to ground water access and appropriation to service all development within the Phase.

ARTICLE VIII Use of Properties and Restrictions

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

Section 8.01. Use of Homesites.

(a) All Homesites within Grizzly Ranch shall be used solely for the construction of Residences whose occupancy and use shall be restricted to Single Family Residential Use. In no event shall a Residence be occupied by more individuals than permitted by applicable law, zoning or other local governmental regulation. The restriction is not intended to preclude construction of a "guest house" for the housing of occasional social guests or servants' quarters for the housing of servants or the domestic employees on the premises.

(b) All Residence and related structures erected on any Homesite shall conform to the minimum construction standards set forth in Article VI, above, unless a variance has been granted by the Design Review Board in accordance with Section 5.16, above.

(c) Notwithstanding the foregoing, Declarant and its successors or assigns shall be entitled to use Homesites owned by Declarant, and the Residences located thereon, as models, sales offices or construction headquarters for the purpose of constructing Residences and marketing Homesites within Grizzly Ranch until all Homesites owned by Declarant are sold.

(d) No Homesite within the Development shall be leased, subleased, occupied, rented, let, sublet, or used for a time-share project, as defined in California Business & Professions Code section 11003.5 unless the project has been specifically authorized in a Declaration of Annexation or Supplemental Declaration signed by the Declarant. This subparagraph shall not be construed to limit the personal use of any Lot or any portion thereof within the Development by any Owner or his or her or its social or familial guests.

(e) Each Homesite shall be conveyed as a separately designated and legally described fee simple estate, subject to this Declaration. All Homesites and the Residences and other Improvements erected or placed thereon (including, without limitation, landscaping) shall at all times be maintained in such a manner as to prevent their becoming unsightly.

(f) The vegetation and landscaping on any Homesite shall be planted or maintained by the Owner or resident in such a manner as to reduce the risk of fire, prevent or retard shifting or erosion of soils, encourage the growth of indigenous ground cover and to cause the proper diversion of water into streets and natural drainage channels.

(g) No camping, whether temporary or permanent, and no temporary structures of any kind (other than Declarant's sales offices) shall be permitted on any Homesite.

(h) No existing trees with a diameter greater than five inches, measured four feet above grade, shall be destroyed, uprooted, cut down or removed from any Homesite unless and until such action has been approved by the Design Review Board.

Section 8.02. Common Areas. The Common Areas shall be preserved as open space and used for recreational and other purposes incidental and ancillary to the use of Homesites. Such use shall be limited to the private use for aesthetic and recreational purposes by the Members and their tenants, families and guests, subject to the provisions of the Governing Documents. No improvement, excavation or work which in any way alters any Common Area or Common Facility from its natural or existing state on the date such Common Area or Common Facility shall be made or done except by the Association and then only in strict compliance with the provisions of this Declaration.

Section 8.03. Prohibition of Noxious Activities. No illegal, noxious or offensive activities shall be carried out or conducted upon any Homesite or Common Area nor shall anything be done within Grizzly Ranch which is or could become an unreasonable annoyance or nuisance to neighboring property Owners. Without limiting the foregoing, no Owner shall permit noise, including, but not limited to barking dogs, the operation of excessively noisy air conditioners, stereo amplifier systems, television systems, motor vehicles or power tools, to emanate from an Owner's Homesite or from activities within the Common Area, which would unreasonably disturb any other Owner's or tenant's enjoyment of his or her Homesite or the Common Area.

Section 8.04. Temporary Structures. No structure of a temporary character, trailer, mobile home, camper, tent, shack, garage or other outbuilding shall be used on any Homesite at any time as a Residence, either temporarily or permanently.

Section 8.05. Household Pets. The following restrictions regarding the care and maintenance of pets within Grizzly Ranch shall be observed by each Owner and resident:

(a) Up to three common household pets may be kept on each Homesite so long as the same are not kept, bred or maintained for commercial purposes. No other animals, livestock, or poultry of any kind shall be kept, bred or raised on any Homesite or in any Residence.

(b) Dogs shall only be allowed on the Common Area when they are leashed and otherwise under the supervision and restraint of their Owners.

(c) No household pet shall be left chained or otherwise tethered in front of a Homesite or in the Common Area.

(d) Each person bringing or keeping a pet to property within Grizzly Ranch shall be solely responsible for the conduct of the owner's pets. The Association, its employees and agents shall have no liability (whether by virtue of this Declaration or otherwise) for damage to or injury of any person or property caused by the actions of any pet.

** Solely responsible to clean up after their pets*

to any Owners, their family members, guests, invitees, tenants and contract purchasers for any damage or injury to persons or property caused by any pet.

(e) The Board of Directors shall have the right to establish and enforce additional rules and regulations imposing standards for the reasonable control and keeping of household pets in, upon and around Grizzly Ranch to ensure that the same do not interfere with the quiet and peaceful enjoyment of other Owners and residents within the Development.

Section 8.06. Sign Restrictions. No sign of any kind shall be displayed to the public view on or from any Homesite or the Common Area unless such sign complies with the Real Estate Signage Program described herein or has first been specifically reviewed and approved by the Design Review Board. However, one sign, which shall not be more than twelve inches by ten inches (12" x 10") in size, advertising a Homesite or Residence for sale or for rent may be placed or affixed to the front of the Homesite or Residence facing the street that provides access to the front entrance to the Homesite or Residence. Signs shall not be permitted to be staked or posted on other portions of the front yard area of the Residence or within the Common Area immediately adjacent thereto. In addition, during the period of Declarant's sales program, the Declarant may use signs that the Declarant deems necessary and appropriate to advertise Grizzly Ranch as a common interest development and which comply with local planning regulations and/or review requirements. Declarant shall be responsible for the maintenance of signs in connection with such sales programs. Any Owner other than Declarant wishing to advertise that the Owner's Homesite or Residence is "For Sale" or "For Rent" and any broker or sales agent engaged by such Owner must observe the restrictions applicable to such advertising signs. The restrictions are those stated in the Real East Sign Program adopted by the Association. To the extent reasonably possible, authorized "For Sale" and "For Rent" signs shall be placed on Homesites or Residences in a manner that will not be visible from the Golf Course.

Section 8.07. Business Activities. No business or commercial activities of any kind whatsoever shall be conducted in any Residence garage or out building or in any portion of any Homesite without the prior written approval of the Board; provided, however, the foregoing restriction shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities under the Governing Documents or the Declarant's activities in connection with the Development, sale and marketing of Grizzly Ranch. Furthermore, no restrictions contained herein shall be construed in such a manner so as to prohibit any Owner from: (a) maintaining his or her personal library in his or her Residence; (b) keeping his or her personal business records or accounts therein; (c) handling his or her personal or professional telephone calls or correspondence therefrom; (d) engaging in other activities related to the resident's business profession that can be conducted from a Residence using computers and other technology so long as the home or business activities generate no traffic, noise, or involve other employees or contractors in the Residence; (e) leasing or renting his or her Residence in accordance with Section 2.06. above; or (f) conducting any other activities on the Owner's Homesite otherwise compatible with residential use and the provisions of this Declaration which are permitted under applicable zoning laws or regulations without the necessity of first obtaining a special use permit or specific governmental authorization. The uses described in (a) through (f), above, are expressly declared to be customarily incidental to the principal residential use and not in violation of this section.

Section 8.08. Garbage. No rubbish, trash, or garbage shall be allowed to accumulate on Homesites. Any trash that is accumulated by an Owner outside the interior walls of a Residence shall be stored entirely within appropriate covered, bear-proof disposal containers and facilities which shall be located in the residence or garage or at some other location on the resident's Homesite that is screened from view from any street, neighboring Homesite or Common Area. Any extraordinary accumulation of rubbish, trash, garbage or debris (such as debris generated upon vacating of premises or during the construction of modifications and Improvements) shall be removed from the Development to a public dump or trash collection area by the Owner or tenant at his or her expense. The Association shall be entitled to impose reasonable fines and penalties for the collection of garbage and refuse disposed in a manner inconsistent with this section. Each Owner or tenant shall be responsible for removing or contracting for the removal of its own garbage, unless the Association has contracted for such collection service within the Development. Each Owner or tenant shall use only bear-proof disposal containers to store garbage.

Section 8.09. Storage. Storage of personal property on any Homesite shall be entirely within enclosed storage areas. There shall be no woodpiles nor storage piles accumulated on top, or outside, of any enclosed storage area. The Association shall have the right to establish and maintain on the premises appropriate storage yards and storage buildings for the maintenance of materials and equipment used by the Association in connection with its planting, building, repair, maintenance and preservation of the structures, gardens and other improvements within the Common Areas which the Association is obligated to repair and maintain.

Section 8.10. Clotheslines. No exterior clothesline shall be erected or maintained and there shall be no drying or laundering of clothes on any Homesite in a manner which is neighboring Property.

Section 8.11. Burning. There shall be no exterior fires whatsoever except barbecue fires located only upon Homesites and contained within receptacles designed for such purpose. No Owner or resident shall permit any condition to exist on his or her Homesite, including, without limitation, trash piles, or weeds, which create a fire hazard or is in violation of local fire regulations.

Section 8.12. Sports Apparatus. The erection of basketball standards or fixed sports apparatus is prohibited, except as provided by this section. A single basketball standard affixed to the structure of a dwelling and located over or adjacent to the garage door(s) is permitted, as is a free-standing standard located immediately adjacent to a house and located so a ball in normal play cannot strike a neighboring house or go into the street. Except as provided in the next sentence, a basketball standard may not be located more than three (3) feet from the wall of a Residence including an attached garage. In addition with the written approval of the Design Review Board, a basketball standard may be allowed along the outside or inside curve of a curved driveway provided it is set back from the street as far as the wall of the Residence including an attached garage which is closest to the street. No basketball standard will be located on or near a sidewalk or the street. A basketball standard must be maintained in good condition and repair. Any portable basketball standard must be stored out of sight of the street or

neighboring houses except when it is being used for play. The Association Rules may further define what it means for a portable standard to be "in play".

Section 8.13. Machinery and Equipment. No power tools, machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Homesite except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of a private Residence or appurtenant structures within Grizzly Ranch.

Section 8.14. Diseases and Pests. No Owner shall permit any thing or condition to exist upon his or her Homesite which shall induce, breed, or harbor infectious plant diseases, rodents or noxious insects.

Section 8.15. Vehicle and Parking Restrictions; Garage Sales. The following vehicle and parking restrictions shall apply to Grizzly Ranch:

(a) **Trucks, Trailers, Recreational Vehicles, Campers and Boats.** No motor vehicle classified by manufacturer rating as exceeding one ton, recreational vehicle, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, boat, boat trailer, or other similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on any Homesite or on any street within Grizzly Ranch so as to be Visible From Neighboring Property; provided, however, the provisions of this section shall not apply to pickup trucks of one ton or less capacity with camper shells not exceeding seven feet in height measured from ground level and mini-motor homes and/or passenger vans not exceeding eight feet in height and eighteen (18) feet in length which are parked as provided in subparagraph (c), below, and are used on a regular and recurring basis for basic transportation. The provisions of this subparagraph (a) shall not apply to cleaning, loading or unloading and short-term parking (not to exceed forty-eight (48) consecutive hours) of non-commercial vehicles which shall be permitted for a cumulative period not to exceed one-hundred and twenty (120) hours in any calendar month. In no circumstances will vehicles be used for overnight occupancy within Grizzly Ranch.

(b) **Motor Vehicle Maintenance/Inoperable Vehicles.** No automobile, motorcycle, motorbike or other motor vehicle shall be maintained, constructed, reconstructed or repaired upon any Homesite, street or Common Area, and no inoperable vehicle may be stored or parked on any such Homesite or street, so as to be Visible From Neighboring Property, provided, however, that the provisions of this subparagraph (b) shall not apply to: (i) emergency vehicle repairs or temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any Improvement approved by the Design Review Board; (ii) the parking of such vehicles during normal business hours in areas designated for parking in a non-residential Land Use Classification; and (iii) vehicles parked in garages on Homesites.

(c) **Parking.** In order to maintain the aesthetic environment of the Development, on-street parking is prohibited over night, except for vehicles parking pursuant to the short-term parking exception described in subparagraph (a), above. Vehicles of all Owners, residents and their guests and invitees, shall be kept in garages, on driveways on the Homesite or in other designated parking areas. Provided, however, that this subparagraph (c) shall not be construed to permit the parking in the above described areas of any vehicle whose parking within Grizzly

Ranch is otherwise prohibited or the parking of any inoperable vehicle. The restrictions imposed by this subparagraph shall not apply to vehicles and equipment that are being parked in accordance with local ordinances while a Residence is under construction.

(d) Restrictions Relating to Golf Carts and Use of Cart Paths and Fairways.

(i) Authorized Golf Carts. The only golf carts (as defined in California Vehicle Code section 345) which shall be permitted to be operated within Grizzly Ranch shall be golf carts that are either owned by the owner or operator of the Golf Course and made available to members and other players for use, carts purchased through the Golf Course, or carts purchased elsewhere which are approved for use within the Development by the owner of the Golf Course following a determination that the cart is of the same design, quality and appearance as the golf carts that are offered for sale, rental or lease by or through the Golf Course. The purpose of this restriction is to ensure a uniform and quality standard of maintenance and appearance for golf carts and the carts permitted hereunder are referred to below as "authorized golf carts". All authorized golf carts must be electrically powered.

(ii) Operation of Golf Carts on Streets and Cart Paths Within Grizzly Ranch. If permitted by a local ordinance adopted pursuant to section 21115 of the California Vehicle Code, it shall be lawful to drive authorized golf carts on streets within Grizzly Ranch in strict compliance with the rules and regulations set forth in the authorizing resolution or ordinance. Except as provided in the preceding sentence, authorized golf carts shall not be permitted to travel on any road or pedestrian/bicycle path within Grizzly Ranch, except to cross such roads or paths at designated locations. Golf carts shall remain on designated golf cart paths consistent with the above described general restriction unless the Association Rules or rules of the Golf Course provide otherwise.

(iii) Restriction on Use of Cart Paths for Other Recreational Purposes. Golf cart paths shall not be used by members of the general public and shall not be used by any person for recreational activities unrelated to the game of golf, such as jogging or bicycling, unless otherwise specifically authorized by the owner of the Golf Course. The owner of the Golf Course, in its discretion, may make the Golf Course fairways available for seasonal cross country skiing.

(iv) Enforcement by Golf Course. The restrictions imposed by subparagraphs (i) and (iii), above, are for the principal benefit of the owner of the Golf Course and shall be enforceable by such owner, rather than by the Association.

(e) Garage Sales. Garage sales shall not be permitted at any Homesite or Residence within the Development.

Section 8.16. Use of Private Streets in Common Area.

(a) Private streets within Grizzly Ranch shall not be used for recreational purposes, including "joy riding" or racing. Motorcycles, mopeds, and cars shall be allowed on such private streets only for ingress and egress.

(b) In order to prevent accelerated deterioration of private roadways, the Association Board shall be entitled to collect deposits from Owners and/or contractors in connection with construction projects within Grizzly Ranch. Such deposits can be designated as nonrefundable or they can, in the Board's discretion, be applied to correct or repair specific damage caused by the construction in accordance with Section 5.07(b), above.

(c) All provisions of the California Vehicle Code must be honored at all times when operating any motor vehicle within Grizzly Ranch.

(d) Although some roads within Grizzly Ranch are subject to the California Vehicle Code, the Association shall have the right to adopt reasonable rules regarding the control and use of roads within the subdivision, vehicles operated thereon and the speed of such vehicles, the further authorized to delegate the discharge of its rights hereunder to a municipality or other governmental entity or to contract with a private security patrol company for such purposes so long as the private character of the subdivisions roads is not jeopardized by such action.

Section 8.17. Activities Affecting Insurance. Nothing shall be done or kept on any Homesite or within the Common Area which will increase the rate of insurance relating thereto without the prior written consent of the Association and no Owner shall permit anything to be done or kept on his or her Homesite or the Common Area which would cause any Improvements to be uninsurable against loss by fire or casualty or result in the cancellation of insurance on any Residence or any part of the Common Area.

Section 8.18. Restriction on Further Subdivision and Severability. No Homesite shall be further subdivided nor shall less than all of any such Homesite be conveyed by an Owner thereof and no Owner of a Homesite within Grizzly Ranch shall be entitled to sever that Homesite from the Common Area portion of the Development. Unless approved in advance by the Design Review Board, no Homesite as shown on a final Subdivision Map for any portion of Grizzly Ranch shall be combined with any other Homesite or parcel, although boundary line adjustments shall be permitted in accordance with Section 2.02, above. In approving the combination of two or more Homesites, the Design Review Board shall require that the Owner agree to execute and Record against the land comprising the combined Homesite a covenant running with the land for the benefit of the Common Areas and other Homesites in the Development obligating the Owner to pay Assessments on the combined Homesite at the same rate as would have been owing as an Assessment liability on each of the combined Homesites if they had remained separate. Once approval of a Homesite combination has been issued by the Design Review Board, it shall be the Owner's responsibility to obtain all required governmental approvals for the combination.

Section 8.19. Enforcement of Property Use Restrictions. The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and tenants with the environmental standards and property use restrictions contained herein. Accordingly, in the event that the Association becomes aware of a design review or property use infraction that does not necessitate immediate corrective action under Section 13.06, below, the Owner or Tenant responsible for the violation shall receive written notice thereof and shall be given a reasonable

opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the noncomplying condition, request that the Owner or tenant correct the condition within a reasonable time specified in the notice, and advise the Owner or tenant of his or her right to be heard on the matter.

ARTICLE IX Easements

Section 9.01. Blanket Utility Easement. There is hereby created a blanket easement upon, across, over and under the Common Areas for ingress, egress, installation, replacing, repairing and maintaining all utilities, including but not limited to water, sewers, gas, telephones, drainage and electricity and the master television antenna or cable television system. By virtue of this easement, it shall be expressly permissible for the providing utility company to erect and maintain the necessary equipment and underground facilities on the Common Area at locations approved by the Design Review Board. Notwithstanding the foregoing, no sewer, electrical lines, water lines, or other utilities may be installed or relocated on said Properties except as initially designed and approved by the Declarant or thereafter approved by the Association's Design Review Board. The easements provided for in this section shall in no way affect any other Recorded easement on Grizzly Ranch.

Section 9.02. Maintenance Easements. An easement is hereby granted to the Declarant and the Association, their officers, agents, employees, and to any contractor selected by the Declarant or the Association to enter in or to cross over the Common Area and any Homesite to perform the Association's duties of maintenance and repair of the Homesites, Common Areas, and Common Facilities as provided herein.

Section 9.03. Boundary Changes. An easement shall exist for use and maintenance as Common Area over any portion of a Homesite which, because of a change in the boundary of a private structure, including a fence, wall or patio, at the time of original construction lies between that boundary and a Homesite line abutting the Common Area.

Section 9.04. Other Easements. Each Homesite and its Owner, the Association and Declarant, as the case may be, is hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the real property comprising Grizzly Ranch and each Homesite as shown on the Subdivision Map for any portion of the Development.

Section 9.05. Cable Facilities. The Common Area may be used by Declarant and its subsidiaries, transferees, successors and assigns for such cable television cables and similar facilities as the Design Review Board may approve, such approval not to be unreasonably withheld. The Homesites and Common Areas comprising Grizzly Ranch are and shall be subject to nonexclusive easements of access, ingress, and egress, for purposes of installation, operation, maintenance, repair, inspection removal and replacement of cable television and telecommunication service lines, facilities and equipment, for the benefit of Declarant and its subsidiaries, transferees, successors and assigns, as may hereafter be reserved and granted by reservations and conveyances of record. Such easements are freely transferable by Declarant to any other individual or entity and their successive owners for the purpose of providing cable

television and telecommunication service to Grizzly Ranch, and portion thereof, and adjoining property. All such cable television and telecommunication lines, facilities and equipment shall remain the property of Declarant, its subsidiaries, successors, transferees and assigns, and transfer of all or any portion of Grizzly Ranch does not imply the transfer of any such cable television and telecommunication easements or the lines, facilities or equipment located thereon. Exercise of the easements reserved in this Section 9.05 shall not unreasonably interfere with the reasonable use and enjoyment of any Homesite within Grizzly Ranch.

Section 9.06. Easement for Golf Course Maintenance. Intrusion of Golf Balls. Golf Course Watering Over Spray and Water Feature Maintenance. There is reserved for the benefit of Declarant and to any successor or assign of the Declarant who becomes the owner of record of the Golf Course, a non-exclusive right and easement appurtenant to the Golf Course, as the dominant tenement, and burdening Homesites and Common Areas as the servient tenement, for purposes of:

- (a) over spray in connection with the watering of the roughs, fairways and greens on the Golf Course;
- (b) maintenance of a clean, attractive fairway edge and transition from the Golf Course to the unimproved areas, if any, of adjacent Homesites;
- (c) intrusion of golf balls from the roughs, fairways and greens; and
- (d) ingress and egress over, under and across the Common Areas, the Common Facilities and Homesite parcel numbers, 97 and 103 through 108 for the maintenance of water features located throughout the Development, including the streams, waterfalls, creeks, and fishing pond.

Any person or entity for whose benefit the right and easement for overspray is reserved shall not be liable to any Owner or the Association for any damage to person or property occasioned by such overspray or intrusion of golf balls.

The rights and easements reserved by this section shall be for the benefit of Declarant, its successors and assigns (including the owner of the Golf Course), and for the benefit of their employees, contractors, agents, guests, invitees, and members (collectively referred to as "beneficiaries") and shall burden any Homesite or Common Area that shares a common boundary with any Golf Course fairway parcel. Notwithstanding the foregoing, this easement is not intended to confer on any beneficiary (as defined in this paragraph) the right to enter any Homesite for purpose of retrieving or playing any golf ball that falls within the boundaries of the Homesite.

Section 9.07. Declarant's Rights and Easements. For so long as Declarant owns any Homesites for sale within Grizzly Ranch, Declarant shall have easements and rights:

- (a) To build, construct, modify and maintain any signs advertising Grizzly Ranch, the Golf Course, and the sale of homes by Declarant on Common Area, provided such signs comply

with applicable law, and do not unreasonably interfere with the use and enjoyment of the Common Area by Owners and Residents.

(b) For ingress, egress and the installation and maintenance of public utilities over, under and across the Common Areas within Grizzly Ranch for the purpose of maintaining an office for sales and/or resales of Homesites in the Development, as provided in Article XVI, below, and for Declarant's marketing activities in connection with such offices.

(c) To use of the Common Areas and Common Facilities of Grizzly Ranch for up to six (6) days per year for a period not to exceed the disposition of all Homesites owned by the Declarant within Grizzly Ranch, to raise funds for charitable, philanthropic, political and/or marketing purposes as determined by Declarant, provided that any scheduled event shall be subject to the following:

(i) Availability of the facilities at the time the request for reservation is presented to the Association.

(ii) Declarant shall pay all costs and expenses directly associated with such events (i.e., expenses that would not arise but for the event) and shall indemnify the Association against any loss or damage caused by Declarant or its activities upon any portions of the Development used in connection with the Declarant's activities.

(iii) Declarant shall, following the exercise of its reserved rights, deliver any portions of the Common Facilities utilized by the Declarant to the Association in the same condition in which it was received prior to the scheduled event.

(iv) This right to use shall be enforceable by Declarant by means of an injunction against any other use or any violation of Declarant's rights reserved herein.

(v) Declarant shall have the right to assign its reserved rights herein to a charitable organization or foundation established or selected by Declarant to conduct and/or sponsor the events described in this Section 9.07(c).

Nothing in this section shall preclude the Declarant and the Association from agreeing to extend greater access and use privileges to the Declarant, for the purposes stated herein, in the event that it is reasonably determined by the Association Board that Common Facilities, or portions of such Facilities, are available for such use by Declarant without adversely affecting the rights of use and enjoyment of the other Owners, their guests and invitees.

Section 9.08. Easements in Favor of the District. As provided in Section 7.07(b), above, the Community Services District has been, or will be, granted certain easements within the Development in order to provide access to and from property, equipment and facilities owned, and or operated and maintained by the District.

Section 9.09. Priority of Easements. Wherever easements granted to the County are, in whole or in part, coterminous with any other easements, the easements of the County shall have and are hereby granted priority over said other easements in all respects.

ARTICLE X Insurance

Section 10.01. Types of Insurance Coverage. The Association shall, at the discretion of the Board of Directors, purchase, obtain and maintain, with the premiums therefore being paid out of Common Funds, the following types of insurance, if and to the extent they are available at a reasonable premium cost:

(a) Fire and Casualty Insurance. A policy of property insurance naming as parties insured the Association and containing the all risk, replacement cost basis of all Common Facilities and the personal property of the Association for or against the following:

- (i) Loss or damage by fire or other risks covered by the standard extended coverage endorsement.
- (ii) Loss or damage from theft, vandalism or malicious mischief.
- (iii) Such other risks, perils or coverage as the Board of Directors may determine.

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

(b) Public Liability and Property Damage Insurance. To the extent such insurance is reasonably obtainable, a policy of comprehensive public liability and property damage insurance naming as parties insured the Association, each member of the Association Board of Directors, any manager, the Owners and occupants of Homesites, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the ownership and use of the Common Area and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than One Million Dollars (\$1,000,000.00) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for nonowned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to common interest development projects similar in construction, location, facilities, and use.

(c) Director's and Officer's Liability Insurance To the extent such insurance is reasonably obtainable the Association shall maintain individual liability insurance for its directors and officers providing coverage for negligent acts or omissions in their official

capacities. The minimum coverage of such insurance shall be at least One Million Dollars (\$1,000,000.00).

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

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

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

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

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

Section 10.06. Policies Obtained by Declarant. It is contemplated that Declarant may contract for the insurance coverage contemplated by this Article prior to or concurrently with obtaining financing for the development of Grizzly Ranch, and any such obligations or commitments for the payment of premiums or expenses with respect thereto shall become an obligation of the Association. shall be treated as a Common Expense, and shall be paid out of the Common Funds as provided herein.

Section 10.07. Annual Review of Association Insurance and Disclosure to Members. The Board shall review the adequacy of all insurance, including the amount of liability coverage and the amount of property damage coverage, at least once every year. At least once every three (3) years, the review shall include a replacement cost appraisal of all insurable Common Area

Improvements without respect to depreciation. The Board shall adjust the policies to provide the amounts and types of coverage and protection that are customarily carried by prudent owners' associations operating in similar common interest developments in Plumas or surrounding Counties. In accordance with California Civil Code section 1365(e), annually the Association shall distribute to its Members a summary of the Association's property, general liability, and flood insurance (if any), such distribution to be made within sixty (60) days prior to the beginning of the Association's fiscal year.

Section 10.08. Board's Authority to Revise Insurance Coverage. The Board shall have the power and right to deviate from the insurance requirements contained in this Article X in any manner that the Board, in its reasonable business discretion, considers to be in the best interests of the Association. If the Board elects to materially reduce the coverage from the coverage required in this Article X, the Board shall make all reasonable efforts to notify the Members of the reduction in coverage and the reasons therefor at least (30) days prior to the effective date of the reduction. The Association, and its directors and officers, shall have no liability to any Owner or Mortgagee if, after a good faith effort, the Association is unable to obtain any insurance required hereunder because the insurance is no longer available; or, if available, the insurance can be obtained only at a cost that the Board, in its sole discretion, determines is unreasonable under the circumstances; or the Members fail to approve any assessment increase needed to fund the insurance premiums.

ARTICLE XI Damage or Destruction

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

Section 11.02. Common Facilities; Sufficient Insurance Proceeds. Subject to the provisions of Section 11.01, above, if, in the event of damage to or destruction of any portion of any Common Facility, the insurance proceeds available to the Association are sufficient to cover the costs of repair, reconstruction and restoration, then the Association may cause such facilities to be repaired, reconstruction and restored; provided, however, that in the event of a total destruction of the Common Facility, the Association shall not be obligated to restore the facilitate to its prior appearance and condition if the Board's opinion, architectural or design modifications to the Facilities will result in providing the Members with an improved facility available for substantially the same use and enjoyment as the destroyed facility.

Section 11.03. Common Facilities; Insurance Proceeds Insufficient in an Amount Exceeding Association Special Assessment Authority. In the event that any Common Facility is totally or substantially damaged or destroyed or, if, in the event of damage to or destruction of

only a portion of the Common Facilities, the insurance proceeds and capital replacement reserves available to the Association for the repair, replacement or major reconstruction of the damaged or destroyed facility are insufficient in an amount exceeding the dollar amount that the Board can raise without prior Member approval (see Sections 4.02 and 4.03, above), then the issue of whether repair or replacement of the Common Facility should be funded by a Special Assessment shall be presented to the Members for approval in accordance with Section 4.08, above. The solicitation materials distributed to the Members in connection with any such vote shall include sufficient replacement cost and bid information to enable to the Members to make an informed decision and the issue shall be presented on the ballot with the following alternatives: (a) to repair, reconstruct and restore the damaged or destroyed Common Facilities and specially assess all Owners for such additional funds as may be needed for such purpose (with the amount of the Special Assessment stated); or (b), in the alternative, not to repair, reconstruct or restore the damaged or destroyed Common Facilities but rather to utilize the insurance proceeds available for such reconstruction, together with any other sums otherwise available to the Association for such purpose, to demolish and remove the damaged or destroyed improvements from the Common Area and to level and landscape the sites thereof and apply any balance of such proceeds and/or funds as the Members holding such voting power and their first mortgagees may determine.

Section 11.04. Damage or Destruction of Residences.

(a) Obligation to Rebuild or Clear Damaged Structures. If all or any portion of any Residence is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of said Residence to rebuild, repair or reconstruct said Residence or clear the Homesite of all damaged or destroyed structures or portions thereof. If structural improvements other than a Residence, garage or fence are damaged or destroyed and the Owner prefers not to rebuild the Improvement, the Owner shall clear his or her Homesite of all damaged or destroyed materials and return the affected area to an attractive appearance.

(b) Design Review Board Approval. Any Owner whose Residence or other structural Improvements have been damaged or destroyed shall apply to the Design Review Board for approval of plans for the reconstruction, rebuilding, or repair of the damaged or destroyed Residence or structure. Application for such approval shall be made in writing together with full and complete plans, specifications, working drawing and elevations showing the proposed reconstruction and the end result thereof. The Design Review Board shall grant such approval only if the design proposed by the Owner satisfies the requirements for approval set forth in Section 5.06, above.

(c) Time Limitation for Reconstruction or Removal. The Owner or Owners of any damaged Residence(s) and the Design Review Board shall be obligated to proceed with all due diligence hereunder to remove damaged structures (or portions thereof), prepare and process reconstruction plans and specifications and complete the repair and restoration work. At a minimum, whenever Owners are required to prepare and submit repair or reconstruction plans to the Design Review Board, said submittal shall be made within sixty (60) days following the event and reconstruction shall commence within thirty (30) days following receipt of approval from the Design Review Board. Reconstruction shall be completed within six (6) months

following receipt of Design Review Board approval. For good cause (including, without limitation, delays caused by inclement weather or the processing of insurance claims) the Design Review Board may waive or extend any of the deadlines imposed by this subparagraph (c).

ARTICLE XII Condemnation

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

ARTICLE XIII Breach and Default

Section 13.01. Remedy at Law Inadequate. Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration are inadequate and that the failure of any Owner, tenant, occupant or user of any Homesite, or any portion of the Common Area or Common Facilities, to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by Declarants, any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

Section 13.02. Nuisance. Without limiting the generality of the foregoing Section 13.01, the result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 13.03. Costs and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party hereto under this Declaration, the court may award to the prevailing party in such action such attorneys' fees and other costs as it may deem just and reasonable.

Section 13.04. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this

Declaration.

Section 13.05. Failure Not a Waiver. The failure of Declarant, any Owner, the Board of Directors, the Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Declarant, the Association or the Board, or any of its officers or agents.

Section 13.06. Rights and Remedies of the Association (Governing Document Enforcement).

(a) Rights Generally. Except as otherwise provided in Section 13.07 ("Assessment Collections"), in the event of a breach or violation of any Association Rule or of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such Rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use recreation Common Facilities or suspension of the Owner's voting rights as a Member of the Association; provided, however, the Association's right to undertake disciplinary action against any of its Members shall be subject to the procedures set forth in this section.

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

(b) Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles parked in violation of the Governing Documents, or violations of the architectural approval requirements and procedures of Article V of this Declaration). Once imposed, a fine or penalty may be collected as a Special Individual Assessment, subject to the limitation on the use of lien and foreclosure remedies stated in Section 4.10(b)(vi), above. In accordance with California Civil Code section 1363(g), any schedule of fines or monetary penalties adopted by the Association shall be distributed to each Member by personal delivery or first-class mail at the time the schedule is first adopted and thereafter whenever the schedule is changed.

(c) Definition of "Violation". A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for additional days, discipline imposed by the Board may include one

component for the violation and, according to the Board's discretion, a per diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Association shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Area at the cost of the responsible Owner.

(d) Limitations of Disciplinary Rights.

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

(ii) Monetary Penalties. Monetary penalties imposed by the Association: (A) for failure of a Member to comply with the Governing Documents; (B) as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Area or Common Facilities allegedly caused by a Member; or (C) in bringing the Member and his or her Homesite into compliance with the Governing Documents, may not be characterized nor treated as an Assessment which may become a lien against the Member's Homesite enforceable by a sale of the Homesite in nonjudicial foreclosure; provided, however, that this limitation on the Association's lien rights shall not apply to charges imposed against an Owner consisting of reasonable late payment penalties to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in the Association's efforts to collect delinquent Assessments.

(iii) Hearings and Summary Enforcement Rights. No penalty or temporary suspension of rights shall be imposed pursuant to this article unless the Member alleged to be in violation is given at least ten (10) days prior notice of the Board's intention to impose a penalty or discipline the Member (see subparagraph (iv), below). Notwithstanding the foregoing, under circumstances involving conduct that constitutes: (A) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (B) a traffic or fire hazard; (C) a threat of material damage to, or destruction of, the Common Area or Common Facilities; or (D) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations), the Board of Directors, or its duly authorized agents, may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Association, in writing, within five (5) days following the Association's disciplinary action), or on its own initiative, conduct a hearing on the matter. If the Association acts on its own initiative to schedule a

hearing, notice of the date, time and location of the hearing shall accompany the notice of disciplinary action. If the accused Owner desires a hearing, a written request therefor shall be delivered to the Association no later than five (5) days following the date when the fine is levied or other enforcement action is initiated. All notices and hearing schedules and procedures shall comply with Civil Code section 1363(h) and subparagraph (iv), below.

(iv) Conduct of Hearings and Notice. Disciplinary hearings may be before the Board or its duly appointed Covenants Committee and shall be scheduled at a date which is at least ten (10) days, but no more than thirty (30) days following the date that notice of the hearing is given to the Owner. The notice shall be given by either first-class mail or by personal delivery and shall set forth the date, time and location of the hearing, a general description of the violation and a notice that the Member has a right to attend the hearing and address the Board or its duly designated Covenants Committee.

If the Board or its Covenants Committee imposes discipline on a Member, the Board shall provide the Member with a written notification of the action taken, within fifteen (15) days following the Association's action. That notice shall be given either by personal delivery or by first-class mail. In no event shall the effective date of any disciplinary action commence sooner than five (5) days following conclusion of the hearing unless: (i) the hearing merely affirms summary disciplinary action initiated pursuant to the immediately preceding paragraph; or (ii) earlier commencement is necessary to preserve the quiet enjoyment of other residents or to prevent further damage to, or destruction of, the Development or any portion thereof.

(v) Rules and Procedures. The Board, or an appropriate committee appointed by the Board to conduct and administer disciplinary hearings and related proceedings, shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Association Rules.

(vi) Appointment of a Covenants Committee. Acting pursuant to Section 10.01 of the Bylaws, the Board of Directors may, but shall not be obligated to, establish a Covenants Committee to hear and decide cases involving alleged violations of the Governing Documents. If no committee is established, the Board shall perform this function. The Covenants Committee shall review written complaints from Homesite Owners, the Association's property manager, or the Design Review Board (for violations other than those relating to specific Improvement projects, which shall remain within the jurisdiction of the Design Review Board) of alleged violations of the Governing Documents or Association Rules, and, when determined appropriate, conduct hearings and make findings regarding the alleged violation(s).

The decisions of the Covenants Committee, if established, shall be appealable by the affected Owner(s) to the Board of Directors within ten (10) calendar days following receipt of the Committee's decision. The Board shall have the discretion to hear any appealed matter or decline to take the appeal and thus affirm the decision of the Covenants Committee. Any decision to decline an appeal shall be based on a reasonable determination from the record that the appeal lacks merit. Decisions of the Board shall be final. Procedures for appeal and the hearing of appeals from the Covenants Committee shall be set forth in the Association Rules.

(vii) Court Actions. Court actions to enforce the Governing Documents may only be initiated on behalf of the Association by resolution of the Board. Prior to the filing of any court action seeking declaratory or injunctive relief to interpret or enforce the Governing Documents (including either such action coupled with a claim for monetary damages not in excess of Five Thousand Dollars (\$5,000)), the Association shall first comply with the provisions of California Civil Code section 1354 relating to alternative dispute resolution. The Association's notice and hearing procedures shall be drafted to satisfy these statutory requirements. See also Section 13.08(f), below, regarding provisions of this Declaration that are intended to satisfy the requirements of section 1354 of the Civil Code.

Section 13.07 Assessment Collection Actions. The notice and hearing procedures set forth in Section 13.06, above, shall not apply to any actions by the Association or its duly authorized agents to collect delinquent assessments. Assessment collections shall be subject to Section 4.10, above, and any other notice, hearing and/or dispute resolution requirements or procedures as may be specifically applicable by law to Association assessment collection efforts.

Section 13.08 Dispute Resolution Procedures Applicable to Construction Defect Disputes.

(a) Description of Claims That Are Subject to These Post-Closing Dispute Resolution Procedures. Except as otherwise provided in Sections 13.06 and 13.07, above, any controversy, claim, cause of action, liability or dispute ("Claims") between all or any of the Association, Owners, the Declarant, any other builder or developer who has constructed residential improvements in any Phase of the Development, or any director, officer, partner, member, employer, contractor, design professional, consultant, subcontractor, insurance carrier, warranty company, service company, or other agent of the Declarant or other builder or developer who may potentially have some responsibility with respect to the any claim that is subject to this Section 13.08 (collectively, the "Declarant Parties") arising under this Declaration or relating to the Development or any improvements constructed in the Development shall be subject to the following provisions of this Section 13.08. Claims, as so defined, are further classified as follows, with differing dispute resolution procedural rules and requirements applying to each category of Claims, as stated in the subparagraphs of this section that follow:

(i) Claims Relating to Defects in Construction – Owner's Homesite. This category of Claims includes any Claims asserted by or on behalf of Owner against any director, officer, shareholder, partner, employee or agent of Declarant (collectively, "Declarant Parties"), seeking recovery of damages relating violations of the functionality standards set forth in Civil Code sections 896-897 (those Claims are referred to herein as "Title 7 Claims"). See subparagraph (c), below.

(ii) Claims Relating to Defects in Construction – Association Property. This category of Claims includes any Claims by an owners association having jurisdiction within the Development (if the Development is a common interest development) that are subject to Civil Code sections 1375-1375.1. See subparagraph (d), below (those Claims are referred to herein as "Calderon Claims"):

(iii) Other Claims and Disputes Between Owner and Declarant. The third category of Claims includes any other Claim asserted by or on behalf of Owner against Declarant and any Declarant Parties involving the purchase agreement and addenda (including, without limitation, claims for breach of contract, fraud, or misrepresentation), Claims involving alleged breaches of the governing documents of the Development (including, without limitations, claims alleging a breach of any covenants, conditions and restrictions or claims for fraud or breach of fiduciary duty (if the Development is a common interest development, as defined in section 1351 of the Civil Code), and any Claims involving alleged breaches of any other documents provided by Declarant or any Declarant Parties to Owner in connection with the purchase of the Property.

Collectively, the potential parties on either side of any Claims, as defined above, shall be referred to in this Addendum as the "Parties"):

(b) Resort to Customer Service and Warranty Programs. If Declarant has a customer service program in effect to respond to property owner complaints regarding matters that are identified as Claims in subparagraph (a)(i) or (a)(ii), above, Owners are encouraged to endeavor to resolve those Claims with Declarant through the normal customer service procedures set forth in the customer service program or in any contractual, warranty, or other builder-generated document.

(c) Title 7 Claims. If the Owner's Claim cannot be resolved between the Parties through the customer service program process or applicable warranty procedures, and the Claim is a Title 7 Claim, the Claim shall first be subject to the applicable non-adversarial Claim resolution procedures identified in this subparagraph (c). PURSUANT TO CALIFORNIA CIVIL CODE SECTION 914, DECLARANT IS PERMITTED TO ELECT TO USE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES INSTEAD OF USING THE STATUTORY PRE-LITIGATION PROCEDURES PROVIDED IN CIVIL CODE SECTIONS 910-938, AS HEREINAFTER AMENDED "THE CONSTRUCTION CLAIMS STATUTE". DECLARANT HAS ELECTED TO USE ITS OWN ALTERNATIVE CONTRACTUAL NON-ADVERSARIAL PROCEDURES, AS SET FORTH IN THIS SUBPARAGRAPH (c).

Prior to the commencement of any legal proceedings by a Owner or Owners against the Declarant or any Declarant Party based upon a claim for defects in the design or construction of any Homesite, the Owner(s) must first comply with the provisions of this subparagraph (c). If at any time during the ten (10) year period following the close of escrow for the original Owner's purchase of such Homesite, from the Declarant, as such period may be extended by any applicable tolling statute or provision, or any shorter period as provided by applicable law, such Owner believes that the Declarant has violated any of the functionality standards set for in Civil Code Sections 896-897 of the Construction Claims Statute which such Owner feels may be the responsibility of the Declarant, the Owner shall promptly notify the Owner's agent for notice of the construction defect claims as identified in the purchase documents.

Such notice shall include: (i) the claimant's name, address, and preferred method of contact, and (ii) a statement that the claimant alleges a violation of the Construction Claims Statute against

one or more Declarant's Parties; (iii) a reasonably detailed description of the Claimed Defect that is sufficient to determine the nature and location, to the extent known, of the Claimed Defect, (iv) the date when the Claimed Defect was first discovered, and (v) the dates and times when Owner or Owner's agent will be available during ordinary business hours, so that service calls or inspections by the Declarant or other builder or subcontractor can be scheduled. Any Declarant builder shall, in its sole discretion, be entitled to inspect the applicable property regarding the reported Claimed Defect and, within its sole discretion, shall be entitled to cure such Claimed Defect and may be accompanied on the inspection by other potentially responsible Declarant Parties. Nothing contained in this subparagraph (c) shall obligate Declarant to perform any such inspection or repair, nor shall this subparagraph (c) be deemed to increase the Declarant's legal obligations to any Owner.

An Owner's written notice delivered to Declarant shall be a condition precedent to the notifying Owner's right to institute any legal proceeding and to proceed to mediation or arbitration as set forth in subparagraph (f), below. No Owner shall be entitled to pursue any other remedies available to the Owner, at law or otherwise, including without limitation the filing of any legal proceeding or action, until the Declarant has had the reasonable opportunity to inspect and cure the Claimed Defect. Declarant shall not be liable for any general, special or consequential damage, cost, diminution in value or other loss which Owner may suffer as a result of any Claimed Defect in the Owner's Homesite, which reasonably might have been avoided had the Owner given the Declarant the notice and opportunity to cure as described above within a reasonable time of discovering the Claimed Defect.

Except as otherwise provided in the Declarant's written Limited Warranty, if any, provided to Owner, nothing contained herein shall establish any contractual duty or obligation on the part of Declarant to repair, replace or cure any Claimed Defect. If a Owner sells or otherwise transfers ownership of such Owner's Homesite to any other person during the ten (10) year period commencing with the earlier of substantial completion of the improvement or the date of Recordation of a valid notice of completion with the appropriate governmental agency, as such period may be extended by any applicable tolling statute or provision, the Owner covenants and agrees to give such other person written notice of these procedures by personal delivery. Each Owner's continuing obligation under this covenant shall be binding upon Owner and Owner's successors and assigns.

(d) Association Construction Defect Claims - Calderon Claims. DECLARANT ELECTS TO USE THE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES CONTAINED IN CIVIL SECTION 1375, EXCEPT AS OTHERWISE PROVIDED HEREIN, RATHER THAN THE STATUTORY PRE-LITIGATION PROCEDURES OF TITLE 7 OF PART 2 OF DIVISION 2 OF THE CALIFORNIA CIVIL CODE (COMMENCING WITH CIVIL CODE SECTION 895; HERINAFTER THE "CONSTRUCTION CLAIMS STATUTE"), WITH RESPECT TO CLAIMS BY THE GRIZZLY RANCH ASSOCIATION (hereinafter, "Association"). Prior to the commencement of any legal proceeding by the Association against the Declarant or any Declarant Party based upon a claim for defects in the design or construction of the Common Area, or any Common Facility improvements thereon, or any other area within the Development which the Association has standing to make a claim for defects in the design or construction, the Association must first

comply with all of the applicable requirements of Civil Code section 1375, as the same may be amended from time to time, or any successor statute thereto. In addition to the requirements of said section 1375, Declarant shall have an absolute right, but not an obligation to repair an alleged defect or condition claimed by statute, within a reasonable period of time after completion of the inspection and testing provided for in section 1375 and prior to submission of builder's settlement offer under such section.

If the parties to such dispute are unable to resolve their dispute in accordance with the procedures established under Civil Code section 1375, as the same may be amended from time to time, or any successor statute, the dispute shall be resolved in accordance with the mediation or arbitration provisions of subparagraph (f), below, and the parties to the dispute shall each be responsible for their own attorneys' fees.

The Association shall have the power to initiate claims against a Declarant Party for violations of the Construction Claims Statute, as soon as the Association has one (1) Class A Member. Upon the written request of any Class A member, the Board of Directors shall establish a committee consisting exclusively of Class A Member(s) other than the Declarant to investigate claimed violations of the functionality standards set forth in the Construction Claims Statute. Upon the committee's determination that cause exists to initiate a claim, the decision of whether to initiate a claim shall be made by the affirmative vote of the Class A members other than Declarant. A majority of the votes cast shall be deemed to be the decision of the Association, which the Board shall carry out by submitting the necessary claim to Declarant or the appropriate Declarant Party. The Member vote shall be conducted either at a properly convened meeting or by conduct of a vote by written ballot in accordance with California Corporations Code section 7513.

(e) Other Claims and Disputes Between Owner and Declarant. Claims asserted by or on behalf of Owner against Declarant and any Declarant Parties involving the purchase agreement and addenda (including, without limitation, claims for breach of contract, fraud, or misrepresentation), Claims involving alleged breaches of the governing documents of the Development (including, without limitations, claims alleging a breach of any covenants, conditions and restrictions or claims for fraud or breach of fiduciary duty (if the Development is a common interest development, as defined in section 1351 of the Civil Code), and any Claims involving alleged breaches of any other documents provided by Declarant or any Declarant Parties to Owner in connection with the purchase of the Property, shall be resolved in accordance with the alternate dispute resolution provisions of subparagraph (f), below. The dispute resolution procedures in subparagraph (f) below, as they apply solely to disputes under this subparagraph (e), shall be deemed to satisfy the alternative dispute requirements of Civil Code section 1354, or any successor statute, as applicable.

(f) Alternate Dispute Resolution Procedures. The following procedures provide for resolution of disputes through mediation or, in the alternative, arbitration. In either event, Declarant, the Association and each Owner of a Homesite within the Development, expressly acknowledge and accept that they are waiving their respective rights to a jury trial.

(i) Mediation of Claims. If a Claim has not been resolved as provided above, the Claim shall be submitted to mediation pursuant to the mediation procedures adopted by the American Arbitration Association (except as such procedures are modified by the provisions of this subparagraph (f) or any successor to those procedures or to any other entity offering mediation services that is acceptable to all Parties). No person shall serve as a mediator of any Claim in which the person has any financial or personal interest in the result of the mediation, except by the written consent of all Parties to the Claim. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process. Owner covenants that it shall not commence any litigation against the Declarant or any Declarant Parties without complying with the mediation procedures set forth in this subparagraph (f):

(A) Position Memoranda; Pre-Mediation Conference. Within ten (10) days of the selection of the mediator, each Party to the Claim participating in the mediation shall submit a brief memorandum setting forth its position with regard to the issues that need to be resolved. The mediator shall have the right to schedule a pre-mediation conference and all parties to the claim participating in the mediation shall attend the conference unless otherwise agreed. The mediation shall be commenced within ten (10) days following the submittal of the memoranda and shall be concluded within fifteen (15) days from commencement of the mediation unless the Parties to the Claim that are participating in the mediation mutually agree to extend the mediation period. The mediation shall be held in the County in which the Property is located or such other place as is mutually acceptable to the Parties; to the Claim who are participating in the mediation.

(B) Conduct of the Mediation. The mediator has the discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a mediated settlement of the Claim. The mediator is authorized to conduct joint and separate meetings with the Parties to the Claim who are participating in the mediation and to make oral and written recommendations for settlement of the Claim. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the Claim, provided the Parties to the mediation agree and assume the expenses of obtaining such advice as the Parties, among themselves, may agree. The mediator does not have the authority to impose a settlement on the Parties to the mediation.

(C) Exclusion Agreement. Prior to the commencement of the mediation session, the mediator and all Parties to the mediation shall execute an agreement pursuant to California Evidence Code section 1115 et seq. and any successor statutes or laws in order to exclude the use of any testimony or evidence produced at the mediation in any subsequent dispute resolution forum, including but not limited to, court proceedings, reference proceedings, or arbitration hearings. Pursuant to California Evidence Code section 1115 et seq., the agreement shall specifically state that evidence of anything said or of any admission made in the course of the mediation is not admissible evidence, and disclosure of any such evidence shall not be compelled in any civil action in which, pursuant to law, testimony can be compelled to be given. Unless the document provides otherwise, no document prepared for the purpose of, or in the course of, or pursuant to, the mediation, or copy thereof, is admissible in evidence, and disclosure of any such document shall not be compelled in any civil action in which, pursuant to

law, testimony can be compelled to be given. The provisions of California Evidence Code sections 1115 through 1128 shall also be applicable to any mediation pursuant to this subparagraph (f).

(D) Persons Permitted to Attend Mediation Sessions. Persons other than the Parties to the Claim participating in the mediation, their representatives, and the mediator may attend mediation sessions only with the permission of the Parties to the Claim who are participating in the mediation and with the consent of the mediator; provided, however, that such permission and consent shall not be required to allow participation of such parties' insurer in the mediation to the extent required under any insured Party's liability insurance policy. Confidential information disclosed to a mediator by any Parties or by witnesses in the course of the mediation while serving in such capacity shall be confidential. There shall be no stenographic record of the mediation process.

(E) Expenses. The expenses of witnesses for either side of the mediation shall be paid by the Party producing such witnesses. All other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof or expert advice produced at the direct request of the mediator, shall be borne equally by the parties to the Claim who are participating in the mediation, unless those Parties otherwise agree. Each party to the Claim who is participating in the mediation shall bear its own attorneys' fees and costs in connection with the mediation.

(ii) ARBITRATION OF DISPUTES. SHOULD OWNER, ASSOCIATION, OR DECLARANT (INCLUDING ANY OTHER PARTIES IDENTIFIED IN SUBPARAGRAPH (a), ABOVE) FAIL TO RESOLVE ANY CLAIM THROUGH RESORT TO ONE OR MORE OF THE PROCESSES AND PROCEDURES SET FORTH ABOVE, THE UNRESOLVED CLAIMS SHALL BE RESOLVED BY BINDING NEUTRAL ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT AND THE CALIFORNIA ARBITRATION ACT (TO THE EXTENT THE CALIFORNIA ARBITRATION ACT IS CONSISTENT WITH THE FEDERAL ARBITRATION ACT). OWNER, ASSOCIATION, AND DECLARANT ARE GIVING UP ANY RIGHTS EITHER OF THEM MAY OTHERWISE POSSESS TO HAVE THE CLAIM LITIGATED IN A COURT OR JURY TRIAL. DECLARANT, ASSOCIATION, AND OWNER ARE GIVING UP THEIR RESPECTIVE JUDICIAL RIGHTS TO DISCOVERY AND APPEAL. IF ANY PARTY REFUSES TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, SUCH PARTY MAY BE COMPELLED TO ARBITRATE UNDER THE FEDERAL ARBITRATION ACT AND THE CALIFORNIA ARBITRATION ACT.

(A) RULES APPLICABLE TO ALL CASES. THE ARBITRATION WILL BE CONDUCTED BY JUDICIAL ARBITRATION AND MEDIATION SERVICES ("JAMS") IN ACCORDANCE WITH THE RULES OF JAMS IN EFFECT UPON THE INITIATION OF THE ARBITRATION ("JAMS RULES"), AS SUPPLEMENTED BY THIS DECLARATION. THE FOLLOWING SUPPLEMENTAL RULES SHALL APPLY TO ALL ARBITRATION PROCEEDINGS AND SHALL GOVERN IN THE EVENT OF A CONFLICT BETWEEN THE RULES SET FORTH

BELOW AND THE RULES OF THE JAMS RULES.

(B). QUALIFICATIONS OF ARBITRATORS. THE ARBITRATOR SHALL BE NEUTRAL AND IMPARTIAL AND EITHER A RETIRED JUDGE OR A MEMBER OR FORMER MEMBER OF THE CALIFORNIA STATE BAR WITH AT LEAST FIFTEEN (15) YEARS EXPERIENCE AS A PRACTICING LAWYER.

(C). APPOINTMENT OF ARBITRATOR. THE ARBITRATOR TO PRESIDE OVER THE CLAIM SHALL BE SELECTED IN ACCORDANCE WITH THE JAMS RULES, BUT NO LATER THAN SIXTY (60) DAYS AFTER A NOTICE OF CLAIM IS FILED.

(D). EXPENSES. ALL FEES CHARGED BY JAMS AND THE ARBITRATOR SHALL BE ADVANCED BY DECLARANT. IF DECLARANT IS THE PREVAILING PARTY IN THE ARBITRATION, THE ARBITRATOR MAY, IN HIS OR HER DISCRETION AND ONLY TO THE EXTENT PERMITTED BY LAW AND THE JAMS RULES, DIRECT THE PARTIES TO REIMBURSE DECLARANT ALL OR PART OF THE JAMS FEE AND ARBITRATOR'S FEE ADVANCED BY DECLARANT.

(E). VENUE. THE VENUE OF THE ARBITRATION SHALL BE THE COUNTY IN WHICH THE PROPERTY IS LOCATED, UNLESS THE PARTIES AGREE IN WRITING TO ANOTHER LOCATION.

(F). PRELIMINARY PROCEDURES. IF STATE OR FEDERAL LAW REQUIRES THE PARTIES TO TAKE STEPS OR PROCEDURES BEFORE COMMENCING AN ACTION IN COURT, THEN THE PARTIES MUST TAKE SUCH STEPS OR FOLLOW SUCH PROCEDURES, AS THE CASE MAY BE, BEFORE COMMENCING THE ARBITRATION.

(G). PARTICIPATION BY OTHER PARTIES. THE PARTIES SHALL BOTH BE ENTITLED TO HAVE ALL NECESSARY AND APPROPRIATE PARTIES INCLUDED AS PARTIES TO THE ARBITRATION.

(H). RULES OF LAW. THE ARBITRATOR MUST FOLLOW CALIFORNIA SUBSTANTIVE LAW (INCLUDING STATUTES OF LIMITATIONS). HOWEVER STRICT CONFORMITY WITH THE RULES OF EVIDENCE IS NOT REQUIRED, EXCEPT THAT THE ARBITRATOR SHALL APPLY APPLICABLE LAW RELATING TO PRIVILEGE AND WORK PRODUCT. THE ARBITRATOR SHALL BE AUTHORIZED TO PROVIDE ALL RECOGNIZED REMEDIES AVAILABLE AT LAW OR EQUITY FOR ANY CAUSE OF ACTION.

(I). ATTORNEYS' FEES AND COSTS. EACH PARTY SHALL BEAR ITS OWN ATTORNEYS FEES AND COSTS (INCLUDING EXPERT WITNESS COSTS) IN THE ARBITRATION.

(J). ADDITIONAL RULES APPLICABLE TO CERTAIN CASES. IN ANY ARBITRATION IN WHICH A CLAIM OF THE PARTIES EXCEEDS \$250,000 IN VALUE, THE FOLLOWING ADDITIONAL RULES WILL SUPPLEMENT THE JAMS RULES AND GOVERN IN THE EVENT OF A CONFLICT BETWEEN THE FOLLOWING RULES AND THE RULES SET FORTH ABOVE, THE JAMS RULES, OR BOTH.

(i). QUALIFICATIONS OF ARBITRATOR. IN ADDITION TO THE REQUIREMENTS OF SUBPARAGRAPH (B), ABOVE, THE ARBITRATOR SHALL BE A RETIRED JUDGE OF THE CALIFORNIA SUPERIOR COURT, A CALIFORNIA COURT OF APPEAL, OR THE CALIFORNIA SUPREME COURT.

(ii). RULES OF LAW. THE CALIFORNIA EVIDENCE CODE SHALL APPLY.

(iii). WRITTEN DECISION. WITHIN THIRTY (30) DAYS AFTER THE HEARING IS CLOSED, THE ARBITRATOR MUST ISSUE A WRITTEN DECISION. IF EITHER PARTY REQUESTS IT, THE ARBITRATOR MUST ISSUE A REASONED AWARD.

(K). FEDERAL ARBITRATION ACT. BECAUSE DECLARANT'S SALES AND MARKETING PROGRAM CONSTITUTE AN INTERSTATE LAND SALES PROGRAM, THE FEDERAL ARBITRATION ACT (9 U.S.C. §1, ET SEQ.) NOW IN EFFECT AND AS IT MAY BE HEREAFTER AMENDED WILL GOVERN THE INTERPRETATION AND ENFORCEMENT OF THE ARBITRATION PROVISIONS OF THIS DECLARATION.

(L). WAIVER OF JURY TRIAL. IN THE EVENT THE FOREGOING ARBITRATION PROVISIONS OF THIS SUBPARAGRAPH (f)(ii) ARE HELD NOT TO APPLY OR IS HELD INVALID, VOID OR UNENFORCEABLE IN THEIR ENTIRETY FOR ANY REASON, ALL CLAIMS SHALL BE TRIED BEFORE A JUDGE IN A COURT OF COMPETENT JURISDICTION WITHOUT A JURY. THE JUDGE IN SUCH COURT OF COMPETENT JURISDICTION SHALL HAVE THE POWER TO GRANT ALL LEGAL AND EQUITABLE REMEDIES AND AWARD COMPENSATORY DAMAGES. THE PARTIES HEREBY WAIVE AND COVENANT NOT TO ASSERT THEIR CONSTITUTIONAL RIGHT TO TRIAL BY JURY OF ANY CLAIMS, INCLUDING, BUT NOT LIMITED TO, CLAIMS RELATING TO CONSTRUCTION DEFECTS, MISREPRESENTATION OR DECLARANT'S FAILURE TO DISCLOSE MATERIAL FACTS. THIS MUTUAL WAIVER OF JURY TRIAL SHALL BE BINDING UPON THE RESPECTIVE SUCCESSORS AND ASSIGNEES OF SUCH PARTIES AND UPON ALL PERSONS AND ENTITIES ASSERTING RIGHTS OR CLAIMS OR OTHERWISE ACTING ON BEHALF OF THE PARTIES OR THE SUCCESSORS AND ASSIGNS OF ANY SUCH PARTIES.

(M). FINAL AND BINDING AWARD. THE DECISION OF THE ARBITRATOR OR, IF AN APPEAL IS HEARD, THE DECISION OF THE APPEAL

ARBITRATORS, SHALL BE FINAL AND BINDING. A PETITION TO CONFIRM, VACATE, MODIFY OR CORRECT AN AWARD OF THE ARBITRATORS MAY BE FILED IN ANY COURT OF COMPETENT JURISDICTION IN THE COUNTY IN WHICH THE DEVELOPMENT IS LOCATED, BUT THE AWARD MAY BE VACATED, MODIFIED OR CORRECTED ONLY AS PERMITTED BY THE FEDERAL ARBITRATION ACT.

(N). SEVERABILITY. IN ADDITION TO AND WITHOUT LIMITING THE EFFECT OF ANY GENERAL SEVERABILITY PROVISIONS OF THIS DECLARATION, IF THE ARBITRATOR OR ANY COURT DETERMINES THAT ANY PROVISIONS OF THIS SUBPARAGRAPH (f)(ii) ARE UNENFORCEABLE FOR ANY REASON, THAT PROVISION SHALL BE SEVERED AND THE PROCEEDINGS AGREED TO IN THIS SUBPARAGRAPH (f)(ii) SHALL BE CONDUCTED UNDER THE REMAINING ENFORCEABLE TERMS OF THE SUBPARAGRAPH.

ARTICLE XIV Protection of Mortgagees

Section 14.01. Assessment Lien Subordinated. Any lien created or claimed under the provisions of Section 4.10, above, shall be subject and subordinate to the lien of any first Mortgage given in good faith and for value. No such Mortgagee who acquires title to any Homesite by judicial foreclosure or by exercise of power of sale contained in the Mortgage shall be obligated to cure any breach of this Declaration by a former Owner of such Homesite or shall be liable for any unpaid Assessments made against the Homesite which accrued prior to the date the Mortgagee acquired such title. No lien created or claimed under the provisions of Section 4.10, above, shall in any way defeat, invalidate or impair the rights of any Mortgagee under any such recorded Mortgage.

Section 14.02. Amendment of This Declaration. No amendment of this Declaration shall affect any of the rights of the holder of any Mortgage described in Section 14.01, above, which is made in good faith and for value, if such Mortgage is recorded and notice of the delivery and recording thereof is given to the Association prior to the recording of such amendment.

Section 14.03. Default by Owner; Mortgagee's Right to Vote. In the event of a default by any Owner under a Mortgage encumbering such Owner's Homesite, the Mortgagee under such Mortgage shall, upon: (a) giving written notice to the defaulting Owner; (b) recording a Notice of Default in accordance with California Civil Code section 2924; and (c) delivering a copy of such recorded Notice of Default to the Association, have the right to exercise the vote of the Owner at any regular or special meeting of the Association held only during such period as such default continues.

Section 14.04. Breach; Obligation After Foreclosure. No breach of any provision of this Declaration by Declarant, the Association or any Owner shall impair or invalidate the lien of

any recorded Mortgage made in good faith and for value and encumbering any Homesite. The Declarant, the Association or their successor and assigns shall be obligated to abide by all of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes provided for in this Declaration as it may be amended from time to time with respect to any person who acquires title to or any beneficial interest in any Homesite through foreclosure, trustee's sale or otherwise.

Section 14.05. Right to Examine Books and Records of the Association. All Mortgagees, insurers and guarantors of any Mortgages on any Homesite shall have the right, upon written request to the Association, to:

- (a) Examine current copies of the Governing Documents and the Association's books, records and financial statements, during normal business hours;
- (b) Require the Association to provide an audited statement for the preceding fiscal year: (i) at no expense to the requesting entity when Grizzly Ranch consist of fifty (50) or more Homesites; and (ii) at the requesting entity's expense when the Development consists of fewer than fifty (50) Homesites and no audited statement is available; and
- (c) Receive a written notice of all meetings of the Association and designate a representative to attend all such meetings.

Section 14.06. Declaration to Conform With Mortgagee Requirements. It is the intent of this Article that this Declaration, the Articles of Incorporation, the Bylaws and the Development in general, shall now and in the future meet all requirements of any institutional Mortgagee intending to secure its Mortgage by a Homesite or necessary to purchase, guarantee, insure or subsidize any Mortgage of a Homesite by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Veterans' Administration.

ARTICLE XV Annexation, Supplemental Declarations

Section 15.01. Annexations, Generally. Any or all of the Overall Property may be annexed to and made subject to this Declaration by any of the methods hereinafter set forth. In this Article XV, any reference to the "annexed property" or to an "Annexed Phase" shall mean the property that is described in a duly Recorded Declaration of Annexation or Supplemental Declaration.

Section 15.02. Unilateral Annexations. Declarant shall have the right to annex from time to time all or any portions of the Subsequent Phase Property (i.e., the lands more particularly described in Exhibit "A"), so as to be subject to this Declaration and so that membership in the Association shall be appurtenant to ownership of Homesites within the annexed Phase. Such annexation shall not require the approval of either the Association, its Board or Members so long as the annexation is in substantial conformance with a detailed plan of phased development submitted to the Department of Real Estate with the Declarant's

application for a Public Report for the first Phase of the Overall Property. In order to be annexable at the option of the Declarant, the plan for phased development must include at least the following:

(a) Proof satisfactory to the Commissioner of the Department of Real Estate that no proposed annexation will result in an overburdening of Common Facilities;

(b) Proof satisfactory to the Commissioner that no proposed annexation will cause a substantial increase in Assessments against existing Owners of Homesites within Grizzly Ranch which was not disclosed in a Public Report under which such Owners purchased their interests in Grizzly Ranch;

(c) Identification of the Phase proposed to be annexed and the total number of residential Homesites or units then contemplated by the Declarant for the Overall Property;

(d) A written commitment by the Declarant to pay to the Association, concurrently with the closing of the escrow for the first sale of a subdivision interest in the annexed Phase, an appropriate amount 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 Residences under a rental program conducted by the 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 Residence in the annexed Phase.

Section 15.03. Other Annexations. In addition to annexations effected by the Declarant pursuant to Section 15.02, above, annexations of other real property may be made by Declarant with the approval by vote or written consent of Members entitled to exercise not less than two-thirds of the Voting Power of each class of membership of the Association. After the Class B membership has ceased, the affirmative vote of at least two-thirds of the voting power of Members other than Declarant shall be required to approve annexations pursuant to this Section 15.03. Upon obtaining the requisite approval of the Members pursuant to this section, Declarant shall Record a Declaration of Annexation and, if appropriate, a Supplemental Declaration, as more particularly described in Sections 15.05 and 15.06 of this article.

Section 15.04. Conveyances of Common Area. Prior to the conveyance by Declarant of any Homesite within a Phase annexed to this Declaration, fee simple title to any Common Area to be owned by the Association within such Phase shall be conveyed to the Association free and clear of any and all encumbrances and liens, except current real property taxes, which taxes shall be prorated to the date of transfer, and reservations, easements, covenants, conditions and restrictions then of Record, including those set forth in this Declaration.

Section 15.05. Declaration of Annexation.

(a) Effect of Recordation of a Declaration of Annexation. Any annexation of portions of the Overall Property to the Grizzly Ranch common interest development authorized by this Declaration shall be made by Recording a Declaration of Annexation, or other similar instrument, with respect to the additional real property which shall be executed by Declarant or

the Owner thereof and shall extend this Declaration to such real property. The Recordation of such a Declaration of Annexation shall constitute and effectuate the annexation of the additional real property described therein, and thereupon said real property shall become and constitute a part of Properties, become subject to this Declaration and encompassed within the general plan and scheme of the covenants conditions and restrictions contained herein, and become subject to Assessment by the Association and to the functions, powers and jurisdiction of the Association, and the Owners of Homesites in said real property shall automatically become Members of the Association.

(b) Contents of Declaration of Annexation. The Declaration of Annexation shall include the following:

(i) Legal Description of the Annexed Property. A legal description of the property included in the annexed property, separately identifying Homesites and any Common Areas;

(ii) Statement Regarding Commencement of Assessments. The Declaration of Annexation shall provide for a specified date on which Assessments shall commence for Homesites in the annexed Phase, provided that the date specified may not be later than the first day of the first month following the month in which the first Homesite in the annexed Phase is conveyed to an Owner;

(iii) Declarant's Commitment Concerning Reserve Contributions Relating to Rental Programs. A written commitment by Declarant to pay to the Association, concurrently with the close of escrow for the first sale of a Homesite in an annexed Phase, appropriate amounts for reserves for replacement or deferred maintenance of Common Facilities in the annexed Phase necessitated by or arising out of the use and occupancy of Residences 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 escrow for the first sale of a Residence in the annexed Phase;

(iv) Application of Equitable Servitudes. A statement that all of the covenants, conditions and restrictions of this Declaration shall apply to property within the Annexed Phase in the same manner as if the annexed property was originally covered by this Declaration; provided, however, that additional or revised covenants, conditions and restrictions applicable to the annexed property (collectively, "supplemental restrictions"), may be imposed when, in the sole discretion of the Declarant, it is deemed necessary or appropriate and to impose supplemental restrictions in order to reflect differences in the nature, Design or use of the Improvements to be constructed on Homesites or Common Areas in the annexed Phase.

Supplemental restrictions may not alter the general common plan or scheme created by this Declaration, revise any restriction imposed by a governmental entity as a condition of Subdivision Map approval (without the consent of that entity) or revoke, modify or add to the covenants, conditions and restrictions imposed by this Declaration with respect to portions of the Development initially subject to this Declaration or properties annexed to Grizzly Ranch prior to the annexed Phase. If supplemental restrictions are considered necessary or appropriate for a

particular Phase, they shall be set forth in a Supplemental Declaration attached to, or incorporated in, the Declaration of Annexation (see Section 15.06, below).

Additional real property may be annexed to Grizzly Ranch and become subject to this Declaration in accordance with this section. Although the present intention of the Declarant is to develop Grizzly Ranch and the Subsequent Phase Property as residential subdivisions with Common Areas and Common Facilities in conformance with a plan of phased development, nothing in this Declaration shall be construed or interpreted to commit Declarant to the Development or annexation of any portion of the Subsequent Phase Property in accordance with any present planning.

Section 15.06. Supplemental Declarations.

(a) Authority to Record Supplemental Declarations. During the course of developing the Property, it may become necessary or appropriate for Declarant to Record one or more Supplemental Declarations. Recordation of Supplemental Declarations by Declarant is hereby approved. In addition, if the Declarant conveys a Phase of the Overall Property to a builder of cluster or townhome residences, the Declarant can join with that Owner in Recording a Supplemental Declaration applicable to that Phase.

(b) Content of Supplemental Declarations. Any Supplemental Declaration shall describe the portion of the Subsequent Phase Property to which it is to apply, recite that the Supplemental Declaration is being Recorded pursuant to the authority conferred by this section and may include, without limitation:

(i) Description of Common Areas and Common Facilities. A description of any Common Areas (including all exclusive use common areas, as that term is defined in section 1351(i) of the California Civil Code) and Common Facilities within the annexed Phase;

(ii) Specification of Property Use Restrictions Applicable to the Annexed Property. Property use restrictions and design and building standards which shall apply solely to the Homesites (and any Improvements constructed thereon) within the annexed Phase;

(iii) Separate Design Review. A separate Design Review Board to perform design review and approval functions described in the Supplemental Declaration with respect to Improvement projects on Homesites in the annexed Phase (if different from those described in Article V, above) or to perform the functions described in Article V, above, in lieu of the Design Review Board constituted in accordance with Section 5.02, above. If a particular Homesite is affected by a Supplemental Declaration that establishes a separate Design Review Board, that committee shall have jurisdiction over the initial design and construction of any Improvements proposed for construction on the Homesite, as well as subsequent changes in exterior design or appearance: provided, however, that the Supplemental Declaration can provide that the committee's determination must also be ratified by the Design Review Board;

(iv) Supplemental or Separate Improvement Requirements. Supplemental Declarations may also include authorization for the adoption of separate or supplemental

Improvement Requirements applicable to Improvement projects on Homesites located within the annexed Phase;

(v) Front Yard Maintenance. Provisions describing the nature and extent of the Association's duties and responsibilities if front yards or rear yards are to be maintained by the Association or a Sub-Association;

(vi) Establishment of Sub-Association(s). A Supplemental Declaration may, but need not, provide for the establishment of a Sub-Association, to be comprised of Owners of Homesites within the Planned Development or condominium project described in the Supplemental Declaration; and

(vii) Designation of Cost Centers. A Supplemental Declaration may designate one or more Cost Centers within the annexed Phase by including the information described in Section 4.01(e), above.

Section 15.07. Reconciling Conflicts Among Documents. This Declaration shall control if there is any conflict between any Declaration of Annexation or Supplemental Declaration and the provisions of this Declaration; provided, however, that to the extent that any provision hereof is expressly modified by a Supplemental Declaration, no conflict shall be deemed to exist; and, provided further, that this Declaration and any Supplemental Declaration shall be construed so as to be consistent with one another to the extent that the reconciliation of provisions is reasonably possible. However, the inclusion in any Supplemental Declaration of covenants, conditions, restrictions, rights, reservations, easements, equitable servitudes, limitations, liens or charges which are more restrictive or more inclusive than in the Governing Documents shall not be deemed to constitute a conflict with the provisions of this Declaration.

Section 15.08. De-Annexation and Amendment. Declarant has the right, at its sole option, to (a) amend a Declaration of Annexation or a Supplemental Declaration, or (b) remove from the Development any property described in a Recorded Declaration of Annexation or a Supplemental Declaration by executing and Recording a rescission of such document, so long as all of the following conditions are satisfied at the time of the execution of the amendment or rescission: (i) no Homesite in the annexed Phase encumbered by the Declaration of Annexation and/or Supplemental Declaration has been conveyed to an Owner; and (ii) Assessments have not commenced for any Homesite in such annexed Phase. If Common Areas in the previously annexed Phase have been conveyed to the Association, then in the event of a rescission, such Common Area shall be conveyed back to Declarant promptly after the rescission. In the event of an amendment, if the amendment is such that some portion of that Common Area within the annexed Phase theretofore conveyed to the Association is excluded from the annexation, such portion shall be conveyed back to Declarant promptly after the amendment is adopted.

Section 15.09. Taxes and Assessments. All taxes and other Assessments relating to the Homesites in Phases authorized for annexation pursuant to Sections 15.02 or 15.03, above, covering any period prior to annexation of the Phase shall be paid or otherwise provided for by the Declarant.

Section 15.10. Character of Common Area Improvements. The nature, design, quantity, quality and all other attributes of the Common Area, and the Common Facilities constructed or to be constructed within any annexed Phase, shall be determined in Declarant's sole and absolute discretion. The Association shall be unconditionally obligated to accept title to and maintenance responsibility for the Common areas and Common Facilities, if any, when such title and maintenance responsibility are tendered by Declarant.

Section 15.11. Infrastructure Improvements. All intended infrastructure improvements in Phases that are annexed to Grizzly Ranch pursuant to Sections 15.02 and 15.03 of this article shall be substantially completed or bonded to the satisfaction of the local governmental agency with authority therefor and the Federal National Mortgage Association prior to annexation and shall be consistent with the initial improvements of the Initial Covered Property in terms of the quality of construction.

Section 15.12. Effect of Annexation.

(a) Application of Declaration to Annexed Phase. The Recordation of a Declaration of Annexation shall constitute and effectuate the annexation of the Subsequent Phase Property described therein, and thereupon the annexed Phase shall become and constitute a part of Grizzly Ranch, and be subject to, and encompassed within, the general plan and scheme of this Declaration, subject only to such modification in said general plan as may be imposed by the Declaration of Annexation. Homesites within the annexed Phase shall thereupon become subject to Assessment by the Association and to the functions, powers and jurisdiction of the Association, and the Owners of Homesites within the annexed Phase shall automatically become Members of the Association. Any Common Facilities (including private roads) which are included within the annexed Phase shall be conveyed to the Association, free of all liens and encumbrances, other than liens, rights-of-way or other encumbrances disclosed on the preliminary title report for the annexed Phase and approved by the Association. The conveyance of any Common Facilities in the annexed Phase to the Association shall occur immediately following Recordation of the Declaration of Annexation.

(b) Board's Obligation to Approve Budget Applicable to Phase. After a new Phase has been annexed, the Board shall approve a budget, which is substantially based upon the operating budget accepted by the California Department of Real Estate in connection with the Public Report for that Phase, for the remainder of the current fiscal year for use upon commencement of Regular Assessments against Homesites within the annexed Phase.

Section 15.13. Amendment of Annexation Provisions. After the conversion of Class B membership to Class A membership and until such time as the Declarant no longer has any rights of unilateral annexation pursuant to Section 15.02. above. this article may not be amended without the written consent of the Declarant, unless at the time of the amendment all property constituting Subsequent Phase Property has been annexed to Grizzly Ranch.

ARTICLE XVI
Declarant Privileges and Exemptions

Section 16.01. Interest of the Declarant; Material Actions Requiring Declarant Approval. The Initial Covered Property that was subjected to this Declaration constitutes a portion of the Overall Property, which Declarant is causing to be developed in accordance with a plan of phased development. Each Owner of a Homesite which is part of Grizzly Ranch acknowledges by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other instrument, that Declarant has a substantial interest to be protected with regard to assuring compliance with and enforcement of, the covenants, conditions, restrictions and reservations contained in this Declaration and any amendments thereto and any Supplemental Declarations recorded pursuant to this Declaration. Notwithstanding any other provisions of the Governing Documents, until such time as Declarant is no longer entitled to create Subsequent Phase Property by annexation without the vote of the Members, the following actions, before being undertaken by the Members or the Association, shall first be approved in writing by Declarant:

(a) Specified Approvals. Any amendment or action requiring the approval of Declarant pursuant to this Declaration, and any amendment or action requiring the approval of first Mortgagees pursuant to this Declaration (the Association shall provide Declarant with all notices and other documents to which a Mortgagee is entitled pursuant to this Declaration, provided that Declarant shall be furnished such notices and other documents without making written request);

(b) Annexation. The annexation of any real property to the Development that is not included in the Overall Property by action of the Declarant;

(c) Special Assessments. The levy of a Special Assessment for the construction of new facilities by the Association not originally included in the Common Areas;

(d) Service/Maintenance Reductions. Subject to Section 4.02(c), above, regarding limitations on Regular Assessment increases without Member approval, any significant reduction of Common Area maintenance or other services or entering into contracts for maintenance or other goods and services benefiting the Association or the Common Area at contract rates which are fifteen percent (15%) or more below the reasonable cost for such maintenance, goods or services; or

(e) Design Guidelines. Any supplement or amendment to the Design Guidelines, including Design Guidelines applicable to a particular Phase within Grizzly Ranch (see Section 5.05, above).

Section 16.02. Exemptions From Restrictions Otherwise Applicable. Nothing in the Governing Documents shall limit and no Owner, Sub-Association or the Association shall do anything to interfere with the right of Declarant, either directly or through their respective agents and representatives, to subdivide, re-subdivide, sell, resell, rent or re-rent any portion of Grizzly

Ranch, or the right of Declarant to complete excavation, grading, construction of improvements or other development activities to and on any portion of Grizzly Ranch owned by Declarant or to alter the foregoing and its construction plans and designs, or to construct such additional improvements as Declarant deems advisable in the course of development of Grizzly Ranch so long as any Homesite or any portion of the Overall Property is owned by Declarant. Such right shall include, but shall not be limited to, carrying on by Declarant and their respective agents and representatives of such grading work as may be approved by the County or other agency having jurisdiction, and erecting, constructing and maintaining on or within Grizzly Ranch such structures, signs and displays as may be reasonably necessary for the conduct of its business of completing the work and disposing of the same by sale, lease or otherwise. Each Owner, by accepting a deed to a Homesite, hereby acknowledges that any construction or installation by Declarant may impair the view of such Owner, and hereby consents to such impairment.

Section 16.03. Rights to Use Common Areas and Common Facilities in Connection With Development and Sales Activities. Declarant may enter upon the Common Area, for the benefit of Declarant or for the benefit of portions of the Overall Property whether or not then annexed, or any combination of them, to complete the Development, improvement and sale of Homesites and the construction of any landscaping or other improvement to be installed on the Common Area. Declarant shall also have the right of nonexclusive use of the Common Areas and the Common Facilities, without charge, for sales, display, access, ingress, egress, exhibition and occasional special events for promotional purposes, which right Declarant hereby reserves; provided, however, that such use rights shall terminate on the date on which Declarant no longer owns any Homesites within Grizzly Ranch and Declarant's unilateral right to annex portions of the Overall Property has expired. Such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein and all direct costs and expenses associated with Declarant sales and promotional activities (including, without limitation, any costs or expenses required to clean or repair any portion of the Common Area that are damaged or cluttered in connection with such activities) shall be borne solely by the Declarant and any other sponsor of the activity or event. The rights reserved to the Declarant by this section shall extend to any employee, sales agents, prospective Owners, customers and/or representatives of the Declarant.

Section 16.04. Amendment of Plans. Subject to approval, as necessary, by the County, Declarant may, from time to time as it deems fit, amend its plans for the Overall Property, combine or split Homesites or Parcels, and apply for changes in the Development Agreement, changes in zoning, use and use permits, for any property within the Overall Property.

Section 16.05. Right to Enforce Design Review and Approval Requirements. For so long as the Declarant has the right to appoint any members of the Design Review Board, the Declarant shall have the right to initiate action to correct or prevent any activity, condition or Improvement that is not in substantial compliance with approved plans and specifications to the same extent as the Association if: (a) the Design Review Board has issued a Notice of Noncompliance; and (b) the Association, after having a reasonable opportunity to do so, is unable or unwilling to initiate enforcement action. In the event that such action is initiated by the Declarant and it is later determined by an arbitrator or a court of competent jurisdiction that the Owner of the subject Homesite was, in fact, proceeding in violation of the approved plans and

specifications, any reasonable costs incurred by the Declarant in initiating enforcement action, including reasonable attorneys fees, which are not the subject of an award of fees and/or costs against the offending Owner may be charged to the Association.

Section 16.06. Termination of Any Responsibility of Declarant. In the event the Declarant conveys all of its rights, title and interest to any partnership, limited liability company, individual or individuals, corporation or corporations, in and to the Overall Property, and the acquiring person or entity is designated as a successor Declarant as to all the property conveyed, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of Declarant. This Article shall not terminate any responsibility of the Declarant for acts or omissions occurring prior to the conveyance to such partnership, individual or individuals, corporation or corporations. However, this shall not limit Declarant's right to enter into a contract or agreement dealing with such acts or omissions provided the contract or agreement is enforced by Declarant, if necessary.

ARTICLE XVII The Golf Course

Section 17.01. Homesites/Parcels Abutting Golf Courses. The provisions of this Section 17.01 shall be subject to modification by Supplemental Declarations affecting any Homesites which abut property used or intended for use as a Golf Course. Except as so modified, Homesites which abut property used or intended for use as a Golf Course may contain a nondevelopment area extending into the Homesite from its boundary with the property used or intended for use as a Golf Course. Such areas shall serve primarily to buffer Golf Course areas from development. Where such nondevelopment area exists, it will be owned by the Owner of the Homesite in question, but it shall be subject to restrictions prohibiting structural improvement (including fences) and other uses or activities that would interfere with the visual or practical advantage of such buffer areas. The existence and dimensions of all such nondevelopment areas within a Homesite may be shown or noted in a Supplemental Declaration or in Design Guidelines promulgated in connection with any Phase of the Development. Specific obligations or prohibitions to be observed by an Owner of such Homesite may be noted on the Recorded map, or in the Declaration of Annexation, or Design Guidelines, or may be established by Rules of the Board to supplement (but not to contravene) this Master Declaration, or may be established in a Supplemental Declaration applicable to a particular Homesite.

Section 17.02. Resulting from Proximity to Golf Course. Portions of the Overall Property are presently intended for Golf Course and other recreational use and the following matters arise from the proximity of Homesites to such facilities. Each Owner who acquires a Homesite acknowledges, accepts and assumes the risk of the special benefits and burdens associated with such facilities. The owner of the Golf Course adjacent to the Grizzly Ranch common interest development, and each and every member, guest, golfer, employee or agent of the Golf Course, disclaims any liability for personal injury or property damage resulting in any way, all or in part, from any of the following items set forth in subparagraphs (a) through (h), inclusive, and each Owner accepts such disclaimer and agrees to release and waive any claims

that the Owner, or any guest, invitee, employee or contractor of Owner, may have as a result of any such following items:

(a) Errant Golf Balls. Owners of Homesites, particularly Homesites abutting the Golf Course, acknowledge the inherent risk of errant golf balls and assume and accept such risk. Owners acknowledge and accept the risk that golfers may attempt to retrieve errant golf balls from any Homesite and each Owner agrees to release and waive any claims Owner may have as a result of such retrieval.

(b) View Impairment/Privacy. Owners of Homesites, including Owners of Homesites abutting the Golf Course, have no guarantee that their view over and across the Golf Course will be forever preserved without impairment or that the view from the Golf Course will not be impaired. The owner of the Golf Course has no obligation to prune or not prune trees or other landscaping and the owner of the Golf Course has reserved the right, at its sole and absolute discretion, to add, change or reconfigure the Golf Course, including any trees, landscapes, tees, bunkers, fairways and greens.

(c) Pesticides and Fertilizers. Pesticides, fertilizers and other chemicals will be utilized in connection with the Golf Course and the Owners acknowledge, accept the use and assume the risk of such pesticides, fertilizers and chemicals.

(d) Overspray. Owners of Homesites, particularly Owners of Homesites abutting the Golf Course, may experience "overspray" from the Golf Course irrigation system, and the Owners acknowledge, accept and assume the risk of such "overspray."

(e) Noise and Light. Owners of Homesites, particularly Owners of Homesites in proximity to any clubhouse or maintenance facility, may be exposed to lights, noise or activities resulting from use of the clubhouse for dining and entertainment and use of the parking lot, and the Owners acknowledge, accept and assume the risk of such light, noise or activities.

(f) No Access. Notwithstanding the proximity of the Golf Course to any Homesite, and notwithstanding that the Owner of any Homesite may have a right to use the Golf Course facilities as a result of membership or other rights acquired separately from ownership of a Homesite or membership in the Association, no Owner, resident, or occupant, guest or invitee of a Homesite has a right of access to the Golf Course directly from their Homesite.

(g) Maintenance. Golf Courses require daily maintenance, including mowing, irrigation and grooming, during early morning and evening hours, including without limitation the use of tractors, blowers, pumps, compressors and utility vehicles. Owners of Homesites, particularly Owners of Homesites in proximity of the Golf Course, will be exposed to the noise and other effects of such maintenance, and the Owners acknowledge, accept and assume the risk of such noise and effects.

(h) Risk of Injury. Each Owner expressly assumes the above detriments and risks of owning property adjacent to a Golf Course and agrees that neither Declarant, the owner or manager of the Golf Course, nor any of their successors or assigns shall be liable to the Owner or

to anyone claiming any loss, damage or personal injury, destruction of property, trespass or any other alleged wrong or entitlement to remedy based upon or arising out of the proximity of the Owner's Homesite to the Golf Course. Each Owner of a Homesite adjacent to the Golf Course hereby agrees to indemnify and to hold harmless, the Declarant and the owner manager, and architect of the Golf Course and their successors and assigns, against any and all such claims by the Owner or his or her invitees.

Section 17.03. Golf Course Entry. Neither the Association, nor any Owner or Sub-Association shall have any right of entry on to the Golf Course without the prior written consent of the owner of the Golf Course. Neither the Association nor any Owner or Sub-Association may permit any irrigation water to overspray or drain from their Common Area, Homesites onto any portion of the Golf Course, except through storm drainage improvements constructed by the Declarant. Neither the Association nor any Owner or Sub-Association may permit any fertilizer, pesticides or other chemical substances to overspray, drain, flow or be disposed of in any manner upon the Golf Course. If the Association or any Owner or Sub-Association violates the provisions of this subparagraph, they shall be liable to the owner of the Golf Course for all damages to the turf resulting from their violation.

Section 17.04. No Representations or Warranties. Ownership or operation of the Golf Course may change at any time. The consent of the Association or any Owner is not required to effect any change in the ownership or operation of the Golf Course. All Owners are hereby advised that no representations or warranties have been made or are made by Declarant or the owner of the Golf Course regarding the continuing existence, ownership or operation of the Golf Course. There is no guarantee that the Golf Course will be operated as such indefinitely or that the terms and conditions of membership and/or use of the Golf Course and its facilities will not change in the future.

Section 17.05. Right to Use the Golf Course. Neither being an Owner of a Homesite within Grizzly Ranch or being a Member of the Association confers any ownership interest in or right to use the Golf Course. The owner of the Golf Course shall grant memberships in the Golf Course and manage the use of the Golf Course as such Owner sees fit. Rights to use the Golf Course are within the exclusive control of the owner of the Golf Course, and will be given to such persons and on such terms and conditions as the owner of the Golf Course may determine from time to time. The owner of the Golf Course may amend or waive its determinations and policies with respect to use of the Golf Course or membership in any related golf club at any time.

Section 17.06. Amendment. After the expiration of Class B membership (as defined in the Bylaws), the provisions of this article may not be amended without the written consent of the owner of the Golf Course and the written consent of the Declarant; provided, however, that the requirement for prior consent of the Declarant shall terminate when all Subsequent Phase Property has been annexed to Grizzly Ranch and all of the Homesites in Grizzly Ranch owned by Declarant have been sold.

ARTICLE XVIII

Notices

Section 18.01. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

If to Declarant: Grizzly Creek Development, LLC, P.O. Box 1075, Portola, California, 96122-1075 (or to such other address as Declarant may from time to time designate in writing to the Association).

With a copy to:

Grizzly Creek Development, LLC, c/o Lowe Enterprises, Inc.
Attn: Corporate Counsel, 11777 San Vicente Boulevard, Suite
900, Los Angeles, California 90049-6614.

If to any Owner: To the street address of his or her Homesite or to such other address as he or she may from time to time designate in writing to the Association for purposes of notice.

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

Section 18.02. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-Owners of any Homesite, to any general partner of a partnership which is the Owner of Record of the Homesite, or to any officer or agent for service of process of a corporation which is the Owner of Record of the Homesite, shall be deemed delivered to all such co-Owners, to such partnership, or to such corporation, as the case may be.

Section 18.03. Deposit in United States Mails. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered four (4) days after deposit in the United States mail in the County.

ARTICLE XIX

Amendment of Declaration

Section 19.01. Amendment Before Close of First Sale. Before the close of escrow for the first sale of a Homesite in Grizzly Ranch to a Owner other than Declarant, this Declaration may be amended or revoked in any respect by the execution of an instrument amending or revoking the Declaration signed by Declarant and any Mortgagee of record, provided the consent or approval of the Commissioner of the California Department of Real Estate is first obtained to the extent required by California law. The amending or revoking instrument shall make appropriate

reference to this Declaration and shall be Recorded.

Section 19.02. Amendment After Close of First Sale. After the close of escrow for the first sale of a Homesite in Grizzly Ranch to a Owner other than Declarant, this Declaration may be amended or revoked in any respect upon compliance with the following provisions:

(a) Member Approval Requirements. Any amendment shall be approved by the vote or assent by written ballot of the holders of not less than fifty-one percent (51%) of the Voting Power of each class of Members. If a two-class voting structure is no longer in effect in the Association because of the conversion of Class B membership to Class A membership, as provided in the Association's Bylaws, any amendment thereof will require the vote or assent by written ballot of both: (i) fifty-one percent (51%) of the total voting power of the Association; and (ii) the vote of fifty-one percent (51%) of the total Voting Power held by Members other than the Declarant. Notwithstanding the foregoing, the percentage of the voting power necessary to amend a specific clause or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

(b) Additional Approvals For Amendments to Particular Provisions:

(i) Declarant Approvals. The following provisions may only be amended with the prior written consent of the Declarant for so long as the Declarant possesses rights of unilateral annexation of Subsequent Phase Property pursuant to Section 15.02, above: Articles V (Design Review and Approval of Improvement Projects) and VI (Minimum Construction Standards), Section 9.07 (Declarant's Rights and Easements), Articles XV (Annexation, Supplemental Declarations), XVI (Declarant Privileges and Exemptions) and XVII (The Golf Course), and this Section 19.02(b)(i).

(ii) Approval of Golf Course Owner. The following provisions are included in this Declaration for the benefit of the Owner of the Golf Course and may not be amended without the consent of said person: Sections 1.17 ("Golf Course" definition), 2.03(c) (Right of the Association to Make Common Area Boundary Line Adjustments), 2.05 (No Right by Property Ownership to Use Golf Course), 3.07(b)(ii)(E) (limitations on Association's right of entry onto Golf Course), 5.02(b), (c) and (d) (Golf Course appointee to Design Review Board), 5.06(d)'s second paragraph (exterior elevations of structures and landscaping within 25 feet of Golf Course), 6.21 (Improvement Projects Adjacent to Golf Course), 7.04 (Golf Course Maintenance), 7.05(b), (c) and (d) (assumption of certain Association maintenance responsibilities, management of Swim and Fitness Center and Tennis Courts and golf cart bridge maintenance), 8.15(d) (Restrictions Relating to Golf Carts and Use of Cart Paths and Fairways), 9.06 (Easement for Golf Course Maintenance), Article XVII (The Golf Course) and this Section 19.02(b)(ii).

(iii) Approval by the County. The following provisions of this Declaration reflect conditions of approval for the Overall Property imposed by the County and may only be amended with the prior consent of the County: Sections 6.10(a) (Heating Systems), 6.14(d) (Driveways and Associated Parking), 6.24 (Fire Regulations), 7.01(a) (Association Common Area Maintenance Obligations, Generally) with respect to the maintenance, snow plowing, and

repair of private roads and shared driveway easements within the Development, 7.07 (Community Services District Maintenance Responsibilities), 9.08 (Easements in Favor of the District), 9.09 (Priority of Easements) and this Section 19.02(b)(iii).

(c) Right of Amendment of Requested by Governmental Mortgage Agency or Federally Chartered Lending Institutions. Anything in this Article to the contrary notwithstanding, Declarant reserves the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by Governmental Mortgage Agencies which require such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Homesite(s) or Parcel(s) or any portions thereof. Any such amendment shall be effectuated by the recordation, by Declarant, of a Certificate of Amendment duly signed by or on behalf of the authorized agents, or authorized officers of Declarant, as applicable, with their signatures acknowledged, specifying the Governmental Mortgage Agency, or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. Recordation of such a Certificate shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Certificate, when recorded, shall be binding upon all of Homesites and Common Areas comprising the Development and all persons having any interest therein.

(d) Right of Amendment if Requested by County of Plumas. Anything in this Article to the contrary notwithstanding, Declarant reserves the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by the County of Plumas to reflect a modification of the Development Agreement which requires a conforming amendment to this Declaration. Any such amendment shall be effectuated by the recordation, by Declarant, of a Certificate of Amendment duly signed by or on behalf of the authorized agents, or authorized officers of Declarant, or the Association as applicable, with their signatures acknowledged, specifying the County of Plumas requested the amendment and setting forth the amendatory language requested by the County. Recordation of such a Certificate shall be deemed conclusive proof of the County's request for such an amendment, and such Certificate, when recorded, shall be binding upon all of the real properties comprising Grizzly Ranch and all persons having an interest therein.

Section 19.03. Restatements. This section describes the methods for restating the Declaration after an amendment.

(a) Restatements in General. The Board has the right, by resolution without the necessity of consent by the Owners, to restate this Declaration when it has been properly amended pursuant to its requirements for amendment. Such restatement shall be effective upon execution of the restatement by any two (2) officers of the Association and its Recordation. Upon Recordation of the restatement, the restatement shall supersede the prior Declaration and its amendments in their entirety, without, however, affecting the priority of the Declaration in the chain of title to all properties that are subject to the Declaration as established by the Declaration's initial date of Recordation.

(b) Form of Restatement. The restatement shall restate the entire text of the original document, with these exceptions: (i) changes incorporating all amendments approved the Owners; (ii) changes made to rearrange or delete the text for consistency with the approved amendments; (iii) changes made to delete material no longer legally effective or legally required, such as the provisions described in Article XVI, above; (iv) the addition of a statement that the Board has authorized the restatement pursuant to this section; (v) changes made to delete any provision declared illegal by constitutional or statutory enactment, by regulation, or by controlling judicial opinion; and (vi) changes needed to distinguish the restatement from the original Declaration, such as title, section, or subparagraph numbering changes.

Section 19.04. Department of Real Estate. An amendment to this Declaration, Bylaws, or other governing instruments of the Association shall require immediate notification of the California Department of Real Estate in accordance with section 2800 of the Commissioner's Regulations so long as the Development, or any portion thereof, is subject to an outstanding Final Subdivision Public Report.

Section 19.05. Mortgagee Approval. Mortgagee approval of any proposed material amendment shall be required in accordance with Section 14.02, above.

Section 19.06. Effective Date of Amendment. The amendment will be effective upon the Recording of a Certificate of Amendment, duly executed and certified by the president and secretary of the Association setting forth in full the amendment so approved and that the approval requirements of Sections 19.02(a) through (d), above, have been duly met. If the consent or approval of any governmental authority, Mortgagee, or other entity is required under this Declaration to amend or revoke any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained.

Section 19.07. Business and Professions Code Section 11018.7. All amendments or revocations of this Declaration shall comply with the provision of California Business and Professions Code section 11018.7 to the extent said section is applicable.

Section 19.08. Reliance on Amendments. Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE XX

General Provisions

Section 20.01. Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with, and shall benefit and burden the Homesites and the Common Area as herein provided, and shall inure to the benefit of and be binding upon the Owners, Declarant, the Association, its Board of Directors, and its officers and agents, and their respective successors in interest, for the term of sixty (60) years from the date of the recording of this Declaration. After the expiration of the initial term, the same shall be automatically extended for successive periods of ten (10) years each unless, within six (6) months prior to the expiration of the initial 60-year

term or any such 10-year extension period, a written instrument, approved by Owners entitled to vote and holding at least a majority of the voting power of the Association terminating the effectiveness of this Declaration, is Recorded.

Section 20.02. Termination of Any Responsibility of Declarant. In the event Declarant shall convey all of its rights, title and interest in and to the Development to any partnership, individual or individuals, corporation or corporations, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations shall be obligated to perform all such duties and obligations of the Declarant.

Section 20.03. Statutory References. In the event that any statute in this Declaration, whether stated by code and number, or named by body of law, is amended, repealed, renumbered, or renamed, all references to such statute or body of law shall refer to the amended, repealed, renumbered, or renamed statutory provisions.

Section 20.04. Construction.

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

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

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

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

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

(f) References to State Statutes. Any references in this Declaration to State Statutes shall be to the referenced statute as in effect on the date that this Declaration is Recorded in the Official Records of the County. In the event that any referenced statute is subsequently amended or superseded, all such references shall thereupon mean and refer to the referenced statute as so amended, modified or superseded, so long as the amended statute continues to regulate or pertain to the same subject matter.

Section 20.05. Declarant's Disclaimer of Representations. Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth in a recorded instrument with the County Recorder, Declarant makes no warranties or representations whatsoever that the plans presently envisioned for the complete development of Grizzly Ranch can or will be carried out, or that any land now owned or hereafter acquired by the Declarant is or will be subjected to this Declaration, or that any such land (whether or not it has been subjected to this Declaration) is or will be committed to or developed for a particular (or any) use, or that if such land is once used for a particular use, such use will continue in effect.

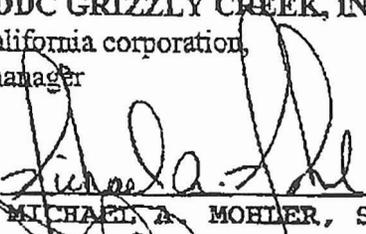
IN WITNESS WHEREOF, Grizzly Creek Development, LLC, a Delaware limited liability company, has executed this Declaration on the date listed below.

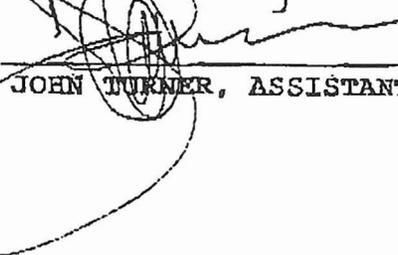
Dated: NOVEMBER 19, 2003

GRIZZLY CREEK DEVELOPMENT, LLC,
a Delaware limited liability company,

By: **GRIZZLY CREEK MANAGER, LLC,**
a California limited liability company,
its managing member

By: **DDC GRIZZLY CREEK, INC.,**
a California corporation,
its manager

By: 
MICHAEL A. MOHLER, SENIOR VP

By: 
JOHN TURNER, ASSISTANT VP

STATE OF CALIFORNIA }
COUNTY OF PLUMAS } ss

On NOVEMBER 19, 2003 before me, the undersigned, personally appeared
MICHAEL A. MOHLER AND JOHN TURNER

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

WITNESS my hand and official seal.

Signature *M. Eschenbaum*

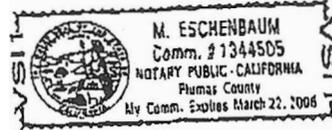


EXHIBIT "A"

Legal Description of the Overall Property

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

Being a portion of Sections 15,16,17,21 and 22, T.23N.R.14E., M.D.M., more particularly described as follows:

Beginning at a point, said point being the Northwest corner of said Section 16; thence along the North line of said Section S89°29'15"E, 2,635.30 feet; thence S85°15'28"E, 2,520.58 feet to the Northeast corner of said Section 16; thence along the East line of said Section, S00°00'58"E, 1,335.63 feet to the northwest corner of the S.W.1/4 of the N.W. 1/4 of said Section 15; thence N89°50'52"E, 1,265.37 feet to the N.E. corner thereof; thence S00°26'06"E, 2,660.86 feet to the southeast corner of the N.W.1/4 of the S.W.1/4 of said Section 15, said point being on the northerly line of the River Valley Subdivision filed in the office of the Recorder of said Plumas County in Book 5 Maps page 29 thence along said subdivision S00°26'58"E, a distance of 538.90 feet; thence along said subdivision S49°36'03"W, 882.62 feet; thence S09°40'24"W, 803.42 feet; thence S49°32'30"W, 727.40 feet to the east line of said Section 21; thence S04°01'16"W, 310.92 feet to the southeast corner of the N.E.1/4 of the N.E.1/4 of said Section 21; thence along the south line thereof N88°30'31"W, 1,257.07 feet to the southwest corner of said N.E 1/4 of the N.E.1/4; thence along the west line of the S.E. 1/4 of the N.E.1/4 of Section 21, S02°25'41"W, 1,352.17 feet to the southwest corner thereof; thence N89°11'02"W, 2,501.40 feet; thence S00°41'30"W, 33.87 feet; thence S88°56'20"W, 84.37 feet; thence N01°04'50"W, 1,498.59 feet to the southeast corner of River Valley Subdivision, Unit No. 2, filed in the office of the Recorder of said Plumas County in Book 5 Maps, page 142, thence along said subdivision, N45°31'22"W, 191.51 feet; thence N08°18'47"E, 147.86 feet; thence N07°55'18"W, 147.26 feet; thence N09°09'41"W, 125.57 feet; thence N38°17'43"W, 130.67 feet; thence N31°08'18"E, 220.45 feet; thence N15°21'59"E, 200.38 feet; thence N46°28'16"E, 82.07 feet; thence N06°13'55"E, 151.70 feet; thence N14°16'50"W, 132.39 feet; to the northeast corner of said subdivision thence along the northerly line of said subdivision, S86°19'44"W, 637.87 feet; thence N87°52'21"W, 62.30 feet to the northeast corner of Lot 5 of said subdivision; thence along said Lot, S13°29'43"E, 223.14 feet; thence S87°17'19"W, 850.57 feet; thence N49°13'40"W, 99.53 feet; thence N10°27'18"W, 171.82 feet to the northwest corner of said Lot; thence continuing N10°27'18"W, a distance of 580.89 feet; thence N64°18'41"W, 760.05 feet; thence S52°52'43"W, 22.40 feet to the centerline of Grizzly Creek; thence along said centerline, N17°06'17"W, 55.54 feet; thence N01°09'24"E, 75.61 feet; thence N58°23'46"E, 68.76 feet; thence N50°44'10"E, 119.71 feet; thence N54°22'52"E, 90.26 feet; thence N82°10'43"E, 95.45 feet; thence N43°14'24"E, 152.64 feet; thence N35°18'20"W, 435.70 feet; thence N18°24'14"W, 276.34 feet; thence N44°22'57"W, 225.47 feet; thence N11°20'23"E, 97.37 feet; thence N05°34'48"W, 178.23 feet; thence N00°47'37"W, 192.38 feet; thence N00°42'45"E, 175.31 feet to the south line of the northeast 1/4 of said Section 17; thence N86°05'26"E, 1,380.36 feet to the 1/4 corner common to Sections 16 and 17; thence N00°18'08"E, 730.00 feet; thence N20°52'38"E, 211.45 feet; thence N13°25'29"E, 205.64 feet; thence N18°54'47"W, 367.64 feet; thence N00°18'08"E, 1,127.32 feet to the point of beginning |

The basis of bearings for this description is the map filed in Book 6 Record of Surveys at page 66.

APN: 015-030-015; 015-131-008, 009; 131-360-009, 010, 011
015-381-001



EXHIBIT "B"

**Legal Description of the Initial Covered Property
Of the Grizzly Ranch Development**

EXHIBIT "B"

Grizzly Ranch , Unit 1, a Planned Development
for the Founders at Grizzly Ranch, L. L. C., recorded in Book 9 of Maps at page 55,
Plumas County records.



EXHIBIT "C"

Legal Description of the Common Areas in Grizzly Ranch

Exhibit "C"

All that real property being a portion of Section 21, T.23N., R.14E., M.D.M.
being more particularly described as follows:

"A" THROUGH "I" INCLUSIVE,
Being Parcels A W1, W2 and W3 as shown on Grizzly Ranch , Unit 1, a Planned
Development for the Founders at Grizzly Ranch, L. L. C., recorded in Book 9 of Maps at
page 88, Plumas County records.



EXHIBIT "D"

Legal Description of the Golf Course

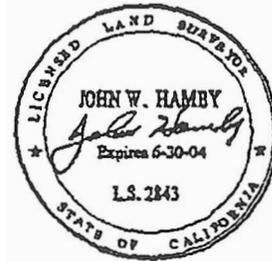
Golf course parcel

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

Being a portion of Sections 16,17 and 21, T.23N.R.14E. M.D.M. and more particularly described as follows:

Commencing at the 1/4 corner common to said Sections 16 and 17; thence along the North line of the SE1/4 of said Section 17, S86°05'26"W, 210.35 feet to the true point of beginning for this description; thence from said point of beginning, S85°02'41"E, a distance of 585.18 feet; thence S29°47'21"E, a distance of 638.29 feet; thence along a non tangent curve to the right, having a back tangent of S29°52'24"E, a radius of 150.00 feet, through a central angle of 57°12'11", an arc length of 149.76 feet; thence S62°40'13"E, a distance of 241.06 feet; thence N10°50'27"E, a distance of 732.96 feet; thence N00°42'11"E, a distance of 467.70 feet; thence along a curve to the right having a radius of 150.00 feet, through a central angle of 74°25'50", an arc length of 194.86 feet; thence N75°17'22"E, a distance of 309.74 feet; thence along a non tangent curve to the right, having a back tangent of N75°17'21"E, a radius of 75.00 feet, through a central angle of 10°15'01", an arc length of 13.42 feet; thence N85°32'22"E, a distance of 604.36 feet; thence along a curve to the right having a radius of 150.00 feet, through a central angle of 11°45'13", an arc length of 30.77 feet; thence S82°42'25"E, a distance of 304.53 feet; thence along a non tangent curve to the right, having a back tangent of S82°34'12"E, a radius of 75.00 feet, through a central angle of 14°18'02", an arc length of 18.72 feet; thence S68°27'31"E, a distance of 860.43 feet; thence S57°47'35"E, a distance of 618.21 feet; thence S54°35'28"E, a distance of 342.35 feet; thence N23°03'01"E, a distance of 293.48 feet; thence along a non tangent curve to the right, having a back tangent of N23°07'53"E, a radius of 150.00 feet, through a central angle of 115°03'52", an arc length of 301.24 feet; thence S41°48'16"E, a distance of 216.34 feet; thence along a non tangent curve to the right, having a back tangent of S41°44'20"E, a radius of 75.00 feet, through a central angle of 59°30'45", an arc length of 77.90 feet; thence S17°37'12"W, a distance of 882.62 feet; thence S44°16'15"W, a distance of 739.07 feet; thence S46°59'10"W, a distance of 277.76 feet; thence S65°18'27"W, a distance of 229.91 feet; thence S10°18'19"E, a distance of 586.72 feet; thence S25°02'33"E, a distance of 474.58 feet; thence S23°31'02"E, a distance of 314.92 feet; thence along a curve to the right having a radius of 75.00 feet, through a central angle of 127°25'30", an arc length of 166.80 feet; thence N76°18'39"W, a distance of 715.82 feet; thence along a curve to the right having a radius of 150.00 feet, through a central angle of 134°39'38", an arc length of 352.54 feet; thence N58°21'00"E, a distance of 85.37 feet; thence N13°40'37"W, a distance of 334.06 feet; thence S80°54'05"W, a distance of 979.15 feet; thence S62°35'41"W, a distance of 524.69 feet; thence along a non tangent curve to the right, having a back tangent of S62°32'33"W, a radius of 150.00 feet, through a central angle of 180°00'00", an arc length of 471.24 feet; thence N62°35'41"E, a distance of 587.14 feet; thence S88°58'28"E, a distance of 639.02 feet; thence N10°29'26"E, a distance of 515.52 feet; thence N39°28'01"W, a distance of 140.70 feet; thence along a non tangent curve to the right, having a back tangent of N39°41'29"W, a radius of 75.00 feet, through a central angle of 56°14'09", an arc length of 73.61 feet; thence N88°08'21"W, a distance of 445.54 feet; thence S50°35'17"W, a distance of 397.04 feet; thence S45°49'37"W, a distance of 1010.27 feet; thence N31°36'01"W, a distance of 414.85 feet; thence N28°44'46"E, a distance of 560.89 feet; thence N55°26'38"E, a distance of 853.79 feet; thence N20°39'53"E, a distance of 212.83 feet; thence N60°22'59"E, a

distance of 448.09 feet; thence N19°19'40"E, a distance of 836.55 feet; thence N80°18'45"W, a distance of 886.04 feet; thence S00°42'11"W, a distance of 606.67 feet; thence S20°57'55"W, a distance of 873.49 feet; thence along a curve to the right having a radius of 75.00 feet, through a central angle of 96°32'44", an arc length of 126.38 feet; thence N62°40'13"W, a distance of 491.24 feet; thence along a curve to the right having a radius of 150.00 feet, through a central angle of 33°01'21", an arc length of 86.45 feet; thence N29°47'20"W, a distance of 497.30 feet; thence N74°55'15"W, a distance of 612.86 feet; thence S17°20'32"E, a distance of 446.13 feet; thence S07°58'03"E, a distance of 702.16 feet; thence S15°42'09"E, a distance of 794.93 feet; thence S73°27'47"E, a distance of 381.02 feet; thence along a non tangent curve to the right, having a back tangent of N16°32'14"E, a radius of 150.00 feet, through a central angle of 132°33'50", an arc length of 347.05 feet; thence S30°58'29"E, a distance of 513.35 feet; thence along a curve to the right having a radius of 75.00 feet, through a central angle of 163°33'21", an arc length of 214.09 feet; thence N47°35'33"W, a distance of 478.87 feet; thence N73°27'47"W, a distance of 537.93 feet; thence along a curve to the right having a radius of 75.00 feet, through a central angle of 47°51'52", an arc length of 62.65 feet; thence N25°49'46"W, a distance of 869.72 feet; thence N07°58'03"W, a distance of 711.27 feet; thence N17°20'32"W, a distance of 385.47 feet; thence N12°21'18"E, a distance of 263.75 feet; thence N86°05'26"E, a distance of 419.31 feet to the Point of Beginning, containing 190.98 acres, more or less.



AMENDMENT

**FIRST AMENDMENT
OF
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR GRIZZLY RANCH**

RECITALS

A. Grizzly Creek Development, LLC, a Delaware limited liability company ("Declarant") has heretofore on December 3, 2003, recorded in the Official Records of Plumas County, California as Instrument No: 2003-0014465, that certain document titled "Declaration of Covenants, Conditions and Restrictions for Grizzly Ranch" (the "Declaration").

B. The Declaration affects that certain common interest development situated within the County of Plumas, State of California, commonly known as Grizzly Ranch and more particularly described in Exhibit "A", attached hereto. The real property described in Exhibit "A" is the initial phase of the Grizzly Ranch common interest development and in the future the Declarant intends to annex additional lands to Grizzly Ranch.

C. Declarant is the current owner of all Lots and other parcels described in Exhibit "A".

D. Capitalized terms used in this Amendment but not otherwise defined herein shall have the meanings ascribed to them in the Declaration.

E. Pursuant to Section 19.01 of the Declaration, Declarant hereby acts to amend the Declaration in the following respects:

AMENDMENT

1. Section 5.07(b) of the Declaration is hereby amended in its entirety to read as follows:

(b) Inspection Fee and Deposits. The Design Guidelines may require that the submission of plans and specifications be accompanied by a reasonable fee. The Design Guidelines may also provide for a cash deposit procedure to help ensure proper and timely completion of works of Improvement in accordance with approved plans and specifications and to reimburse the Association for damage to roadways and other Common Facilities resulting from the Owner's construction project.

2. Section 6.02 of the Declaration is hereby amended in its entirety to read as follows:

Section 6.02. Building Location. All Residences and ancillary buildings must be located within the Building Envelope of a Homesite, and additionally, comply with any applicable zoning ordinance or other governmental restriction. A Building Envelope will be defined for each Homesite. A Lot Criteria Diagram, incorporating a Building Envelope, easements, contour lines and intervals, shall be provided to each Owner as needed for the Owner's processing of building permit applications. The size of the Building Envelope will vary from Homesite to Homesite, and be based on criteria such as overall Homesite size, topography, view corridors, relationship to adjacent Homesites and access. All outdoor amenity areas and ancillary uncovered Improvements shall be located within the Building Envelope, except for a driveway and retaining walls necessary for the construction of a driveway. Homesites which include natural slopes in excess of thirty percent (30%) within the Building Envelope will be subject to special design requirements. Additional requirements and restrictions relating to Building Envelopes are set forth in the Design Guidelines.

3. Section 6.10(a) of the Declaration is hereby amended in its entirety to read as follows:

(a) No residences shall be heated solely by wood burning appliances. Each Residence shall be equipped with a conventional heating device utilizing propane, natural gas, electricity, geothermal heat pump, solar or other extremely low-emitting energy source with sufficient capacity to heat all areas of the Residence without reliance on wood burning heating devices. All wood burning devices shall be EPA-Certified Phase II woodstoves or equivalent devices and must be installed in compliance with Plumas County and Northern Sierra Air Quality Management District regulations. Fireplaces are considered to be wood combustion units. Open hearth fireplaces that are not Environmental Protection Agency Phase II or equivalent devices shall be permitted so long as the Declarant and the County conclude an agreement through which the Declarant would pay into an appropriate County air quality fund the sum of \$1000.00 for each open hearth fireplace built or installed that is not Phase II compliant or equivalent. The fund will be used to replace residential wood combustion units that are not Environmental Protection Agency Phase II compliant or equivalent with residential wood combustion units that are Environmental Protection Agency Phase II compliant or equivalent or with a heating unit that is not a wood combustion unit. The \$1000.00 payment will be adjusted annually to reflect the changes in the California Consumer Price Index relative to the California Consumer Price Index in the year 2003.

4. Section 6.11 of the Declaration is hereby amended in its entirety to read as follows:

Section 6.11. Colors and Exterior Finishes. It is the intent of Grizzly Ranch to preserve the appearance of the natural landscape and preclude the use of colors or materials that would appear out of place. The color of all exterior

building materials shall be in harmony with the existing environment, as determined by the Design Review Board in its discretion. The Design Guidelines include a color palette of generally approved exterior finish colors. The color palette is only a starting point, and the approval of colors on a given Homesite will be based on other factors such as location of the Homesite within the development, relationship to nearby improvements, and the surrounding natural landscape within the immediate vicinity of the Homesite. The Design Review Board is concerned with the color and finish of all materials visible from the home exterior including, but not limited to, siding, roofs, stone, exterior floors, post caps, light fixtures, flashing, trim, posts, beams, chimney caps, exposed vents, outlet covers, hardware, windows and doors, including garage doors. Reflective finishes (other than glass) are generally not permitted, and all exterior finishes, textures and material, including roof materials, must be adequately described in plans and specifications and samples must be submitted along with the plans and specifications and be approved by the Design Review Board. Imitation materials (i.e., materials that mimic something they are not), including but not limited to slump block, imitation log siding, vinyl siding imitating board siding, grooved plywood siding attempting to look like vertical board siding, etc. will generally not be allowed. Additional requirements addressing colors and exterior finishes are more fully covered in the Design Guidelines.

5. Section 6.12 of the Declaration is hereby amended in its entirety to read as follows:

Section 6.12. Roofing Materials. The primary roof materials for homes in Grizzly Ranch shall be composition shingle and metal. Roof materials must be subtle; no large variations in color, false shadow lines or high contrast roofing material will be allowed. Metal roofs may include natural weathering steel, steel having factory applied fluorocarbon resin coating in an approved color range and a flat or matte finish, and copper. High-quality architectural-grade composition shingle roofs will be considered on individual merit. All roofing must be Class A. For fire safety, wood shakes and wood shingle roofs are not allowed, including those that are rated Class A. Tar and gravel roofs which are exposed to public view are not allowed, and each tar and gravel roof will be reviewed on a case-by-case basis. All roofing materials must be adequately shown in plans and specifications, including manufacturer's specifications and a sample of the roofing materials. Manufacturer's specifications may affect approval. Requirements relating to roofing material and application are more fully covered in the Design Guidelines.

6. Section 6.14(c) of the Declaration is hereby amended in its entirety to read as follows:

(c) Erosion Control. The Design Guidelines and applicable governmental erosion control standards and requirements shall apply to all construction activities. Use of Best Management Practices (BMPs), both

temporary during construction and permanent, are encouraged to the extent that they satisfy the requirements of all governmental agencies. Generally, erosion control includes measures to address soil and slope stabilization, and every construction activity that may disturb the native surface cover or soil must submit, along with construction plans, an erosion control plan, or description of measures proposed to address erosion control. The Design Guidelines include preferred measures that will aesthetically compliment the surrounding landscape and color palette, and the Design Review Board may approve those measures provided they satisfy governmental agency requirements. No disturbed surface or soil shall be left unprotected through a winter season without erosion control measures. Temporary measures shall be employed until revegetation is established.

7. Section 7.01(e) of the Declaration is hereby amended to all the following sentence at the end of that subparagraph:

Without limiting the generality of the foregoing, the Association shall be authorized and empowered to delegate to the Grizzly Ranch Conservancy, a California nonprofit public benefit corporation, the right to enter any area of the Development that is shown or designated on any Subdivision Map as either a "Conservation Easement Buffer" or a "Development Setback Buffer" and to maintain such areas in accordance with the maintenance standards established by the U.S. Army Corps of Engineers.

8. Section 8.02 of the Declaration is hereby amended in its entirety to read as follows:

Section 8.02. Common Areas. The Common Areas shall be preserved as open space and used for recreational and other purposes incidental and ancillary to the use of Homesites. Such use shall be limited to the private use for aesthetic and recreational purposes by the Members and their tenants, families and guests, subject to the provisions of the Governing Documents. No improvement, excavation or work which in any way alters any Common Area or Common Facility from its natural or existing state on the date such Common Area or Common Facility is conveyed to the Association shall be made or done except by the Association and then only in strict compliance with the provisions of this Declaration.

9. Article IX of the Declaration is hereby amended to add the following new Section 9.10:

Section 9.10. Conservation Easement. By recordation of that certain document titled "Grant of Perpetual Conservation Easement Grant" (the "Conservation Easement") in the Official Records of Plumas County, California, a conservation easement has been established for the benefit of the Grizzly Ranch Conservancy, a California nonprofit public benefit corporation (the "Conservancy") over Common Area parcels W1 and W2, as

Easement Areas") shall be limited as set forth in the Conservation Easement. It is anticipated that as additional Phases of the Development are annexed and subjected to this Declaration, portions of the Common Areas located in such Annexed Property will also be subjected to the Conservation Easement and designated as Conservation Easement Areas. The terms and conditions of the Conservation Easement are incorporated herein by this reference.

10. Except as herein amended, the Declaration referenced in Recital "A", above is confirmed and remains in full force and effect.

Dated: December 16 2003

DECLARANT:

GRIZZLY CREEK DEVELOPMENT, LLC,
a Delaware limited liability company

By: GRIZZLY CREEK MANAGER, LLC,
a California limited liability company, its Managing Member

By: DDC GRIZZLY CREEK, INC.,
a California corporation, its Manager

By: Andrew D. Norris
Name: Andrew D. Norris, III
Its: Executive Vice President

By: Michael A. Moeller
Name: Michael A. Moeller
Its: Senior Vice President



2003-0015286

Recorded	REC FEE	29.00
Official Records		
County Of		
Plumas		
KATHLEEN WILLIAMS		
Recorder		
MELINDA ROTHER		
Assistant		
10:07AM 30-Dec-2003		
	Kelly	
	Page 1 of 8	

RECORDING REQUESTED BY:
CAL-SIERRA TITLE COMPANY

WHEN RECORDED MAIL TO:

CAL-SIERRA TITLE COMPANY
20 CRESCENT ST.
QUINCY, CALIFORNIA 95971-9118

SPACE ABOVE

ERVED FOR RECORDER'S USE

ORDER NUMBER: 38243

DOCUMENT TITLE:

*FIRST AMENDMENT OF DECLARATION OF
COVENANTS, CONDITIONS & RESTRICTIONS*

THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(ADDITIONAL RECORDING FEE APPLIES)

STATE OF CALIFORNIA }
COUNTY OF Plumas } ss

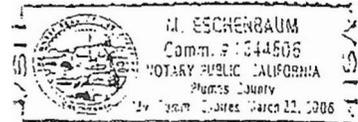
On December 19, 2003 before me, the undersigned, personally appeared
Michael A. Alford

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

WITNESS my hand and official seal.

Signature

M. Alford



ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of Santa Barbara } ss.

On Dec. 26, 2006 before me, SHARON L. VERHASSELT
(DATE) (NOTARY)
personally appeared ANDREW D. NORRIS III
(SIGNER(S))

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



WITNESS my hand and official seal.

Sharon L. Verhasselt
NOTARY'S SIGNATURE

OPTIONAL INFORMATION

The information below is not required by law. However, it could prevent fraudulent attachment of this acknowledgment to an unauthorized document.

CAPACITY CLAIMED BY SIGNER (PRINCIPAL)

DESCRIPTION OF ATTACHED DOCUMENT

- INDIVIDUAL
- CORPORATE OFFICER
EXEC. VICE PRESIDENT
(TITLE(S))
- PARTNER(S)
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

OTHER

SIGNER (S) REPRESENTING:
(NAME(S) OF PERSON(S) OR ENTITY(ES))
ABC COMPANY, INC.

RIGHT THUMBPRINT
OF
SIGNER

