

**RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GOLDEN OAKS**

The Declaration of Covenants, Conditions and Restrictions of The Golden Oaks Association, executed by Victor D. Klein, Mandarin Investment Corporation, Klein/Olson, Inc., Klein/Olson, Inc. Employees' Money Purchase Pension Trust Agreement for the Money Purchase Pension Plan and Klein/Olson, Inc. Employees' Pension Trust Agreement dated March 29, 1976, for the Defined Benefit Pension Plan (collectively, "Declarant"), Recorded on August 23, 1978, as Instrument No. 24032, in Book 974, pages 329 through 342, inclusive, as amended and restated in its entirety by the Amended Declaration of Covenants, Conditions and Restrictions of Golden Oaks Association, Recorded on February 7, 1991, as Instrument No. 91-03324, both of the Official Records of Nevada County, California (collectively, the "Original Declaration"), which affects all of the Properties described and commonly known as Golden Oaks, is hereby amended and restated in its entirety to read as follows:

RECITALS

A. Declarant was the original owner of that certain real property located in the County of Nevada, State of California, which is more particularly described as follows (the "Properties"):

Parcels 1 through 103, inclusive, and the roads designated as "Brewer Road", "Iron Horse Drive", "Egbert Hill Drive", "Cottage Hill Road", "Carriage Road", "Buckboard Road", "Conestoga Drive", "Salt Creek Road", "Pioneer Way", "Surrey Drive", "Oxbow Way" and "Salt Creek Court", all as shown on the subdivision map of Golden Oaks filed on October 20, 1977, in the office of the Nevada County Recorder, in Book 5 of Maps, at page 63.

B. Declarant conveyed the Properties, subject to certain easements, protective covenants, conditions, restrictions, reservations, liens and charges as set forth in the Original Declaration, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of Properties and all of which shall run with the Properties and be binding on all parties having or acquiring any right, title or interest in the Properties, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

C. It was the further intention of the Declarant to sell and convey residential Lots to the Owners, subject to the protective covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarant and such Owners which are set forth in this Declaration. Finally, it was the intention of Declarant that the "Common Areas" be reserved exclusively for the use and enjoyment of the Owners, their tenants, lessees, guests and invitees, all subject to the terms and conditions of the Governing Documents.

D. In adopting this Declaration it is the intention of the Owners to subject the Properties, and the Lots and Common Areas located therein, to the Davis-Stirling Common Interest Development Act (California Civil Code section 1350 et seq.) as a "planned development" as that term is defined in Civil Code section 1351(k).

E. On March 1, 1996, the Owners of Lots representing 66 2/3 percent of the Voting Power of the Association voted by written ballot to amend and restate the Original Declaration, all in accordance with the procedures for amendment set forth in the Original Declaration and Civil Code section 1355. It was the intention of the Owners to replace the Original Declaration, in its entirety, with this Declaration. The Owners' action to amend and restate the Original Declaration as set forth herein and the fact that the requisite percentage of affirmative votes required in the Original Declaration was achieved, is attested by the execution of this Declaration by duly authorized officers of the Association, as required by Civil Code section 1355(a). As so amended and restated, the easements, covenants, restrictions and conditions set forth herein shall run with the Properties and shall be binding upon all parties having or acquiring any right, title or interest in the Properties or any portion thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE I

Definitions

Section 1.1. "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 1.2. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and his or her Lot in accordance with the provisions of article VIII of this Declaration.

Section 1.3. "Association" means The Golden Oaks Association, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns. The Association is an "association" as defined in Civil Code section 1351(a).

Section 1.4. "Association Rules" means the rules, regulations and policies adopted by the Board of Directors pursuant to section 7.7 of this Declaration, as the same may be in effect from time to time.

Section 1.5. "Board of Directors" or "Board" means the Board of Directors of the Association.

Section 1.6. "Bylaws" means the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 1.7. "Common Area" means the approximately 11.8 miles of private roads within the Properties, which are currently maintained by the Association and which are subject to an offer of dedication in favor of the County.

Section 1.8. "Common Expense" means any use of Association funds authorized by article VIII hereof and article IX of the Bylaws and includes, without limitation: (a) All expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of any Common Area; (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 any improvements within the Common Areas; 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 1.9. "County" means the County of Nevada, State of California, and its various departments, divisions, employees and representatives.

Section 1.10. "Declarant" means the original developer of the Properties identified in the Preamble to this Declaration.

Section 1.11. "Easement Holders" means the persons who have easements of access, ingress and egress over the Common Area by virtue of their ownership of the parcels of real property identified on attached Exhibit "A".

Section 1.12. "Declaration" means this instrument, as it may be amended from time to time. The "Original Declaration" means and refers, collectively, to the documents referenced in the Preamble to this Declaration.

Section 1.13. "Governing Documents" is a collective term that means and refers to this Declaration and to the Articles, the Bylaws and the Association Rules.

Section 1.14. "Lot" means any parcel of real property designated by a number on the Subdivision Map. When appropriate within the context of this Declaration, the term "Lot" shall also include the Residence and other Improvements constructed on a Lot.

Section 1.15. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the meeting in person or by proxy or casting written ballots equals or exceeds the minimum quorum requirement for Member action, as specified in the Bylaws or by statute.

Section 1.16. "Member" means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to section 12.6 hereof.

Section 1.17. "Mortgage" means any security device encumbering all or any portion of the Properties, including any deed of trust. "Mortgagee" shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

Section 1.18. "Owner" means any person, firm, corporation or other entity in which fee simple title to a Lot is vested as shown by the Official Records of the Office of the County Recorder.

Section 1.19. "Properties" means the real property described in Recital "A" hereof, together with all buildings, structures, utilities, and other Improvements now located or hereafter constructed or installed thereon, and all appurtenances thereto.

Section 1.20. "Record" means, with respect to any document, the recordation or filing of such document in the Office of the County Recorder.

Section 1.21. "Regular Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with section 8.2, hereof.

Section 1.22. "Residence" means a private, single-family dwelling constructed or to be constructed on a Lot.

Section 1.23. "Single Family Residential Use" means occupancy 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 1.24. "Special Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with section 8.3 hereof.

Section 1.25. "Special Individual Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with section 8.4 hereof.

Section 1.26. "Subdivision Map" means the map Recorded with respect to the Properties.

Section 1.27. "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 the time any determination of voting power is made.

ARTICLE II Use of Properties and Restrictions

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

Section 2.1. Zoning Restrictions. Lots within the Properties are zoned A1-X for Single Family Residential use and Agricultural use and shall be subject to all restrictions imposed by the zoning ordinance of the County of Nevada, State of California, and shall be further subject to all of the provisions of this Declaration and the Bylaws. Zoning is subject to change only upon the proper application to the County. The A1-X zoning designation by the County means that it is recommended that the Lots within the Properties not be further subdivided at this time.

Section 2.2. Land Use. No Lot shall be used except in accordance and in compliance with any and all applicable laws, ordinances and regulations of the various governmental entities having jurisdiction over the real property.

Section 2.3. Oil, Gas and Minerals. No operations for the development of oil, gas, or minerals shall be permitted upon any Lots nor shall oil, gas wells or tanks, mineral tunnels, excavations or shafts be permitted or constructed upon any Lot.

Section 2.4. Trees and Brush Removal. Each Owner shall be responsible for the control of brush, weeds and grass on his land in consideration of fire danger. Each Owner shall comply with any and all other local ordinances and regulations, including but not limited to California Department of Forestry requirements and regulations.

Section 2.5. Signs. No sign of any kind shall be displayed to the public view on any Lot except (i) for property identification; (ii) one professional sign of not more than five (5) square feet; and (iii) one sign of reasonable dimensions advertising the Lot for sale or lease. Posting of professional "No Trespassing" signs are valid if worded with legal, proper codes.

Section 2.6. Motorcycles. No motorcycle, motor bike or trail bike may be operated on the Common Area roads except for the sole purpose of ingress and egress.

Section 2.7. Nuisances. No noxious, offensive or illegal activities shall be carried on or upon any Lot or the Common Area, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to any adjacent Owner. In such event, any Owner has the standing authority to take appropriate legal action to abate such annoyance or nuisance.

Section 2.8. Temporary Structures. No structure of a temporary character, including but not limited to campers, mobile homes, motor homes, trailers, tents, shacks, garages, barns, basements, or any out-buildings shall be used on any Lot at any time as a residence, except for such temporary periods as may be necessary during the construction time required for the construction of a single family Residence on such Lot, but in no event shall such temporary occupancy exceed a period of one year.

Section 2.9. Garbage and Refuse Disposal. No portion of any Lot shall be used or maintained as a dumping ground for garbage, refuse, rubbish, trash, or any other such waste. Any such waste shall be temporarily stored for a period not to exceed one year in sanitary receptacles provided for such purposes.

Section 2.10. Sewage Disposal. No sewage disposal systems shall be permitted on any parcel except a septic system approved and installed with the approval of the appropriate County officials.

Section 2.11. Variances. Upon application by any Owner, the Board of Directors shall be authorized and empowered to grant reasonable variances from the property use restrictions set forth in this article, if specific application of the restriction will, in the sole discretion of the Board, either cause an undue hardship to the affected Owner or fail to further or preserve the common plan and scheme of development contemplated by this Declaration.

Section 2.12. 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 property use infraction that does not necessitate immediate corrective action under section 12.6 hereof, 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 III Minimum Construction Standards

Improvements constructed on any Lot shall conform to the following minimum construction standards:

Section 3.1. Minimum Square Footage of Residences. No single family Residence which possesses a fully enclosed floor area, exclusive of covered or uncovered porches, terraces, decks, garages, carports or other out-buildings, of less than one thousand two hundred (1,200) square feet shall be permitted on a Lot.

Section 3.2. Minimum Lot Line Setbacks. Any structure constructed upon a Lot shall be as follows:

- (a) Not less than fifty feet (50') from any boundary line of the Lot;

(b) Not less than one hundred feet (100') from any stream or flood plain;

(c) Not less than one hundred feet (100') from the Overland Emigrant Trail as shown on the Subdivision Map and as marked by Declarant and/or the County Land Marks Commission.

Section 3.3. Modular Units. Modular homes may be permitted within the Properties; however, they must meet and pass prior approval by the County Planning Department, County Building Codes and County Ordinances Departments. All necessary County permits must be received and all provisions of this Declaration must be adhered to.

Section 3.4. Driveway Culverts. Where the topography and drainage requirements of a Lot requires, the Owner shall install one or more driveway culverts for vehicular access from the adjacent road to the Lot. The culvert(s) shall be installed in compliance with all applicable County requirements.

Section 3.5. Completion of Construction. Construction of any improvement shall be pursued diligently to completion, and any improvements not so completed, or upon which construction has ceased, or which have been partially or totally destroyed and rebuilt within a reasonable period of time, shall be deemed a nuisance, unless such delay is due to causes beyond the control of the Owner.

Section 3.6. Fire Protection Requirements. All Lots and construction thereon must comply with the rules and regulations of the appropriate fire protection agency. It is suggested that all Owners and prospective Owners contact such agency for more detail.

ARTICLE IV Roads

Section 4.1. Use of Roads.

(a) All Common Area roads are hereby dedicated for equestrian and pedestrian use as well as vehicular (including bicycle) use. All such roads are to be kept free of any locked gates or barricades of any sort, and may not be used for the parking of vehicles.

(b) All Common Area roads have been offered to the County for dedication, and at such time as the County accepts any Common Area road(s) as a public road, to the extent they are controlling, then applicable State of California and County laws and ordinances will supersede any provision contained herein pertaining to use and maintenance of such road(s).

Section 4.2. Speed Limits. The maximum permissible speed on any road within the Properties shall be twenty-five miles per hour (25 MPH).

Section 4.3. Delegation of Use. Any Owner may delegate his right of enjoyment and use of the Common Area roads to the members of his family, and his guests, tenants and contract purchasers who reside on his Lot, so long as they all abide by the provisions of the Governing Documents.

Section 4.4. Private Driveways. The private driveways serving the individual Lots shall be maintained outside the Assessment procedures of the Association.

Section 4.5. Road Damage. In addition to all other provisions of this Declaration, every Owner or Easement Holder who shall cause or allow, in any manner, any Common Area road to become unsafe, altered by vehicular traffic or otherwise, thereby causing damage to the surface thereof, shall bear as his responsibility the costs and expense of repairing such damage. If such person shall not pay his prorata share of costs and expenses for these special repairs, immediately upon receiving his bill in writing for the same, the Association shall be entitled without further notice, to institute legal action for the collection of funds advanced in behalf of such person, and shall be entitled to recover in such action, in addition to the funds advanced, interest thereon at the legal rate of 18% interest per annum until paid in full, as well as all costs and disbursements of such action, including such sum or sums as the court may fix as and for reasonable attorneys' fees.

Section 4.6. Duration of Agreement. The provisions of this agreement, pertaining to road maintenance, shall effect and run with the land and shall exist and be binding upon all parties claiming an interest in the Properties forever, or until such time as the dedicated roads are accepted for use as public streets or thoroughfares by municipal government lawfully exercising jurisdiction over such private roads.

ARTICLE V

Association and Owner Maintenance Responsibilities

Section 5.1. Association Maintenance Responsibilities. The Association shall be responsible for all maintenance, repair, upkeep and replacement of all improvements located on the Common Area. 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, except for driveway culverts as provided below. This section shall not preclude an Owner from managing or controlling weeds, dead trees, and other natural vegetation on that portion of the Common Area located between that Owner's Lot and the road in order to reduce the risk of fire or to enhance health or safety.

Section 5.2. Owner Maintenance Responsibility. Each Owner shall be responsible for the maintenance and repair of his or her Residence and Lot and all improvements thereon, and shall maintain and repair, as necessary, the driveway culvert(s) serving the Owner's Lot. Without limiting the foregoing, Owners shall manage weeds, dead trees, and other natural vegetation on their Lots in a way which reduces the risk of fire, and shall maintain all improvements on their Lots in such a manner as to not constitute a hazard to health or safety.

Section 5.3. Association Recovery of Costs of Certain Repairs and Maintenance.

(a) Association Maintenance Necessitated 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 insurance policies maintained by the Association or the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with section 8.4 hereof.

(b) Owner Defaults in Maintenance Responsibilities. If an Owner fails to perform maintenance or repair functions on the Owner's Lot 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 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 7.6(b) to enter the Owner's Lot and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing in accordance with section 12.6, hereof.

Section 5.4. Cooperative Maintenance Obligations. To the extent necessary or desirable to accomplish the Association's maintenance and repair obligations hereunder, individual Owners shall cooperate with the Association and its agents and maintenance personnel and contractors in the prosecution of its work.

ARTICLE VI Easements

Section 6.1. The Overland Emigrant Trail. No Owner, now or at any time in the future, may, without the written consent of the County Landmarks Commission, do or allow others to do any act which would further damage, obliterate, or destroy the remaining sections of the Overland Emigrant Trail.

Section 6.2. Easement Maintenance. Within such easements as have been designated as reserved for easement purposes within the Properties, no structure, planting or other materials shall be placed or permitted to remain which may damage or interfere with the purpose for which the easement was reserved. The easement area designated on any Lot together with any improvements required for the purposes of such easement shall be maintained continuously by the Owner of the Lot, except for such improvements for which a public authority, utility company, or the Association is responsible.

Section 6.3. Existing Easements. The following classes of easements have been offered for dedication to the County:

(a) For any and all public uses, all that portion of those certain strips of land shown and designated as "Brewer Road, Iron Horse Drive, Egbert Hill Drive, Cottage Hill Road, Junebug Road, Carriage Road, Sharmiden Road, Buckboard Road, Conestoga Drive, Salt Creek Road, Pioneer Way, Surrey Drive, Oxbow Way and Salt Creek Court" situated within the boundaries of the Properties.

(b) Rights of way for "Slope Easements" (S.E.), together with all appurtenances thereto, on, over, under, and across those strips of land of a width of 15 feet lying adjacent and parallel to all private roads, and those areas designated (S.E.), situated within the boundaries of the Properties.

(c) Rights of way and easements for water, gas, sewer, and drainage pipes, conduits, ditches, poles for overhead and underground wires and appurtenances thereto, on, over, under, and across those strips of land lying five feet on each side of all side and rear Lot lines of each Lot, and on, over, under and across those stripes of land shown and designated as "Public Utility Easements" (P.U.E.), and on, over, under and across those strips of land of a width of 10 feet lying adjacent and parallel to road lines of public and/or private roads, situated within the boundaries of the Properties, and on, over, under and across those strips of land of a width of 15 feet lying adjacent and parallel to all Lot lines which form the exterior boundaries of the Properties, excepting those exterior lines which are common to road lines of public and/or private roads, together with the right to trim and/or remove only necessary trees, limbs, or brush.

(d) For drainage pipes, conduits, and ditches, together with all appurtenances thereto, on, over, under and across those certain strips of land shown and designated as "Drainage Easements" (D.E.), together with the right to trim and/or remove only necessary trees, limbs, or brush.

(e) Rights-of-way and easements for pedestrian and equestrian trails, and for fishing access purposes, on, over, and across those certain strips of land shown and designated as "Recreation Easements") (R.E.).

(f) For emergency vehicular ingress and egress on, over, and across those certain strips of land shown and designated as "Emergency Access Easements" (E.A.E), together with the right to extract by whatever means available, water from the adjacent source.

(g) An easement shown and designated as "Restricted Access Easement" (R.A.E.); said strip being 10 feet in width lying parallel to and adjacent with a road right-of-way line so that no vehicular access can be had from the given road.

(h) For any and all public uses, all that area within those easements and certain circles of a radius of 60 feet, shown and designated as "Temporary Access Easement" and "Temporary Cul-de-sac's."

Section 6.4. Future Easements. The Association may, through its Board of Directors, after ratification by a majority vote of all Members of the Association entitled to vote, grant easements either by sale, gift or other agreement to use Association property if the Board determines that such grant is in the best interest of the Association and its Members. The Association may also, through its Board of Directors, after ratification by a majority vote of all Members of the Association entitled to vote, accept on behalf of itself and its Members, easements on the property either of Members or of third parties, if in the opinion of the Board it is in the best interests of the Association and its Members; Association funds may be used for such purposes.

Section 6.5. Common Area. If at any time, any Common Area or any portion thereof, or any Lot within the Properties subsequently designated as a Common Area, or any improvements or facilities constructed on any such Common Areas, or any interest therein be taken by right of eminent domain or by private purchase in lieu of eminent domain, or become destroyed in a manner covered by insurance, the entire award or insurance proceeds shall be paid the Association, or its successors in interest. No Member of the Association, or its successors in interest, shall be entitled to participate as a party in any proceeding, except to the extent of being called as a witness and/or participate in any award which so results, except to the extent of said Members receiving a pro-rata share in the event of a dissolution of the Association.

ARTICLE VII Homeowners Association

Section 7.1. Association Membership. Every Owner of a Lot shall be a Member of the Association. Each Owner shall hold one membership in the Association for each Lot owned and the membership shall be appurtenant to such Lot. Sole or joint ownership of a Lot shall be the sole qualification for membership in the Association. Each Owner shall remain a Member until his or her ownership in all Lots in the Properties ceases, at which time his or her membership in the Association shall automatically cease. Persons or entities who hold an interest in a Lot merely as security for performance of an obligation are not Members until such time as the security holder comes into title to the Lot through foreclosure or deed in lieu thereof. Easement Holders are not Members of the Association.

Section 7.2. One Class of Membership. The Association shall have one class of membership and the rights, duties, obligations and privileges of the Members shall be as set forth in the Governing Documents.

Section 7.3. Voting Rights of Members. Each Member shall be entitled to one vote for each Lot owned by that Member. When more than one person holds an interest in any Lot, all such persons shall be Members, although in no event shall more than one vote be cast with respect to any Lot. Voting rights may be temporarily suspended under those circumstances described in section 12.6 hereof.

Section 7.4. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Lots within the Properties and to enforce payment of such Assessments in accordance with article VIII of this Declaration. Any Assessments levied by the Association against its Members shall be levied in accordance with and pursuant to the provisions of this Declaration.

Section 7.5. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale of the Lot to which it is appurtenant and then, only to the purchaser. In the case of a sale, the membership appurtenant to the transferred Lot shall pass automatically to the purchaser upon Recording of a deed evidencing the transfer of title. In the case of an encumbrance of such Lot, a Mortgagee does not have membership rights until he or she becomes an Owner by foreclosure or deed in lieu thereof. Tenants who are delegated rights of use with respect to a Residence pursuant to section 9.3 hereof are not Members, although the tenant and his or her family and guests shall, at all times, be subject to the provisions of all Governing Documents. Any attempt to make a prohibited transfer of membership rights is void. If any Owner fails or refuses to transfer the membership registered in his or her name to the purchaser of his or her Lot, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 7.6. Powers and Authority of the Association.

(a) Powers, Generally. The Association is organized to own, manage and maintain the Common Areas and all improvements installed thereon by the Association, for the removal of snow, and for the maintenance of drafting ponds for fire protection purposes. The Association shall also discharge the other duties and responsibilities imposed on the Association by the Governing Documents. In undertaking its responsibilities hereunder, 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 and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. The specific powers of the Association and the limitations thereon shall be as set forth in article IX of the Bylaws.

(b) Association's Right of Entry.

(i) Right of Entry, Generally. Without limiting the generality of the foregoing enumeration of corporation powers, and subject to the limitations in subparagraph (ii), below, the Association is hereby authorized and empowered directly or through its agents to enter any Lot when necessary to perform the Association's obligations under this Declaration.

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

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

(B) In all nonemergency 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 set forth in section 12.6 hereof.

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

Section 7.7. Association Rules.

(a) Rule Making Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners ("Association Rules"). The Association Rules may concern, but need not be limited to: (i) matters pertaining to the maintenance, repair, management and use of any of the Common Area; (ii) the conduct of enforcement proceedings in accordance with section 12.6 hereof; and (iii) any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

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

(b) Distribution of Rules. A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. When an amendment of an existing Rule or a new Rule is adopted, the new Rule or amendment shall be mailed or delivered to the Members within 30 days. A copy of the Association Rules shall also be available and open for inspection 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 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. This 30-day publication requirement shall not apply to rules which relate solely to procedural aspects of Board meetings. Any duly adopted rule or amendment to the Association Rules shall become effective 30 days following the date of adoption thereof by the Board, or at such later date as the Board may deem appropriate.

Section 7.8. Breach of Rules or Restrictions. Any breach of the Association Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in article XII hereof.

Section 7.9. 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 Area 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 is an Owner of no more than two Lots;
- (ii) The act or omission was performed within the scope of the volunteer Board member's or officer's Association duties;
- (iii) The act or omission was performed in good faith;
- (iv) The act or omission was not willful, wanton, or grossly negligent;
- (v) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made general liability insurance with coverage of at least One Million Dollars (\$1,000,000).

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

ARTICLE VIII
Assessments

Section 8.1. Assessments Generally.

(a) Covenant to Pay Assessments. Every Owner of a Lot, by acceptance of a deed or other conveyance therefor (whether or not it shall be so expressed in such deed or conveyance), 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 Lot at the time the Assessment is levied. When a person acquires title to a Lot (whether by conventional conveyance, at judicial sale, trustee's sale or otherwise) that person shall only be personally liable for Assessments attributable to the Lot which become due and payable from the date that the person acquires title. Accordingly, when a person acquires title to a Lot, he or she shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability. However, if the acquired Lot is conveyed subject to a valid lien for delinquent Assessments, the Association may continue to exercise its foreclosure remedies against the Lot, regardless of the change in ownership or the Association may pursue its collection remedies against the prior Owner individually.

(c) Creation of Assessment Lien. All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a charge on the Lot and shall become a lien upon the Lot against which such Assessment is made upon recordation of a notice of assessment lien in accordance with Civil Code section 1367. Any lien for unpaid Assessments created pursuant to the provisions of this article may be subject to foreclosure as provided in section 8.10(b) hereof.

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

Section 8.2. Regular Assessments.

(a) Preparation of Annual Budget; Establishment of Regular Assessments. Not less than 45 days nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Area) by preparing and distributing to all Members a budget satisfying the requirements of section 11.5 of the Bylaws. If the Board fails to distribute the budget for any fiscal year to all Members within the time period specified in the first sentence of this section, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the Members' approval in accordance with section 8.8 hereof.

(b) Establishment of Regular Assessment by Board/Membership Approval Requirements. The total annual expenses estimated in the Association's budget (less projected income from sources other than Assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year; provided, however, that, except as provided in section 8.5 hereof, the Board of Directors may not impose a Regular Assessment that is more than 20 percent greater than the Regular Assessment for the Association's immediately preceding fiscal year without the Members' prior approval in accordance with section 8.8 hereof.

(c) Allocation of Regular Assessment. The total estimated Common Expenses, determined in accordance with subparagraph (a), shall be allocated among, assessed against, and charged equally to each Owner and the Easement Holders.

(d) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner and the Easement Holders shall be set forth and recorded in an Assessment roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member. The Assessment roll (which may be maintained in the form of a computer printout) shall show, for each Lot, the name and address of the Owner, all Regular, Special and Special Individual Assessments levied against each Owner and his or her Lot, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by section 9.4(a) hereof shall be conclusive upon the Association and the Owner of such Lot as to the amount of such indebtedness appearing on the Association's Assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

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

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

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

Section 8.3. Special Assessments.

(a) Purposes for Which Special Assessments May Be Levied. Subject to the membership approval requirements set forth in subparagraph (b) below, the Board of Directors shall have the authority to levy Special Assessments against the Owners and their Lots and the Easement Holders for the improvement, maintenance and repair of the Common Area, as the same now exist or may exist in the future. 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 improvements with the Common Area through Regular Assessments (including the funding of reasonable reserves).

(b) Special Assessments Requiring Membership Approval. Any Special Assessments which, in the aggregate, exceed 5 percent of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied shall require membership approval in accordance with section 8.8 hereof, unless the Special Assessment is imposed to address an "emergency situation" as defined in section 8.5 hereof.

(c) Allocation and Payment of Special Assessments. When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against and charged to each Owner and his or her Lot and the Easement Holders in the same manner prescribed for the allocation of Regular Assessments pursuant to section 8.2(c) hereof. 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 shall be due as a separate debt of the Owner and against his or her Lot, and shall be payable in full to the Association within 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 8.4. 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 8.3 hereof, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (iii) below; provided, however, that no Special Individual Assessments may be imposed against an Owner pursuant to this section until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to section 12.6 hereof, 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. In the event that any damage to, or destruction of, any portion of the Common Area 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 the Properties that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion or (C) otherwise bring the Owner and/or his or her Lot into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties duly imposed 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 Lots. If an Owner fails to maintain his or her Lot as required by section 5.2, and the Lot becomes a nuisance, fire or safety hazard for any reason, the Association shall have the right to enter the Lot, correct the condition and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner. Any entry on the property of any Owner by the Association shall be effected in accordance with section 7.6(b) hereof.

(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 30 days after the mailing of notice of the Assessment.

Section 8.5. Assessments to Address Emergency Situations. The requirement of a membership vote to approve (a) Regular Assessment increases in excess of 20 percent of the previous year's Regular Assessment, or (b) Special Assessments which, in the aggregate, exceed 5 percent of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied, shall not apply to Assessments which are necessary to address emergency situations. For purposes of this section, an emergency situation is any of the following:

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

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

(iii) An extraordinary expense necessary to repair or maintain the Common Area that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to section 8.2(a) hereof; provided, however, that prior to the imposition or collection of an assessment under this subparagraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of assessment.

Section 8.6. Purpose and Reasonableness of Assessments. Each Assessment made in accordance with the provisions of this Declaration is hereby declared and agreed to be for use exclusively: (a) to promote the recreation, health, safety and welfare of individuals residing within the Properties; (b) to promote the enjoyment and use of the Properties by the Owners and their families, tenants, invitees, licensees, guests and employees; and (c) to provide for the repair, maintenance, replacement and protection of the Common Area and other improvements for which the Association is responsible.

Section 8.7. Exemption of Certain of the Properties From Assessments. The following real property subject to this Declaration shall, unless devoted to the use as a residential dwelling, be exempt from the Assessments and the lien thereof provided herein:

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

Section 8.8. Notice and Procedure for Member Approval Pursuant to Sections 8.2 and 8.3. If Member approval is required in connection with any increase or imposition of Assessments pursuant to sections 8.2 and 8.3 hereof, the affirmative vote required to approve the increase shall be a Majority of a Quorum of the Members. The quorum required for such membership action shall be a majority of the Members.

Section 8.9. Maintenance of Assessment Funds.

(a) Bank Accounts. All sums received or collected by the Association from Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more insured checking, savings or money market accounts in a bank or savings and loan association selected by the Board of Directors and located within Nevada County and/or Placer County. In addition, the Board shall be entitled to make prudent investment of reserve funds of federally-insured accounts or investments. The Board and such officers or agents of the Association as the Board shall designate shall have exclusive control of the account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof. The withdrawal of funds from Association accounts shall be subject to the minimum signature requirements imposed by Civil Code section 1365.5 and section 11.2 of the Bylaws.

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 aggregate amount in any account does not exceed federal deposit insurance limits and the separate accounting records described herein are maintained. Any interest received on such deposits shall be credited proportionately to the balances of the

various Assessment fund accounts maintained on the books of the Association as provided in subparagraph (b), below.

(b) Separate Accounts; Commingling of 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.

For purposes of accounting, but without requiring any physical segregation of assets, the Association shall keep a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made therefrom; provided, however, that receipts and disbursements of Special Assessments made pursuant to section 8.3(a)(i) hereof, 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.

Section 8.10. Collection of Assessments; Enforcement of Liens.

(a) Delinquent Assessments. If any installment payment of a Regular Assessment or lump sum or installment payment of any Special Assessment or Special Individual Assessment assessed to any Owner is not paid within 15 days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing 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 Civil Code sections 1366(c) and 1366.1 or comparable successor statutes.

(b) Effect of Nonpayment of Assessments.

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

by sale. Upon payment in full of the sums specified in the Notice of Delinquent Assessment, the Association shall Record a further notice stating the satisfaction and release of the lien thereof.

(ii) Remedies Available to the Association to Collect Assessments. The Association may bring legal action against the Owner personally obligated to pay the delinquent Assessment, foreclose its lien against the Owner's Lot or accept a deed in lieu of foreclosure. Foreclosure by the Association of its lien may be by judicial foreclosure or by nonjudicial foreclosure by the trustee designated in the Notice of Delinquent Assessment or by a trustee substituted pursuant to Civil Code section 2934a. Any sale of a Lot by a trustee acting pursuant to this section shall be conducted in accordance with Civil Code sections 2924, 2924b and 2924c applicable to the exercise of powers of sale in mortgages or deeds of trust.

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

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

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

Section 8.11. Transfer of Lot by Sale or Foreclosure. The following rules shall govern the right of the Association to enforce its Assessment collection remedies following the sale or foreclosure of a Lot:

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

(b) The Association's Assessment lien shall be extinguished as to all delinquent sums, late charges, interest and costs of collection incurred prior to the sale or transfer of a Lot pursuant to a foreclosure or exercise of a power of sale by the holder of a prior encumbrance (but not pursuant to a deed-in-lieu of foreclosure). A "prior encumbrance" means any first Mortgagee or other Mortgage or lien recorded against the Lot at any time prior to recordation of the Association's Assessment lien (see section 8.12 hereof).

(c) No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale, or otherwise, shall relieve the new Owner of such Lot (whether it be the former beneficiary of the first Mortgage

or other prior encumbrance or a third party acquiring an interest in the Lot) from liability for any Assessments which thereafter become due with respect to the Lot or from the lien thereof.

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

Section 8.12. Priorities. When a Notice of Delinquent Assessment has been Recorded, such notice shall constitute a lien on the Lot prior and superior to all other liens or encumbrances Recorded subsequent thereto, except: (a) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; and (b) the lien or charge of any first Mortgage of record (meaning any Recorded Mortgage with first priority over other Mortgages) made in good faith and for value; provided, however, that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such first Mortgage or other prior encumbrance.

ARTICLE IX

Property Rights and Obligations of Owners

Section 9.1. 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 Lot, which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) The right of the Association to adopt Association Rules as provided in section 7.7 hereof, regulating the use and enjoyment of the Properties for the benefit and well-being of the Owners in common, and, in the event of the breach of such rules or any provision of any Governing Document by any Owner or tenant, to initiate enforcement action against the violating Owner or tenant in accordance with section 12.6 hereof. Such action may include the levying of fines and/or the temporary suspension of the voting rights by any Owner in his or her capacity as an Association Member.

(b) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and any improvements installed or constructed thereon by the Association.

(c) The right of the Easement Holders to use the private roads for access, ingress and egress to and from their properties.

(d) All easements affecting the Common Area which are described in article IX hereof or on any Subdivision Map for the Properties.

Section 9.2. Persons Subject to Governing Documents. All present and future Owners, tenants and occupants of Lots within the Properties shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time, unless a particular provision is specifically restricted in its application to one or more of such classes of persons (i.e. Owners, tenants, invitees, etc.). The acceptance of a deed to any Lot, the entering into a lease, sublease or contract of sale with respect to any Lot, or the occupancy of any Lot shall constitute the consent and agreement of such

Owner, tenant or occupant that each and all of the provisions of this Declaration, as the same or any of them may be amended from time to time, shall be binding upon him or her and that he or she will observe and comply with the Governing Documents.

Section 9.3. Delegation of Use.

(a) Delegation of Use and Leasing of Residences. Any Owner may enter into a rental or lease agreement with respect to the Owner's Residence and Lot. Any rental or lease of a Residence shall be subject to the provisions of the Governing Documents all of which shall be deemed incorporated by reference in the lease or rental agreement. Each Owner-lessor shall provide any tenant or lessee with a current copy of all Governing Documents. Owner-lessors shall be responsible for compliance by the tenant or lessee with all of the provisions of the Governing Documents during the tenant's/lessee's occupancy and use of the Residence.

(b) Compliance by Lessees. Subject to subparagraph (c) 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 against the Owner-lessor and/or the tenant as the Association deems necessary or appropriate under the circumstances. The Association may also impose fines or penalties against the Owner or tenant.

(c) Due Process Requirements for Enforcement Action. Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction to the Properties or to preserve the rights of quiet enjoyment of other Owners, the Association shall have no right to initiate enforcement 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 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 enforcement 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 12.6 hereof.

Section 9.4. Obligations of Owners. Owners of Lots within the Properties shall be subject to the following:

(a) Notification Regarding Governing Documents.

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

(A) A copy of the Governing Documents;

(B) The Association's most recent financial statement;

(C) A true statement in writing from an authorized representative of the Association as to: (1) the amount of any unpaid Assessments, together with information relating to late charges, attorneys' fees, interest, and costs of collection which, as of the date the statement is issued, are or may become a lien on the Lot being sold ("delinquency statement"); and (2) the amount of the Association's current Regular and Special Assessments and fees; and

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

(ii) Within 10 days of the mailing or delivery of a request for the information described in subparagraph (a)(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.

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

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

(d) Prohibition on Avoidance of Obligations. No Owner, by abandonment of the Owner's Lot or otherwise may avoid the burdens and obligations imposed on such Owner by the Governing Documents, including, without limitation, the payment of Assessments levied against the Owner and his or her Lot pursuant to article VIII of this Declaration.

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

ARTICLE X

Insurance

Section 10.1. Types of Insurance Coverage. The Association shall purchase, obtain and maintain, with the premiums therefor being paid out of Association funds, the following types of insurance, if and to the extent such insurance, with the coverages described below, is available at a reasonable premium cost:

(a) Public Liability and Property Damage Insurance. To the extent such insurance is reasonably obtainable, a policy of comprehensive public liability and property damage insurance naming as parties insured the Association, each member of the Board of Directors, any manager, the Owners and occupants of Lots, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the ownership and use of the Common Area and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than two million dollars (\$2,000,000) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance may, in the Board's discretion, include coverage against liability for nonowned and hired automobiles.

(b) Additional Insurance and Bonds. To the extent such insurance is reasonably obtainable, the Association may also purchase with Association 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, director's and officer's liability insurance. The Board may also purchase and maintain fidelity bonds or insurance in an amount not less than 100 percent of each year's estimated annual operating expenses and shall contain an endorsement of any person who may serve without compensation. The Board shall purchase and maintain such insurance on personal property owned by the Association and any other insurance that it deems necessary or desirable.

Section 10.2. Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by section 10.1 is for any reason not available, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage hereinabove described. The Board shall notify the Owners of any material adverse changes in the Association's insurance coverage.

Section 10.3. Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

Section 10.4. 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 10.1 hereof. 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 10.5. Insurance on Lots and Residences. An Owner may carry whatever personal liability, property damage liability, fire and casualty insurance with respect to his or her Lot, Residence and personal property as the Owner desires. The Association shall have no responsibility for the adequacy or extent of such insurance coverage.

ARTICLE XI Damage or Destruction

In the event of damage or destruction by fire or other casualty affecting a Residence, the Owner thereof shall, within six months thereafter, either:

- (a) Diligently commence to rebuild the Residence in accordance with the terms hereof; or
- (b) Remove all wreckage, debris and remains of the Residence from the Lot and leave the Lot in a clean condition.

ARTICLE XII Breach and Default

Section 12.1. Remedy at Law Inadequate. Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration are inadequate and that the

failure of any Owner, tenant, occupant or user of any Lot to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

Section 12.2. Nuisance. Without limiting the generality of the foregoing section 1, the result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 12.3. Costs and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party hereto under this Declaration, the court may award to the prevailing party in such action such attorneys' fees and other costs as it may deem just and reasonable.

Section 12.4. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Declaration.

Section 12.5. Failure Not a Waiver. The failure of any Owner, the Board of Directors, the Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or the Board, or any of its officers or agents.

Section 12.6. Rights and Remedies of the Association.

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

The decision of whether it is appropriate or necessary for the Association to take enforcement action in any particular instance shall be within the sole discretion of the Board. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement as exist by virtue of 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). Once imposed, a fine or penalty may be collected as a Special Individual Assessment.

(c) Definition of "Violation". A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for additional days, action 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 enforcement 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 Enforcement Rights.

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

(ii) Hearings. No penalty or temporary suspension of rights shall be imposed pursuant to this article unless the Owner alleged to be in violation is given at least 15 days prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Board of Directors with respect to the alleged violation(s) at a hearing conducted at least 5 days before the effective date of the proposed enforcement action.

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, any Common Area improvement; 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), the Board of Directors, or its duly authorized agents, may undertake immediate corrective or enforcement action and, upon request of the offending Owner (which request must be received by the Association, in writing, within five days following the Association's enforcement action), or on its own initiative, conduct a hearing as soon thereafter as reasonably possible.

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

The hearing shall be held no more than 15 days following the date of the enforcement action or 15 days following receipt of the accused Owner's request for a hearing, whichever is later. Under such circumstances, any fine or other enforcement action shall be held in abeyance and shall only become effective if affirmed at the hearing.

At the hearing the accused shall be given the opportunity to be heard, including the right to present evidence and to present or question witnesses. The Board shall notify the accused Owner, in writing, of the Board's decision within five (5) business days following conclusion of the hearing. In no event shall the effective date of any enforcement action commence sooner than five days following conclusion of the hearing unless (i) the hearing merely affirms summary enforcement action initiated pursuant to the immediately

preceding paragraph or (ii) earlier commencement is necessary to preserve the quiet enjoyment of other residents or to prevent further damage to, or destruction of, the Properties or any portion thereof.

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

(f) Rules Regarding Enforcement Proceedings. The Board shall be entitled to adopt rules that further elaborate and refine the procedures for conducting enforcement proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Association Rules.

Section 12.7. Court Actions. Court actions to enforce the Governing Documents may only be initiated on behalf of the Association by resolution of the Board. Prior to the filing of any court action seeking declaratory or injunctive relief to interpret or enforce the Governing Documents (including either such action coupled with a claim for monetary damages not in excess of \$5,000), the Association shall first comply with the provisions of Civil Code section 1354 relating to alternative dispute resolution. The Association's own notice and hearing procedures may be drafted to satisfy these statutory requirements.

ARTICLE XIII **Notices**

Section 13.1. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

If to any Owner:	To the street address of his or her Lot or to such other address as he or she may from time to time designate in writing to the Association.
If to the Association:	The Golden Oaks Association, at P.O. Box 4123, Auburn, California 95604-4123 (or to such other address as the Association may from time to time designate in writing to the Owners)

Section 13.2. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-Owners of any Lot, to any general partner of a partnership which is the Owner of the Lot, or to any officer or agent for service of process of a corporation which is the Owner of the Lot, shall be deemed delivered to all such co-Owners, to such partnership, or to such corporation, as the case may be.

Section 13.3. 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 days after deposit in the United States mail in the County.

ARTICLE XIV
No Public Rights in the Properties

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

ARTICLE XV
Amendment of Declaration

Section 15.1. Amendment in General. This Declaration may be amended or revoked in any respect by the vote or assent by written ballot of the holders of not less than 51 percent of the Voting Power of the Association. Notwithstanding the foregoing, the percentage of affirmative votes 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.

Section 15.2. Effective Date of Amendment. The amendment will be effective upon the Recording a Certificate of Amendment, duly executed and certified by the president and secretary of the Association, setting forth in full the amendment so approved and that the approval requirements of section 15.1 hereof 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 as to such entity unless such consent or approval is obtained.

Section 15.3. Reliance on Amendments. Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE XVI
General Provisions

Section 16.1. Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with, and shall benefit and burden the Lots and the Common Area as herein provided, and shall inure to the benefit of and be binding upon the Owners, the Association, its Board of Directors, and its officers and agents, and their respective successors in interest, for the term of 20 years from the date of the Recording of this Declaration. After the expiration of the initial term, the term of this Declaration shall be automatically extended for successive periods of 10 years each unless, within 6 months prior to the expiration of the initial 20 year term or any such 10-year extension period, a recordable written instrument, approved by Owners entitled to vote and holding at least a majority of the voting power of the Association terminating the effectiveness of this Declaration, is Recorded.

Section 16.2. Construction.

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

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

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

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

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

DATED: _____, 1996.

THE GOLDEN OAKS ASSOCIATION, a
California nonprofit mutual benefit corporation

By _____
David Brandfass, President

By _____
Betty McCollough, Secretary

**RECORDING REQUESTED BY, AND
WHEN RECORDED, RETURN TO:**

THE GOLDEN OAKS ASSOCIATION
P.O. Box 4123
Auburn, California 95604-4123

(Space Above for Recorder's Use)

**RESTATED DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GOLDEN OAKS**

**RESTATED DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GOLDEN OAKS**

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