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**FIRST AMENDED & RESTATED
DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS
OF
THE BOULDERS CONDOMINIUM ASSOCIATION**

If this document contains any restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code by submitting a “Restrictive Covenant Modification” form, together with a copy of the attached document with the unlawful provision redacted to the county recorder's office. The “Restrictive Covenant Modification” form can be obtained from the county recorder's office and may be available on its internet website. The form may also be available from the party that provided you with this document. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

**FIRST AMENDED & RESTATED
DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS
OF
THE BOULDERS CONDOMINIUM ASSOCIATION**

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**FIRST AMENDED & RESTATED
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RECITALS.

R1. Whereas, Deerfield Truckee Association LLC, a Nevada limited liability company, executed the “Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for the Boulders Condominiums”, which was recorded in the Office of the Nevada County Recorder, State of California, on December 19, 2001, as Document No. 2001-0046025-00 (the “Initial Declaration”);

R2. Whereas, the Initial Declaration was amended by the following documents: “First Amendment to Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums”, which was recorded in the Office of the Nevada County Recorder, State of California on May 16, 2003, as Document No. 2003-0025466-00; and, “Second Amendment to Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for the Boulders Condominiums”, which was recorded in the Office of the Nevada County Recorder, State of California on June 12, 2003, as Document No. 2003-0030431-00.

R3. Whereas, the Initial Declaration was supplemented by the following documents: “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 2)”, which was recorded in the Office of the Nevada County Recorder, State of California on May 28, 2003, as Document No. 2003-0027449-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 3)”, which was recorded in the Office of the Nevada County Recorder, State of California on May 28, 2003, as Document No. 2003-0027450-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 4)”, which was recorded in the Office of the Nevada County Recorder, State of California on October 14, 2003, as Document No. 2003-0054837-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 5)”, which was recorded in the Office of the Nevada County Recorder, State of California on October 14, 2003, as Document No. 2003-0054835-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 6)”, which was recorded in the Office of the Nevada County Recorder, State of California on May 18, 2004, as Document No. 2004-0019922-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 7)”, which was recorded in the Office of the Nevada County Recorder, State of California on May 18, 2004, as Document No. 2004-0019924-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 8)”, which was recorded in the Office of the Nevada County Recorder, State of California on October 15, 2004, as Document No. 2004-0043347-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 8)”, which was recorded in the Office of the Nevada County Recorder, State of California on November 19, 2004, as Document No. 2004-0048455-00; “Notice

of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 9)”, which was recorded in the Office of the Nevada County Recorder, State of California on May 10, 2005, as Document No. 2005-0017292-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 10)”, which was recorded in the Office of the Nevada County Recorder, State of California on December 23, 2005, as Document No. 2005-0051367-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 11)”, which was recorded in the Office of the Nevada County Recorder, State of California on March 2, 2006, as Document No. 2006-0006755-00; “First Amendment to Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 11)”, which was recorded in the Office of the Nevada County Recorder, State of California on March 29, 2006, as Document No. 2006-0009964-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 12)”, which was recorded in the Office of the Nevada County Recorder, State of California on June 27, 2006, as Document No. 2006-0021487-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 13)”, which was recorded in the Office of the Nevada County Recorder, State of California on February 28, 2007, as Document No. 2007-0006306-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Recreation Facility)”, which was recorded in the Office of the Nevada County Recorder, State of California on December 9, 2008, as Document No. 2008-0029426-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 14)”, which was recorded in the Office of the Nevada County Recorder, State of California on April 30, 2014, as Document No. 2014-0007756; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 15)”, which was recorded in the Office of the Nevada County Recorder, State of California on August 18, 2015, as Document No. 2015-0019333-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 16)”, which was recorded in the Office of the Nevada County Recorder, State of California on December 18, 2015, as Document No. 2015-0028780-00; “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 17)”, which was recorded in the Office of the Nevada County Recorder, State of California on December 26, 2017, as Document No. 2017-0028814; and “Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for The Boulders Condominiums (Phase 19)”, which was recorded in the Office of the Nevada County Recorder, State of California on April 27, 2021, as Document No. 2021-0014307;

R4. Whereas, the above-referenced Initial Declaration, amendments and supplements thereto identified in R2 and R3 established a plan of common interest ownership with certain limitations, easements, covenants, restrictions, conditions, liens and charges which run with and are binding upon all parties having or acquiring any right, title or interest in that certain parcel of real property consisting of two hundred (200) residential units and various common areas located in the Town of Truckee, County of Nevada, State of California, and more particularly described in **Exhibit A** attached hereto.

R5. Whereas, at least a majority of the voting power of the Members voted to amend, modify and change and otherwise restate the limitations, easements, covenants, restrictions, conditions, liens and

charges that run with and are binding upon all parties having or acquiring any right, title or interest in the parcel of real property described above;

R6. Therefore, the Members of the Association do hereby declare that the above-referenced limitations, easements, covenants, restrictions, conditions, liens and charges set forth in the Initial Declaration described above, and all amendments and supplements thereto be and are hereby RESTATED in their entirety, as set forth in this First Amended & Restated Declaration of Covenants, Conditions & Restrictions of The Boulders Condominium Association;

R7. It is further hereby declared that all of the real property described herein constitutes a "Condominium Project" within the meaning of Section 4125 of the California Civil Code;

R8. It is further hereby declared that all of the real property described herein is held and owned and shall be held, owned, operated, managed, conveyed, assigned, rented, hypothecated, encumbered, leased, used, occupied and improved subject to the following First Amended & Restated Declaration of Covenants, Conditions & Restrictions of The Boulders Condominium Association, all of which are declared and agreed to be in furtherance of a plan and purpose of protecting, preserving and enhancing the value, desirability and attractiveness of the said real property and every part thereof and of fostering the development, management, improvement, enjoyment, use and sale of the said real property and any part thereof; and

R9. It is further hereby declared that all of the covenants, conditions and restrictions herein set forth herein shall constitute enforceable equitable servitudes as provided in Section 5975 of the California Civil Code and shall constitute covenants that shall run with the real property and shall be binding upon and inure to the benefit of each Owner of any portion of the real property or of any interest therein, each party having or acquiring any right, title or interest in and to the real property or any part thereof and their heirs, successors and assigns.

ARTICLE I: DEFINITIONS.

Section 1.1. "Articles" means the Articles of Incorporation of The Boulders Condominium Association, which are filed in the Office of the Secretary of State of the State of California, 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 Condominium in accordance with the provisions of Article V of this Declaration.

Section 1.3. "Association" means The Boulders Condominium Association, a California nonprofit mutual benefit corporation, its successors and assigns. The Boulders Condominium Association is an "Association" as that term is defined in California Civil Code Section 4080.

Section 1.4. "Association Manager" means the person or entity, if any, retained by the Association to manage its affairs, as authorized in the Bylaws.

Section 1.5. "Association Property" means real or personal property owned by the Association. Any references in this Declaration to Association Property are references to the Association Property as a whole and to portions thereof. The Association Property will be as shown on the Condominium Plan.

Association Property also includes the following regardless of where located: the portions of all gas, water and waste pipes, all sewers, all ducts, chutes, conduits, wires, and other utility installations (except the electrical outlets in the Units) that extend into the Units. Association Property does not include the windows, sliding glass doors, surrounding structure and the heating systems serving the Units (including the Kitec pipes).

Section 1.6. “Association Rules” means the rules, regulations and policies adopted by the Board of Directors of the Association pursuant to this Declaration, as the same may be in effect from time to time.

Section 1.7. “Board of Directors” or “Board” means the Board of Directors or the governing body of the Association.

Section 1.8. “Building” means a structure located in the Project that contains Units.

Section 1.9. “Bylaws” means the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 1.10. “Common Area” means those certain volumes of airspace described in the Condominium Plan which shall be owned by Owners in each Phase as tenants-in-common. Any references in this Declaration to Common Area are references to the Common Area as a whole and to portions thereof.

Section 1.11. “Common Expense” means the actual, estimated, or expected costs, charges, or other financial liabilities of the Association, including, without limitation: (a) all costs or charges incurred by or on behalf of the Association for the management, maintenance, administration, operation, repairs, additions, alterations or reconstruction of Common Area, Common Facilities, or any portion of the Units for which the Association has maintenance or repair obligations; (b) all costs or charges reasonably incurred to procure for the protection of the Association and its Board; (c) any amounts reasonably necessary for reserves to maintain, repair or replace the Common Area or Common Facilities, any portion of the Units for which the Association has maintenance or repair responsibility or to cover unpaid (delinquent) assessments; and (d) any other costs or charges necessary for the Board to perform its functions and fulfill its responsibilities under the Governing Documents.

Section 1.12. “Common Facilities” means all improvements located within, under, above or upon the Common Area except utility, plumbing and/or drainage lines belonging to a public utility or other party having a valid easement. The Common Facilities include but are not limited to swimming pool, pool apron area, pool storage and pump house; clubhouse/recreational building; trees, hedges, plants, lawns, shrubs, and landscaping; fences located on the Common Area; perimeter fence; utilities, berms, pipes and lines; lighting fixtures; parking areas; solar energy system at the clubhouse/recreational building; and other sports facilities (i.e. bocce ball court(s), horseshoe pit(s), and/or volleyball court).

Section 1.13. “Condominium” means an estate in real property as defined in California Civil Code Sections 783 and 4125(b) and which consists of an undivided interest in common in a portion of real property coupled with a separate interest in space called a Unit together with any easements or other interests in the Project or any portion thereof as described in this Declaration and/or in the Owner’s deed.

Subject to the provisions of Article XI regarding eminent domain, the undivided fee simple interest in the Common Area in a Phase is appurtenant to each Unit in such Phase and is a fraction having one (1) as its numerator and the number of Units in the lot where the Units are located as its denominator; and shall be held by the Owners of Condominiums on that lot as tenants-in-common.

Section 1.14. “Condominium Plan” means the plans of Condominium that was recorded pursuant to California Civil Code Section 4285 *et seq.* with respect to the Project.

Section 1.15. “Declaration” means this First Amended & Restated Declaration of Covenants, Conditions and Restrictions of The Boulders Condominium Association, recorded in the Office of the County Recorder of Nevada County, California as it may be amended from time to time.

Section 1.16. “Declarant” means Deerfield Truckee Associates LLC, a Nevada limited liability company, its successors, and any Person to which it shall have assigned any of its rights under this Declaration by an express written assignment. As used in this Section, “successor” means a Person who acquires Declarant or substantially all of Declarant’s assets by sale, merger, reverse merger, consolidation, sale of stock or assets, operation of law or otherwise. Unless otherwise expressly provided in the Declaration, all actions that may be taken by Declarant may be chosen by Declarant in its sole discretion.

Section 1.17. “Director” means a member of the Association’s Board of Directors.

Section 1.18. “Exclusive Use Common Area” means any portion of the Common Area that is set aside, allocated, assigned and restricted for the exclusive use of the residents/Owners of a particular Unit. Exclusive Use Common Area includes, but is not limited to, those components referenced in Section 2.3 below. The Exclusive Use Common Area also shall include the following portions of Common Area designated to serve the Owner's Unit exclusively: any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, patios, exterior doors, door frames, and hardware incident thereto, screens and windows or other fixtures designed to serve a single separate interest but located outside the boundaries of the separate interest.

Section 1.19. “Family” means two (2) or more persons who live together and maintain a common household in a Unit whether or not they are all related to each other by birth, marriage, or legal adoption.

Section 1.20. “General Common Area” means all of the Common Area except for Exclusive Use Common Area.

Section 1.21. “Governing Documents” is a collective term that means and refers to this Declaration and to the Association’s Articles, Bylaws, Association Rules and the policies and resolutions adopted by the Board and distributed to the Members.

Section 1.22. “Improvement” means an addition to or alteration of the real property comprising the Project or any portion thereof and includes, but is not restricted to, any Building, outbuilding, structure, shed, storage area, driveway, parking area, carport, garage, paving, walk, fence, wall, stair, deck, balcony, patio, pole, sign, tank, ditch, landscaping (including trees, hedges, plantings, lawns, shrubs), landscape structures, berms, fencing, antennas, utilities, utility lines, gates, statues, markers, pipes, lines, lighting fixtures, and anything deemed to be a “work of improvement” as defined in Section 3106 of California Civil Code or any structure of any kind. In no event shall the term “Improvement” be interpreted to include projects that are restricted to the interior of a Unit, so long as such projects do not involve modifications to load bearing walls or the structural framing of a Building, and do not interfere with other Members’ use and enjoyment of their property.

Section 1.23. “Map” means the subdivision maps recorded in the office of the Nevada County recorder for the Association.

Section 1.24. "Member" means each person (or entity) who is named as an Owner on the recorded grant deed (or other valid title document) for any Unit within the Project. However, persons (or entities) who hold an interest in a Unit merely as security for the performance of an obligation (*e.g.*, banks and other types of mortgage lenders) are not Owners or Members. When more than one person is an Owner of a Unit, all such persons shall be Members. Although in no event shall more than one (1) vote be cast with respect to any Unit.

Section 1.25. "Mortgage" means any security device encumbering all or any portion of the Project, including any deed of trust. The terms mortgage and deed of trust may be used interchangeably. **"Mortgagee"** shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense. **"Mortgagor"** shall refer to the trustor under a deed of trust, as well as a mortgagee.

"First Mortgage" means a Mortgage that has priority over all other Mortgages. **"First Mortgagee"** means any person or entity, including, but not limited to, banks, savings and loan associations, insurance companies and other financial institutions, holding a recorded mortgage that constitutes an encumbrance upon one or more Condominiums first in priority of lien over all other encumbrances upon said Condominium(s) securing payment of money other than this Declaration and liens for real estate taxes and assessments. **"Eligible First Mortgagee"** means a First Mortgagee who has sent a written request for notice to the Association, stating its name and address and the Unit number or address of the Unit on which it has the Mortgage. The Association shall maintain such information in the Association's records.

Section 1.26. "Owner" means any person, firm, corporation, or other entity in which title to a Condominium is vested as shown by the official records of the Office of the Nevada County Recorder. If a Condominium is transferred or conveyed to a trust, the Owner is the trustee or co-trustees of such trust. However, the term Owner shall not include persons (or entities) who hold an interest in a Condominium merely as security for the performance of an obligation (*e.g.*, banks and other types of mortgage lenders).

Section 1.27. "Project" means all real property and the improvements located thereon that comprises The Boulders condominium as described in California Civil Code Section 4125.

Section 1.28. "Regular Assessment" means an Assessment levied on an Owner and his or her Condominium in accordance with Section 5.2 hereof.

Section 1.29. "Special Assessment" means an Assessment levied on an Owner and his or her Condominium in accordance with Section 5.3 hereof.

Section 1.30. "Special Individual Assessment" means an Assessment made against an Owner and/or his or her Condominium in accordance with Section 5.4 hereof.

Section 1.31. "Tenant" means any person that resides in or uses a Unit that is not the Unit's Owner.

Section 1.32. "Unit" means a separate interest in space as defined in California Civil Code Section 4185. Each Unit is a separate freehold estate, as separately shown, numbered and designated in the Condominium Plan which includes a living element and a garage element. In interpreting deeds, declarations and plans, those existing physical boundaries of the portion of the Unit that are encompassed by an Improvement constructed or reconstructed in substantial accordance with the Condominium Plan and the original plans thereof, if such plans are available, shall be conclusively presumed to be the boundaries of such portion, rather than the description expressed in the deed, Condominium Plan or Declaration,

regardless of settling or lateral movement of the building and regardless of minor variances between boundaries, as shown on the Condominium Plan or defined in the deed and Declaration, and the boundaries of a building as constructed or reconstructed. The windows and sliding glass doors are portions of the Unit.

ARTICLE II: OWNERS' PROPERTY RIGHTS & OBLIGATIONS.

Section 2.1. Elements of Condominium. Ownership of each Condominium within the Project includes:

(a) Unit. A separate Unit, as defined and described herein.

(b) Common Area. Each Unit Owner shall have, as appurtenant to his Unit, an undivided interest in the Common Area as more particularly set forth in the Condominium Plans referenced in Exhibit "A" attached hereto and incorporated herein by reference.

(c) Nonexclusive Easements. Nonexclusive easements appurtenant to the Unit for the use and enjoyment of the Common Area and as more particularly described in Section 2.2.

(d) Exclusive Easements. Exclusive easements appurtenant to the Unit for the use and enjoyment of Exclusive Use Common Area as more particularly described in Section 2.3.

All of the above interests in real property shall be subject to all of the covenants, conditions, restrictions, easements, limitations, reservations, liens, and charges contained elsewhere in this Declaration, the Articles, the Bylaws, and the Association Rules.

Section 2.2. Owners' Right to Use and Enjoy Common Area. Subject to the provisions of this Declaration, the Common Area shall be held and maintained for the use and enjoyment of the Members of the Association, their families, tenants, lessees, residents contract purchasers and/or guests as provided in the Governing Documents. There shall be no use of the Common Area except by the above specified persons. (See Section 2.5, below, regarding use by non-members).

(a) Nonexclusive Easements. Every Owner (and Owner's Family, resident contract purchasers, lessees, tenants, and/or guests) shall have a nonexclusive right and easement of enjoyment in and to the Common Area, including ingress and egress to and from the Owner's Unit, which shall be appurtenant to and shall pass with the title to every Unit, subject to the rights and restrictions set forth in this Section.

(b) Limitations on Nonexclusive Easements. The Owners' nonexclusive easements for use and enjoyment of the Common Area as described above are subject to the following limitations and restrictions:

(1) The right of the Association to adopt Association Rules as provided in Section 4.6(a)(2)(E) hereof, regulating the use and enjoyment of the Project 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 the Governing Documents by any Owner or Tenant, to temporarily suspend the right to use the Common Facilities, by any Owner and/or the Owner's Tenants and guests, subject to compliance with the due process requirements of Section 12.6 hereof.

(2) The right of the Association, in accordance with this Declaration, and/or the Association's Articles and Bylaws, to borrow money for the purpose of improving, restoring or maintaining the Common Area and Common Facilities and/or the interests of the Owners and/or for the benefit of the Association, and in aid thereof, to mortgage said property; provided, however, that the rights of any such Mortgagee in said property shall be subordinate to the rights of the Owners hereunder; and further provided that any such indebtedness shall be considered an expense of the Association for purposes of the Special Assessment provisions of Section 5.3 hereof.

(3) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed by the Owners; provided, however, that no such dedication or transfer shall be effective unless an instrument, approved by at least two-thirds (2/3rds) of all Members of the Association, consenting to such dedication or transfer has been recorded. Furthermore, no dedication shall be permitted that impairs the ingress and egress to any Unit. Said instrument may be executed in counterparts so long as each counterpart is in recordable form. The Association shall, without a vote of the Members, have the right to grant licenses and or right of entry to the Common Area and/or easements through the Common Area for purposes consistent with the purposes of the Association that do not interfere with the use and enjoyment of the Common Area by the Members.

(4) The non-exclusive easements granted herein shall be subordinate to and shall not interfere with exclusive easements, if any.

(5) The right of any Owner to the full use and enjoyment of any mechanical or electrical service connections as may serve the Owner's Unit in conjunction with other Units within the Project. The Owner of each Unit served by a sanitary sewer, water, gas, electric, telephone, television line or connection, heating or air conditioning conduit, duct, flue, or system, or similar utility/service connection shall be entitled to the full use and enjoyment of such portions of said connections as service Owners' Unit.

(6) The right of the Association to charge reasonable admission, use and/or other fees for the use of the Common Area or any portion thereof.

(c) Waiver of Right to Sever. No Owner, or other person, may by conveyance, transfer or any other action, including an action at law for partition, sever any Unit or Units from the Common Area or from the Association. Each Owner, by acceptance of a deed to a Unit hereby expressly waives all rights to do so.

Section 2.3. Exclusive Use Common Area. The following described portions of the Common Area, referred to as "Exclusive Use Common Areas" (as defined in California Civil Code Section 4145), are hereby set aside and allocated for the exclusive use of the Owner of the Unit to which they are attached or assigned by Unit number, on the Condominium Plan: deck, patio, external stairway, driveways and walkway purposes and internal and external telephone wiring designed to serve a single Unit but located outside the boundaries of that Unit.

In addition, those other fixtures designed to serve a particular Unit but located outside of the boundaries of such Unit, and any other portions of the Common Area specifically identified on the Condominium Plan (and original deeds) and conveyed as exclusive easements appurtenant to particular Units. These portions of the Common Area, referred to as "Exclusive Use Common Area," are subject, as servient tenements, to exclusive easements in favor of the Units/dominant tenements to which they are attached and/or assigned. Such exclusive easements shall be appurtenant to those designated Units and

shall be used and enjoyed exclusively by the Owner of such Unit and not by others except by the Owner's invitation. The exclusive easements appurtenant to a Unit shall not unreasonably interfere with exclusive easements appurtenant to another Unit. Except as provided in this Declaration, no one may prevent access by an Owner to an Exclusive Use Common Area appurtenant to that Owner's Unit.

The Association may promulgate rules and regulations limiting and defining the rights of Owners to use Exclusive Use Common Areas. The Association shall have and enjoy rights of entry on, over, under, across and through the Exclusive Use Common Areas to perform its maintenance and repair obligations under the Governing Documents.

Section 2.4. Persons Subject to Governing Documents. All present and future Owners, tenants, lessees, contract purchasers and/or occupants of Units within the Project (on behalf of themselves, their Family, guests, tenants, invitees, agents, vendor/contractors, employees, licensees and/or any other persons that might use the facilities of the Project in any manner, etc.) 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 and invitees).

Section 2.5. Delegation of Use.

(a) Delegation of Use and Membership Rights and Leasing or Sale of Units. Members shall be deemed to have delegated their rights to use and enjoy the Common Area to family members residing within the Member's Unit, to guests and invitees (so long as they are in the company and supervision of a Member), to tenants residing in the Owner's Unit under the terms of a valid lease pursuant to Section 3.2 of this Declaration, and to contract purchasers residing in the Unit (so long as written notification of such contract purchaser is delivered to the Association pursuant to Section 2.7(a) below).

It is the express purpose and intent of the provisions of this Subsection 2.5(a) to limit the right of use and enjoyment of the Common Area to residents of the Project and members of their household and their guests. During any period when a Unit has been rented or leased, the Owner-lessor, his or her Family, guests and invitees shall not be entitled to use and enjoy the Common Areas or Common Facilities of the Project, except to the extent reasonably necessary to perform the Owner's responsibilities as a lessor of the Unit, provided that this restriction shall not apply to an Owner-lessor who is contemporaneously residing in another Unit within the Project.

(b) Association Rules. The right of any person to use and enjoy the Association Common Area and Common Facilities shall at all times be subject to the regulations, policies, limitations, and restrictions set forth in the Association Rules, in this Declaration, and in the other Governing Documents.

Section 2.6. Merger of Units. The Association shall have the right, but not the obligation, to grant to the Owner of two (2) or more adjacent Units those easements necessary or appropriate to permit such Owner to effect internal access from one Unit to another through the walls or other portions of the Common Area that separate and divide the individual Units (such Units shall, for all purposes of the Governing Documents, remain and be treated as two (2) separate Units. The Association shall also have the right, but not the obligation, to grant the Owner of two (2) or more adjacent Units those easements necessary or appropriate to permit such Owner to separate and divide Units previously joined hereunder.

All of such work shall be done at the expense of the Owner, and any such Owner shall indemnify the other Owners and the Association against and hold them harmless from, any cost, loss, liability, damage,

or injury to property or persons arising from, or caused by, such work. As a condition to the grant of any such easement, the Association may impose such reasonable terms and conditions with respect thereto as the Board deems necessary or appropriate including, without limitation, a requirement that the Owner obtain lien and completion bonds to assure lien-free completion of the work.

Section 2.7. Obligations of Owners. Owners of Condominiums within the Project shall be subject to the following:

(a) Owner's Duty to Notify Association of Buyers, Transferees, and Tenants. Within ten (10) days of the execution of any agreement for sale of an Owner's Unit or any other transaction that will result in a change in the record ownership of the Unit, and/or within five (5) days of the execution of any lease of a Unit or the establishment of any landlord-tenant relationship, the Unit Owner shall notify the Association in writing of the name and mailing address of the buyers or transferees; the name, mailing address, telephone number or email address of any lessees; the name and address of any escrow holder for any sale or transfer; the escrow number of any escrow; and the date when the buyer, transferee or lessee will take possession of the Unit.

(b) Owner's Duty to Notify Association of Contact Information. Each new owner shall, within ten (10) days of taking title to a Unit within the Project, notify the Association in writing of the address to which all notices shall be sent, the names of the persons who will be occupying the Unit or if the Unit will be occupied for short-term rental purposes (i.e. less than 30 days), and a phone number for emergencies. Owners shall notify the Association in writing within ten (10) days of any change in the information required by this Subsection.

(c) Effect of Failure to Notify. Until such time as the Association receives the notification required in Subsection (a) or (b), above, a transferee or lessee shall be deemed to have received any and all notices or other communications required or permitted to be given by the Association hereunder that are duly provided to the transferor or lessor. The Board shall have the power to adopt Association Rules consistent with this Declaration relating to enforcement of these notice requirements and/or to impose penalties, including fines, for failures to give timely notice.

(d) Contract Purchasers. As provided in Section 2.5(a) above, a contract seller may delegate the seller's member rights, excluding voting rights. Notwithstanding any delegation of rights to the contract purchaser, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the property sold has been transferred to the purchaser.

(e) Notification Regarding Governing Documents. Each owner shall provide copies of the Association's current Governing Documents to his or her lessees, who shall be subject to all restrictions set forth in the documents. Copies of the Governing Documents shall also be provided in a timely manner to all prospective purchasers.

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

(g) Responsibility for Conduct of Others. Each Owner shall be fully responsible for informing members of Owner's Family, contract purchasers, lessees, tenants, vendor/contractors, employees, guests,

invitees and/or licensees of the provisions of the Governing Documents and shall be fully responsible for any violation of the provisions of the Governing Documents by members of Owner's Family, contract purchasers, lessees, tenants, vendor/contractors, employees, guests, invitees and/or licensees. Each Owner shall further be fully responsible for the conduct and activities of Owner's pets and the pets of Owner's Family, contract purchasers, lessees, tenants, vendor/contractors, employees, guests, invitees and/or licensees.

(h) Responsibility for Damage & Injury.

(1) Damage to Common Area. Each Owner shall be liable to the remaining Owners and the Association for any damage to the Common Area that may be sustained by reason of the willful misconduct, negligent act or omission of the Owner, Owner's Family, contract purchasers, lessees, tenants, vendor/contractors, employees, guests, invitees, or licensees (to the extent any such damage is not covered by insurance).

(2) Personal Injury or Property Damage within Common Area. Each Owner, Owner's Family, contract purchasers, lessees, tenants, vendor/contractors, employees, guests, invitees, and licensees, shall indemnify each and every other Owner and/or the Association against, and hold them harmless from, and defend them against, any claim of any person for personal injury or property damage occurring within the Common Area due to the willful misconduct, negligent act or omission of the Owner, Owner's Family, contract purchasers, lessees, tenants, vendor/contractors, employees, guests, invitees, or licensees.

(3) Personal Injury or Property Damage within a Unit. Each Owner, by acceptance of his or her deed, agrees personally and for Family members, contract purchasers, tenants, guests, and invitees, to indemnify each and every other Owner, and to hold such Owner(s) harmless from, and to defend them against, any claim of any person for personal injury or property damage occurring within the Unit of that particular Owner, including Exclusive Use Common Area, if any, except to the extent that the injury or damage occurred by reason of the willful or negligent act or omission of the Association or another Owner or other person temporarily visiting said Owner's Unit or the Project.

No decision resulting in the liability of an Owner pursuant to this Subsection shall be reached without providing such Owner with notice and hearing pursuant to Section 12.6 of this Declaration.

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

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

(k) Prohibition on Avoidance of Obligations. No Owner, by non-use of the Common Area or Common Facilities, renunciation or abandonment of the Owner's Condominium, any other act of renunciation or abandonment or otherwise, may avoid the burdens and obligations imposed on such Owner (by virtue of being an Owner or Association Member) by the Governing Documents, including, without limitation, the payment of Assessments levied against the Owner and his or her Condominium pursuant to this Declaration. Nor may any Owner divest itself of any such burden or obligation by attempting to assign responsibility therefore to a tenant, manager or any third person.

(l) Obligation to Permit Entry by Association and/or Adjacent Owners. Each Owner shall be obligated to permit the Owners of adjacent Units or the representatives of such adjacent Owners to enter the Owner's Unit for purposes of performing installations, alterations or repairs to mechanical or electrical services that are reasonably necessary for the use and enjoyment of his or her Unit, provided that the adjacent Owner furnishes the Owner whose Unit is being entered upon with at least twenty-four (24) hours written notice of his or her intent to enter the Unit, specifying the purpose and scheduled time of such entry and shall make every reasonable effort to perform his or her use and schedule his or her entry in a manner that respects the privacy of the persons residing within the Unit and the convenience of the Owner of the Unit. Each Owner shall also honor the right of the Association and its agents to enter the Owner's Unit as provided in Section 4.5(b) of this Declaration.

Section 2.8. Partition and Severability of Component Interests.

(a) Partition Prohibited. The Common Areas shall remain undivided as set forth in this Declaration. Except as provided by California Civil Code Section 4610 or comparable superseding statute, or authorized under Article X or Article XI of this Declaration, no Owner shall bring any action for partition of the Common Area, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Project. Judicial partition by sale of a single Condominium owned by two (2) or more persons and division of the sale proceeds is not prohibited by this paragraph, but partition of title to a single Condominium is prohibited.

(b) Severance Prohibited. An Owner shall not be entitled to sever his or her Unit from his or her membership in the Association. Nor shall an Owner be entitled to sever his or her Unit or his or her membership from the Owner's undivided interest in the Common Area for any purpose. None of the component interests in a Condominium can be severally sold, conveyed, encumbered, or hypothecated. Any violation or attempted violation of this provision shall be void. Similarly, no Owner can sever any exclusive easement appurtenant to his or her Unit over the Common Area from the Owner's Condominium. Any attempt to do so shall be void.

(c) Limitation on Interests Conveyed. Unless otherwise expressly stated, any conveyance of a Unit or any portion of it by an Owner shall be presumed to convey the entire Condominium. However, nothing contained in this Section shall preclude the Owner of any Condominium estate from creating an estate for life or an estate for years or from creating a co-tenancy or joint tenancy in the ownership of the Condominium with any other person or persons.

Section 2.9. Transfer or Conveyance of Condominium Terminates Obligations. Upon the conveyance, sale, assignment, or other transfer of a Condominium to a new Owner, the transferring Owner shall not be liable for any Assessments levied with respect to such Condominium after the date of recording of the deed evidencing said transfer. No person, after the termination of said person's status as an Owner and prior to said person again becoming an Owner, shall incur any of the obligations or enjoy any of the benefits of an Owner under this Declaration. The voluntary conveyance of a Condominium to a new Owner, however, will not extinguish any obligations of the transferring Owner for unpaid Assessments and other charges that were levied against said Condominium and transferring Owner prior to the subject transfer.

ARTICLE III: RESTRICTIONS & USE OF PROPERTY.**Section 3.1. Residential Use.**

(a) Occupancy. No more than two (2) persons per bedroom, plus one (1) additional person, not including temporary guests, may reside in any Unit. In no event shall a Unit be occupied by more individuals than permitted by applicable zoning laws or governmental regulations. The Board is authorized to adopt Association Rules to allow the occupancy of additional persons in each Unit, as long as such Rules are consistent with, or do not exceed, the occupancy standards of the Town of Truckee.

(b) Restriction on Businesses. Each Unit shall be used exclusively for residential purposes except as provided in this Section. No business of any kind shall be established, maintained, operated, permitted or conducted within the Project except home offices and/or such professional or administrative businesses as may be permitted by applicable statutes and/or ordinances; provided however, that there shall be no external evidence of such business/home office (*i.e.*, no increased pedestrian and/or vehicular traffic, no signs, and no activities that are apparent or detectable by sight, sound or smell from outside of the Unit including advertising such business in any way which shows its location within the Project) and such activities do not increase Association's insurance obligations and/or premiums, and/or such activities are not inconsistent with residential nature of the Project.

Section 3.2. Rental of Units. As used in this Article III, the terms "lease" or "rental" shall mean any and all agreements, including, but not limited to leases, subleases and/or rental agreements, written or verbal, whether for monetary consideration or not, for the occupancy of any Unit. Any Owner who wishes to lease the Owner's Unit must comply with all of the provisions of this Section 3.2 and any applicable Association Rules and Board policies adopted pursuant to this Section 3.2.

(a) Timesharing and Vacation Rentals. No Unit or Units or any portion thereof in the Project shall be leased, subleased, occupied, rented, let, sublet, or used for or in connection with any time-sharing agreement, plan, program or arrangement, including, without limitation, any so called "vacation license", "travel club", "extended vacation", or other membership or time interval ownership arrangement. The term "time sharing" as used herein shall be deemed to include, but shall not be limited to, any agreement, plan, program, or arrangement under which the right to use, occupy, or possess the Unit or Units or any portion thereof in the Project rotates among various persons, either corporate, partnership, individual, or otherwise, on a periodically recurring basis for value exchanged, whether monetary or like kind use privileges, according to a fixed or floating interval or period of time of twenty-five (25) consecutive calendar days or less. Provided, this section shall not be construed to limit the personal use of any Unit or any portion thereof in the Project by any Unit Owner or his social or familial guests.

(b) All Leases to be in Writing. All leases for a Unit within the Project shall be in writing.

(c) Lease Terms. No Owner, contract purchaser, tenant or lessee shall be permitted to lease or sublease a Unit for transient or hotel purposes (*i.e.*, a rental that includes providing the occupants with customary hotel service such as room service for food and beverage, maid service, laundry and linen service, or bellboy service). The lease must be for the entire Unit and subleasing of a portion of a Unit is not permitted. Owners must comply with all local ordinances by the Town of Truckee regarding the rental or lease of Units.

(d) All Lessees and Tenants Subject to Governing Documents. Any lease or rental of any Unit within the Project shall be subject to all 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 and all subsequent Amendments. Each Owner shall be responsible for compliance by such Owner's tenant(s) or lessee(s) with all of the provisions of the Governing Documents during the tenant's or lessee's occupancy and use of the Unit. The failure of any tenant or lessee to comply with the terms of the Governing Documents shall be a default under the lease/rental agreement and a failure to perform a condition and covenant of the lease/rental agreement.

(e) Owner's Duty of Notification. Owners of Units shall disclose to potential buyers the existence of the rental restriction provisions set forth in this Section. Within 7 days of entering into a lease, each Owner shall notify the Association Manager, or the person designated in the Annual Policy Statement to receive official communications on behalf of the Association, if not the Association Manager, of the names of any tenant/lessee and of all persons residing in the Owner's Unit (except when if Unit is occupied by a tenant/lessee for a period of less than 30 days). Owners leasing their Unit shall also promptly notify the Association's manager of the address and telephone number where such Owner can be reached.

(f) Discipline of Lessors.

(1) Lessor's Responsibility for Tenant. An Owner who leases his or her Condominium to any person or entity shall be responsible for assuring compliance by the lessee and any other occupants with the provisions of the Governing Documents, including but not limited to, all Association Rules, restrictions, easements, reservations, restrictions, assessments, liens, and charges created in accordance with this Declaration, all as amended and supplemented from time to time during the tenant's or lessee's occupancy and use of the Unit.

(2) Fine or Penalties for Violations of Governing Documents by Tenants. Subject to the notice and hearing requirements set forth in Article XII of this Declaration, in the event that any tenant or lessee fails to honor the provisions of any Governing Document, the Association shall be entitled to take such corrective action as it deems necessary or appropriate under the circumstances, which may include the imposition of fines and penalties against the Owner and/or a legal action against the Owner, the tenant or both. If the Association prevails in any legal action to remedy a tenant's violation of the Governing Documents, the Owner shall be responsible for paying the Association's costs for any such litigation, including reasonable attorneys' fees. Any fine or penalty levied pursuant to this Section shall be considered a Special Individual Assessment as defined in Section 5.4, below.

(g) Discipline of Lessees. The Association may, after the notice and hearing required in Article XII of this Declaration, deprive any lessee who is in violation of the Governing Documents of the right to use the Common Area including the Common Facilities. Furthermore, whether or not such right is stated in any rental agreement, every Owner who rents his or her Unit automatically grants to the Association the right to determine a tenant's default under the Governing Documents and of terminating the tenancy and evicting the tenant for such default. If the Board brings such eviction action, either in its own name or in the Owner's name, the Owner shall be responsible for all costs thereof, including reasonable attorneys' fees, and shall reimburse the Association upon demand for the entire amount of such costs. If the Owner refuses to make such reimbursement, the sums shall constitute a Special Individual Assessment for which a lien may be imposed against the Owner's Condominium. The Association's right to maintain an eviction action hereunder shall only arise if the tenant's or lessee's conduct involves repeated or continuing damage to or destruction of Common Areas or Common Facilities, or constitutes a continuing nuisance or unreasonable interference with safety and/or the quiet enjoyment of other residents.

(h) Indemnification of Association. Every Owner of a Unit that is leased agrees to and shall indemnify and defend the Association, its officers, directors, and agents and shall hold them harmless from any cost, loss, claim, or damages of any kind, including but not limited to attorneys' fees arising out of the conduct or presence of the occupants of the Unit upon the Project, including any such arising or alleged to have arisen out of the enforcement or non-enforcement by the Association of the Governing Documents against such occupants. Without limiting the generality of the foregoing, all costs, including attorneys' fees incurred by the Association to enforce the Governing Documents against such occupants, including eviction as provided in this Section 3.2, shall be reimbursed to the Association by the Owner, and may be assessed by the Association as a Special Individual Assessment.

Section 3.3. Offensive Conduct, Nuisance, Obstructions, Hazards or Drilling. The following activities are prohibited and shall not be performed on, upon or within the Project:

(a) Activities that are nuisances, or that cause unreasonable embarrassment, disturbance or annoyance to any residents of the Project, Owners, Directors and/or Association agents, service providers and/or employees or that shall, in any way, interfere with residents' use and enjoyment of their Units, Exclusive Use Common Area and/or the Common Area and Common Facilities thereon; provided, however, that the Board may decline to involve itself or the Association in disputes concerning adjacent Unit Owners if such dispute does not involve the Common Area or any other Owner or resident of the Project and if the Board determines that in view of the possible expenditure of time, effort and costs involved in attempting to resolve the dispute, it would not be in the best interests of the Association to become involved;

(b) Activities that will increase the rate of insurance or result in the cancellation of insurance under any insurance policy obtained by the Association;

(c) Activities that are in violation of any governmental statute, ordinance, rule and/or regulation, including specifically the brandishing and/or discharging of firearms within the Project;

(d) Drilling, refining, quarrying, or mining operations of any kind;

(e) Use of machinery or equipment of any kind, except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of a private residence or appurtenant structures within the Project;

(f) Activities that will obstruct the common corridors, entranceways, stairways, pedestrian walkways, parking areas, sidewalks, streets, or vehicular driveways located in or upon the Project or interfere with the free use thereof, except such obstruction as may reasonably be required in connection with repairs or as permitted in writing by the Board. Unless otherwise permitted in the Association Rules, no Owner shall serve food or beverages, cook, barbecue, or engage in similar activities, except within such Owner's Unit or Exclusive Use Common Area or any other area designated by the Board for such use;

(g) Activities that impede, alter, or otherwise interfere with the drainage patterns or facilities in, over, under, across and through the Project, including the drainage patterns and facilities from or through any Exclusive Use Common Area, without the prior written consent of the Board and all public authorities with jurisdiction;

(h) Activities or conditions that would encourage, induce, breed, or harbor infectious plant diseases, feral animals, noxious plants or insects, rodents and/or vermin within the Common Area or other Units;

(i) Any excavation, improvement, or work that in any way alters any Common Area or Common Facility from its existing state on the date such Common Area or Common Facility was originally constructed shall not be made or done except by the Association and then, only in strict compliance with the provisions of the Governing Documents;

(j) The emission of unreasonable levels of exhaust fumes and/or noise and/or the parking or storage of dilapidated, unlicensed, non-operational and/or disabled vehicles;

(k) Harassment, or physical or verbal abuse of the Directors, or the Association's contractors, employees, agents, and Association Manager, or any obstruction or interference with such persons while they are performing duties for the Association;

(l) The cutting or removal of trees or bushes located on the General Common Area without prior written approval of the Board; and

(m) Any further subdivision of a Unit.

Without limiting any of the foregoing, no Owner or resident shall permit noise, sound(s) or sight(s) that unreasonably disturb another Owner or resident's enjoyment of his or her Unit and/or the Common Area, including but not limited to noise transmitted from hard surface flooring, barking dogs, the operation of air conditioners, stereos, amplifier systems, television systems, motor vehicles, recreational vehicles, motorcycles, or power tools.

All horns, whistles, bells, or other sound devices, except security devices used exclusively to protect the security of a Unit or vehicle and its contents, are also prohibited. Noisy, unsightly, unusually painted or smoky vehicles, large power equipment and large power tools (excluding lawn mowers and other equipment used in connection with ordinary landscape maintenance), off-road motor vehicles or items which may unreasonably interfere with television or radio reception to any Condominium and objects which create or emit loud noises or noxious odors may not be located, used or placed in the Project or on any public street abutting or visible from the Project, or exposed to the view of other Owners without the Board's written approval. The Association is entitled to determine if any noise (at any hour), odor, or activity producing such noise or odor constitutes a nuisance. No Owner may permit or cause anything to be done or kept on the Project or on any public street abutting or visible from the Project which will cause or permit any nuisance thereon.

Section 3.4. Signs and Flags.

(a) Except as otherwise provided by law, the posting or displaying of commercial signs, posters, flags, or banners on any portion of the General Common Area or within a Unit or Exclusive Use Common Area so as to be visible from the Common Area shall not be permitted, except that for each Condominium the following signs may be posted:

(1) one (1) nameplate or similar Owner name or address identification sign which complies with the Association Rules;

(2) one (1) sign advising of the existence of security services protecting a Condominium which complies with the Association Rules;

(3) one (1) sign advertising the Condominium for sale or lease that is: (a) not larger than eighteen inches (18") by thirty inches (30") in size; and (b) of a color and style and location authorized by the Board; or

(4) other signs or displays authorized by the Board.

(b) Owners are prohibited from posting or displaying any non-commercial sign, poster, flag, or banner on any portion of the Common Area. Non-commercial signs or posters less than nine (9) square feet in size may be posted or placed within a Unit or Exclusive Use Common Area. Non-commercial flags or banners less than fifteen (15) square feet in size may be posted or displayed within a Unit or Exclusive Use Common Area. Non-commercial signs or posters may be made of paper, cardboard, cloth, plastic, or fabric and may not be made of lights, roofing, siding, paving materials, flora, or balloons, or any other similar building, landscaping or decorative component, or include the paintings of architectural surfaces.

(c) Owners may display a flag of the United States no greater than three feet by five feet (3 ft. x 5 ft.) in the window of the Owner's Unit or from a staff or pole on the Owner's balcony, patio, deck, or private yard. As used herein, a "flag of the United States" means a flag of the United States made of fabric, cloth, or paper, and in the colors of red, white, and blue. A flag of the United States does not mean a depiction or emblem of the flag of the United States made of lights, paint, roofing, siding, paving materials, flora, or balloons, or any other similar building, landscaping, or decorative component.

(c) The Board may adopt reasonable Association Rules regarding the placement of such signs, and/or the placement and size of U.S. flags. The Association may place such signs within the General Common Area as the Board deems necessary and appropriate for the operation of the Project.

Section 3.5. Antennas and Satellite Dishes. No Owner shall construct, install and/or use and operate any radio and/or television antenna, satellite dish, other signal reception or transmission devices or related equipment within the Common Area except with the express, prior written permission of the Board. No satellite dish or antenna greater than one meter (39.4 inches) in diameter shall be installed within any Unit or Exclusive Use Common Area unless the proposed location for such installation is reviewed by the Board/Architectural Committee before installation to ensure that the visibility of the satellite dish/antenna is minimized with respect to other Owners. Owners shall notify the Board of the installation of any other antenna, satellite dish or signal reception or transmission device (except those installed within the interior of the Unit) and shall comply with all Association Rules regarding installation, safety, and maintenance of such equipment. All such Association Rules shall conform to the requirements of state and federal law. Only one (1) satellite dish or antenna is permitted per Unit. Owners must remove any satellite dish installed for the use of their Unit upon sale of the Unit.

Section 3.6. Clotheslines. Unless otherwise authorized by law or the Board, and subject to any Association Rules that the Board deems necessary and appropriate, the use of clotheslines in General Common Area, Exclusive Use Common Areas, and within a Unit so as to be visible from the Common Area, is prohibited. Under no circumstances shall any balcony, railing, awning, or any other part of a Unit or Exclusive Use Common Area serve as a clothesline or drying rack.

Section 3.7. Parking and Vehicle Restrictions.

(a) Authorized Vehicles may be parked in any portion of the Project intended for parking of motorized vehicles; however, no Owner may park a vehicle in a manner which blocks any driveway, street, or sidewalk in the Project, or extends beyond the limits of the space where the vehicle is parked. As used herein the term "Authorized Vehicles" means standard passenger vehicles including automobiles, passenger vans designed to accommodate ten (10) or fewer people, motorcycles, and pickup trucks that have a manufacturer's rating or payload capacity of one (1) ton or less. The Board is authorized to adopt Association Rules which further identify or modify the definition of Authorized Vehicles.

(b) Except as specified herein, Prohibited Vehicles must not be parked, stored, or kept within the Project (except as specified herein or in the Association Rules), or on any public or private street in, adjacent to or visible from the Project except for brief periods for immediate loading, unloading, making deliveries or emergency repairs. As used herein the term "Prohibited Vehicle" means: (1) recreational vehicles (e.g., motorhomes, travel trailers, camper vans, boats, all-terrain vehicles, snowmobiles, motorcycles, and trucks with camper shells); (2) commercial-type vehicles (e.g., stakebed trucks, semi-tractor trailers, tank trucks, dump trucks, step vans, concrete trucks, and limousines); (3) buses or vans designed to accommodate more than ten (10) people; (4) vehicles having more than two (2) axles; (5) trailers; (6) inoperable vehicles or parts of vehicles; (7) aircraft; (8) any vehicle or vehicular equipment that does not fit in a garage; (9) any vehicle or vehicular equipment deemed a nuisance by the Association; and (10) any other vehicle not classified as an Authorized Vehicle. The Board is authorized to adopt Association Rules which further identify or modify the definition of Prohibited Vehicles. Prohibited Vehicles may only be parked in an Owner's fully enclosed garage with the door closed.

(c) If a vehicle qualifies as both an Authorized Vehicle and a Prohibited Vehicle, then the vehicle is presumed to be a Prohibited Vehicle, unless the vehicle is expressly authorized in writing by the Board.

(d) Subject to the restriction on Prohibited Vehicles, all vehicles owned or operated by or in the control of an Owner or a resident of an Owner's Condominium and kept in the Project must be parked in the garage of that Owner's Unit to the extent there is space available. The Board may adopt an Association Rule requiring that Owners maintain their garage in such a manner that it can accommodate at least the number of Authorized Vehicles for which it was originally constructed. The Board may also authorize the parking vehicles in driveways or other locations within the Project in the Association Rules.

(e) No repair, maintenance or restoration of any vehicle may be conducted within the Project except temporary, immediate, and minor vehicle maintenance or repairs may be performed in the driveway or in an enclosed garage when the garage door is closed. However, these activities may not be undertaken as a business and may be prohibited entirely if the Board determines that the activities are a nuisance.

(f) In addition to the provisions of this Section, the Board shall have the power and authority to adopt, promulgate, and enforce additional Association Rules regarding vehicles and parking. The Board has the right to adopt regulations and take all other action reasonably necessary to ensure: (1) that guest parking spaces are open to guests; and (2) that vehicles under the control of Owners and their Families must be parked first in the garage(s) and next in the driveway(s). Availability of parking spaces in the Project is limited so the Association is granted power to adopt any Association Rule(s) that the Board determines are required to preserve the parking spaces for their intended use, and to establish and enforce a parking permit program, if needed. Vehicles parked in violation of this Declaration or the Association's Rules may be towed away without prior notice to the vehicle owner and at the vehicle owner's expense, provided that the Association complies with California Vehicle Code Section 22658, et seq. or any superseding statute.

Costs incurred by the Association regarding parking, towing, and vehicle storage shall be levied against the Owner as a Special Individual Assessment, including costs incurred regarding Owner's Family, tenants, lessees, guests, vendors, contractors, etc.

Section 3.8. Animals. The following restrictions regarding the care and maintenance of pets within the Project shall be observed by each Owner and resident:

(a) No more than two (2) dogs and up to two (2) common household animals (i.e., cats, fish, birds, reptiles, or other usual household animal) may be kept in each Unit as long as they are not kept, bred, or maintained for commercial purposes and are kept under reasonable control at all times. No other animals, livestock, or poultry of any kind shall be kept, bred, or raised in any Unit. The Board may determine that a reasonable number of common household animals in any instance may be more or less. The Board is also authorized to adopt or amend the Association Rules to reduce or increase the number of animals permitted per Unit.

(b) The maintenance or keeping of any animal within the Project is limited to Unit Owners and their guests only. Tenants are not allowed to keep animals within the Project unless such Tenant resides in a Unit for six (6) months or longer and the Unit Owner permits the keeping of animals in the Unit.

(c) Dogs are only permitted in the General Common Area when they are leashed and otherwise under the supervision and restraint of their owners. No animal shall be tied, chained, or otherwise tethered in the General Common Area, unless under the supervision of its owner.

(d) Animal owners are responsible for the prompt removal and disposal of pet waste deposited by their pets within the Project. Animals are prohibited from urinating or defecating on Exclusive Use Common Area Decks, Patios, and Stairways. Unaccompanied animals are not permitted on Exclusive Use Common Areas or the General Common Area.

(e) Notwithstanding the foregoing, no animal may be kept within the Project which results in annoyance or nuisance to Owners or residents. The Board shall specifically have the power to prohibit the keeping or maintenance of any animal which, in the sole and exclusive opinion of the Board, after notice and hearing, is deemed to constitute a nuisance or threat to the safety of the residents. The Board shall also specifically have the power to enact Association Rules further defining or creating restrictions for this Section.

(f) Each person bringing or keeping a pet in the Project shall be solely responsible and liable for the conduct of such pets. The Association, the Board, officers, employees, and agents shall have no liability to any Owners, their Family, guests, invitees, tenants and contract purchasers for any damage or injury to persons or property damage caused by any pet.

Section 3.9. Garbage and Storage; Waste.

(a) Storage of building materials, refuse or any other materials in the Project is prohibited, except building materials may be kept within the Project in areas and for such durations of time as permitted by the Board. No trash may be kept or left within the Project or on any public street abutting or visible from the Project except within containers located in appropriate areas screened from view. Organic materials may only be disposed of in bear-proof bins and may not be left outside of the Units in locations accessible to bears. Such containers may be exposed to the view of neighboring Condominiums only when set out at a location approved by the Board for a reasonable period of time (not to exceed twelve (12) hours before

and after scheduled trash collection hours). In addition, recycling material within appropriate containers may be exposed to the view of neighboring Units when set out at a location approved by the Board for a reasonable period of time (not to exceed twelve (12) hours before scheduled collection hours).

(b) No toxic or hazardous material shall be disposed of within the Project by dumping in the garbage containers or down the drains, or otherwise. Toxic or hazardous material disposal must be performed outside the Project in accordance with all applicable statutes, ordinances, and regulations. No hazardous or flammable materials may be stored in any vehicle on the Project.

(c) No furniture or other non-household garbage or trash shall be left in the garbage collection areas.

(d) No Owner shall permit anything or condition to exist in his/her Unit which induces, breeds, or harbors infectious plant diseases or noxious insects.

The Association shall be entitled to impose reasonable fines and penalties for collection of garbage, refuse or material which is disposed of in any manner inconsistent with this Section. Each Owner shall defend, indemnify and hold harmless the Association, its officers and directors against any liability, loss, damage, cost or penalty, including attorneys' fees, arising from or relating to the unlawful disposal of hazardous or toxic materials.

Nothing in this Section shall be interpreted to preclude the Association from establishing and maintaining within the Project appropriate storage yards and storage buildings for the maintenance and retention of materials and equipment needed for planting, building, repair, maintenance and preservation of the structures, gardens, and other improvements of the Common Areas.

Section 3.10. Window Coverings. Windows shall be covered by curtains, drapes, blinds, or shades, and shall be maintained in good repair and condition. Windows shall not be painted, or covered by foil, cardboard, blankets, sheets, towels, or similar materials. The Board may adopt Association Rules regulating the type, color and design of window covers.

Section 3.11. Carpeting; Hard Surface Flooring. All Units located immediately above another Unit (excluding garages) must have all floor areas padded and carpeted except for entryway, kitchen, and bathroom floors, or as originally installed. Owners may request a variance from this Section from the Board upon submitting a written request to the Board pursuant to Article VIII of this Declaration.

Section 3.12. Machinery and Equipment. Air conditioners must not be installed in windows unless permitted by the Association Rules. Metal braided hoses are the only hoses permitted to be attached to the Unit's washing machine. These hoses must be maintained in good condition and can only be replaced with metal braided hoses and not with rubber hoses. No machinery or equipment of any kind shall be placed, operated, or maintained upon, or adjacent to any, or outside a Unit except such machinery or equipment as is usual or customary in connection with the use, maintenance, remodeling or construction of a Condominium or appurtenant structures within the Project.

Section 3.13. Outside Installations. The following outside installations are prohibited: (a) wiring, barbeques that are not gas barbeques, air conditioning equipment, individual water softeners that are not approved by the local water district, other machines, and other similar Improvements; (b) Improvements protruding through the walls or roofs of buildings; and (c) other exterior additions or alterations to any

Condominium. The Board may prohibit or restrict portable sports equipment or basketball hoops, skateboard ramps and obstacles, and garage sales in the Association Rules.

Section 3.14. Unit Interior Restrictions. No Condominium Owner shall undertake any action or work that will impair the structural soundness or integrity of his or another Unit or impair any easement or estate, or do any act or allow any condition to exist which will adversely affect the other Condominiums or their Owners. No alteration, repair, or replacement of wall coverings in Condominiums which may diminish the effectiveness of the sound control engineering in the buildings in the Project may be made. Waterbeds are prohibited in upstairs Units.

(a) Water Heaters. If a metal or plastic pan is provided by Declarant under washers or under water heaters, the Unit Owner must regularly inspect, empty, and clean the metal or plastic pan to ensure that it remains functional.

(b) Showers/Bathtubs. If an Owner replaces any fiberglass shower unit or tub/shower unit installed by Declarant, the replacement must include a one-piece fiberglass pan or similar material and not a "hot mop" tile floor. Jetted tubs are permitted as long as they were installed either as part of the original construction of the Unit, or upon requesting and obtaining written approval from the Board pursuant to Article VIII of this Declaration.

(c) Fireplaces/Gas Lines. No one is allowed to extend the existing natural gas line serving a fireplace in a Unit so that the natural gas line also serves a gas barbeque grill on an Exclusive Use Area deck or patio. Owners are not allowed to: (a) convert fireplaces from gas burning to wood burning; or (b) add a fireplace to a Unit.

(d) Internal Walls and Wiring. Owners are prohibited from moving walls within the Units and re-wiring the Units unless approved by the Board pursuant to Article VIII of this Declaration.

(e) Wall Heating System. Owners are prohibited from altering or cutting the pipes that serve the hydronic wall heating system and water delivery system unless approved by the Board pursuant to Article VIII of this Declaration. Each Owner must keep the hydronic wall heating system and water delivery system serving the Owner's system at least 50 degrees Fahrenheit. Owners are prohibited from disabling or shutting off the hydronic wall heating system serving their Units. Each Owner is responsible for all damage caused by the hydronic wall heating system and water delivery system serving the Owner's Unit even if the damage is to other Units or Association owned property.

(f) All Changes to Condominiums. Any physical changes to the Condominiums must be approved in advance by the Board, must be performed pursuant to a building permit issued by the Town of Truckee (if required), and must be performed by a licensed contractor with general liability and Workers Compensation insurance.

This Section shall not apply to: (a) any on-site management office for the Association; (b) any area used as an office providing property management for individual Owners and their Units; or (c) any area used as an office to assist in resales in the Project.

Section 3.15. Use of Exclusive Use Common Areas. The Exclusive Use Area decks, patios, and stairways may not be used as storage areas. Only items authorized in the Association Rules may be kept in the Exclusive Use Area decks, patios, and stairways.

Section 3.16. Hot Tubs. Hot tubs are allowed on the ground floor of the buildings where there is a concrete patio. Hot tubs are prohibited in all Exclusive Use Area decks and patios that are above level. An exception can be approved by the Board provided the Owner shows proof that the deck has been constructed to support the weight of a hot tub filled with water, and shows how they will mitigate impact to their downstairs neighbors. Any privacy screening for hot tubs must be approved by the Board. Any Owner who installs a hot tub next to a window must replace the glass in the window with tempered glass or an equivalently safe alternative material.

Section 3.17. Declarant Restrictions. The Project, including parking spaces and other amenities contemplated as a part of the Project, will not be leased by Declarant to the Owners or the Association. Owners may also rent Condominiums to Declarant for use as sales offices, models, and parking areas.

Section 3.18. Water Supply System. No individual water supply, sewage disposal or water softener system is permitted in any Condominium unless such system is designed, located, constructed, and equipped in accordance with the requirements, standards, and recommendations of any water district having jurisdiction, the Board and all other governmental authorities with jurisdiction.

Section 3.19. View Obstructions. No vegetation or other obstruction may be installed or maintained on any deck, patio, or stairway in a location or of a height that unreasonably obstructs the view from any other Unit in the vicinity thereof. If there is a dispute between Owners concerning the obstruction of a view from a Unit, the dispute shall be submitted to the Board, whose decision in such matters shall be binding. Any such obstruction shall, on request of the Board, be removed or otherwise altered to the satisfaction of the Board by the Owner of the Unit on which the obstruction is located. Any obstruction on any deck, patio or stairway which is exposed to the view of any Owner shall be removed or otherwise altered to the satisfaction of the Board, if it determines that the maintenance of such obstruction in its then existing state is contrary to this Declaration. If an Owner fails to perform necessary removal or alterations, the Association may, after Notice and Hearing, enter on such Unit to perform such work.

The Board shall ensure that the vegetation on the General Common Area maintained by the Association is cut frequently so that the view of any Owner is not unreasonably obstructed. Each Owner acknowledges that: (a) there are no protected views in the Project, and no Condominium is assured the existence or unobstructed continuation of any particular view; and (b) any construction, landscaping or other installation of Improvements by Declarant, other Owners or owners of other property in the vicinity of the Project may impair the view from any Condominium, and the Owners consent to such view impairment.

Section 3.20. Open Burning On-Site. Clearing vegetation is prohibited. Wood heating devices are prohibited unless the Association participates in a Town of Truckee sponsored program to offset or mitigate the emissions from the wood heating devices. Open burning fireplaces are prohibited. All wood heating devices that are allowed to be installed in the Project must conform to Town of Truckee ordinances.

Section 3.21. Pollutant Control. The Project are subject to all Federal, State, and local requirements of the National Pollutant Discharge Elimination System ("NPDES") adopted pursuant to the Federal Clean Water Act. Pursuant to a NPDES General Permit adopted by the State Water Resources Control Board and the local NPDES Storm Water Permit Program, certain Best Management Practices ("BMP") must be used to reduce the discharge of pollutants to storm water facilities after construction in the Project is completed. The Association and the Owners shall comply with all BMPs and perform all maintenance imposed by the Water Management Plan, as amended. The costs of the Association's portion of complying with these requirements shall be treated as a Common Expense.

Section 3.22. Regulation of Resident Activity. To promote the residents' use and enjoyment of the Project and the aesthetic and recreational purposes thereof, the Board shall be entitled to adopt, repeal or amend Association Rules governing use of the Common Area and individual Units and/or which seek to promote the health, safety, and quality of life of Owners and other residents of the Project, and to impose appropriate fines or other penalties for their violation.

Section 3.23. Termination of Mechanics' Lien Rights and Indemnification. No labor performed or materials furnished to and incorporated in a Unit with the consent or at the request of the Owner thereof, Owner's Family, lessees, tenants, or contract purchasers, or any of their agents, contractors, or subcontractors, shall be the basis for filing a lien against the Unit of any other Owner if said Owner has not expressly consented to or requested the same, or against the Common Area.

Each Owner shall indemnify and hold harmless each of the other Owners and the Association from and against all liability arising from the claim of any lien against the Unit of any other Owner or against the Common Area for construction performed, or for labor, materials, services, equipment, or other products incorporated into the Owner's Unit, at such Owner's request or with its consent.

The provisions of this Section shall not apply to any labor performed or materials furnished at the request of the management agent or the Board. At the written request of any Owner, the Association shall enforce such indemnity by collecting from the Owner of the Unit on which the labor was performed or to which materials were furnished, through Special Individual Assessments against said Unit, the amount necessary to discharge any such lien, including all costs incident thereto.

Section 3.24. 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 III, 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. In considering and acting upon any request for a variance, the Board shall follow the procedures set forth in Article VIII for the granting of architectural variances.

Section 3.25. Enforcement of Property Use Restrictions.

(a) Voluntary Compliance. The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and other residents with the environmental standards and property use restrictions contained herein. Accordingly, if the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action under Section 6.2 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 that failure to correct the violation may result in disciplinary action.

(b) Board's Discretion Concerning Enforcement. The Board shall have the discretion to decide the type of enforcement action which is appropriate for any violation of the restrictions contained in this Article III, taking into consideration the potential benefits to the Association (and/or its members) resulting from any such enforcement action as compared with the anticipated financial costs.

ARTICLE IV: HOMEOWNERS ASSOCIATION.

Section 4.1. Management and Operation. The Association shall manage and operate the Project in accordance with applicable provisions of the Governing Documents and California law, including law applicable to non-profit mutual benefit corporations and common interest developments.

Section 4.2. Association Membership. Every Owner of a Unit shall be a Member of the Association. The Owner(s) of a Unit shall hold jointly one membership in the Association for each Condominium owned. The membership shall be appurtenant to each Unit and may not be separated from ownership of the Unit to which it relates. Persons or entities who hold an interest in a Condominium merely as security for performance of an obligation are not Members until such time as the security holder comes into title to the Condominium through foreclosure or deed. Tenants who are delegated rights of use pursuant to Section 2.5 hereof do not thereby become Members, although the tenant and members of the tenant's Family shall, at all times, be subject to the provisions of all Governing Documents.

Each Owner shall remain a Member of the Association until his or her ownership in every Unit in the Project ceases, at which time his or her membership in the Association shall automatically cease. Membership in the Association shall not be transferred, encumbered, pledged, or alienated in any way, except upon the sale or encumbrance of the Unit to which it is appurtenant and then only to the purchaser. In the case of a sale, membership passes automatically to the purchaser upon recording of a deed evidencing transfer of title to the Unit.

Any attempt to make a prohibited transfer is void. In the event the Owner of any Unit should fail or refuse to transfer the membership registered in the Owner's name to the purchaser of his or her Unit, 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 4.3. Voting. All Members shall be entitled to vote, and votes shall be cast for each Unit owned by said Member, as more particularly set forth in the Bylaws.

Section 4.4. Classes of Membership. The Association classes of voting Membership are as follows:

(a) Class A. Class A members are all Owners except Declarant for so long as a Class B Membership exists. Class A members are entitled to one (1) vote for each Condominium owned by such Class A members which is subject to Assessment. Declarant shall become a Class A member on conversion of Declarant's Class B Membership as provided below. The vote for each Condominium shall be exercised in accordance with Section Bylaws, but no more than one (1) Class A vote may be cast for any Condominium.

(b) Class B. The Class B member is Declarant. The Class B member is entitled to three (3) votes for each Condominium owned by Declarant and subject to Assessment. The Class B Membership shall convert to Class A Membership on the first to occur of the following events:

- (1) The second anniversary of the first Close of Escrow in the most recent Phase; or
- (2) The fourth anniversary of the first Close of Escrow in Phase ID.

Section 4.5. Powers and Authority of the Association.

(a) Powers Generally. The Association shall have the responsibility of managing and maintaining the Common Areas and Common Facilities and shall discharge all duties and responsibilities imposed on the Association by the Governing Documents and applicable California law. In the discharge of such responsibilities and duties, the Association and its Board shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California, 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 that 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 that 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 this Declaration and the Bylaws.

(b) Association's Limited Right of Entry.

(1) Scope of Right. In the Board's discretion, the Association, and/or its agents/representative shall have the right, when necessary, to enter any Unit, including Exclusive Use Common Area(s), to perform the Association's obligations under this Declaration, including (i) exterior maintenance or repair obligations; (ii) obligations to enforce the architectural and land use restrictions of Article III and Article VIII hereof; (iii) any obligations with respect to construction, maintenance and repair of adjacent Common Areas, Common Facilities, utilities and/or other services; or (iv) to make necessary repairs that an Owner has failed to perform that, if left undone, will pose a threat to, or cause an unreasonable interference with, Association property or the Owners in common.

(2) Notice Requirement. The Association's rights of entry under this Subsection (b) shall be immediate in case of an emergency originating in or threatening the Unit where entry is required, or any adjoining Unit or Common Area, and the Association's work may be performed under such circumstances whether or not the Owner or Owner's lessee is present. In all non-emergency situations, the Association or its agents shall furnish the Owner or Owner's lessee with at least twenty-four (24) hours written notice of the Association's intent to enter the Unit, specifying the purpose and scheduled time of such entry and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing within the Unit.

(3) Transfer of Right. The Association's rights of entry under this Subsection (b) shall expressly include the right to transfer said rights of entry to others (including, but not limited to employees, contractors and/or service providers retained by the Association) by permit, license, easement, or otherwise, for the benefit of the Association and the Owners of Condominiums within the Project.

(c) Association as Attorney-in-Fact for Owners. Without limiting the generality of the foregoing, the Association is hereby irrevocably appointed as the attorney-in-fact for the Owners of each and every Unit to (i) manage, control and deal with the interest of such Owners in the Common Area so as to permit the Association to fulfill all of its duties and obligations hereunder and to exercise all of its rights hereunder; (ii) deal with Project upon its destruction or obsolescence as hereinafter provided; and (iii) deal with and handle insurance and insurance proceeds, as provided in Articles IX and X hereof, and condemnation and condemnation awards, as provided in Article XI hereof. The acceptance by any person

or entity of any interest in any Unit shall constitute an appointment of the Association as the Owner's attorney-in-fact as provided above.

Section 4.6. Board of Directors. The affairs of the Association shall be managed by or under the direction of the Board. The number and qualifications of the Directors shall be as established in the Bylaws.

(a) Powers of the Board. The Board shall have all of the powers and duties set forth in the Governing Documents:

(1) Exclusive Power. Except as expressly otherwise provided herein, the powers and duties of the Association that the Governing Documents do not reserve to the Members shall be exclusively exercised and performed by the Board (or such Committees or officers as the Board may establish, elect, or appoint pursuant to the provisions of the Bylaws). Any power to be exercised or duty to be performed by the Association shall not be exercised or performed by any Owner individually without the written consent of the Board.

(2) General Powers of the Board. Without limiting any powers of the Board conferred elsewhere in the Governing Documents, the Board shall have the following powers:

(A) To call meetings of the Members.

(B) To appoint and remove at pleasure all officers, committees, agents, and employees of the Association, prescribe their duties, fix their compensation (subject to Section 4.7), and require of them such security or fidelity bonds as it may deem expedient. Nothing contained in this Declaration shall be construed to prohibit the employment by the Association of any Member, Director, or officer of the Association in any capacity whatsoever.

(C) To establish, fix, levy, assess and collect assessments against the Owners of Condominiums within the Project and to enforce payment of such Assessments in accordance with Article V of this Declaration. Any Assessments levied by the Association on its Members shall be levied in accordance with and pursuant to the provisions of the Governing Documents.

(D) To authorize and cause the Association, subject to Section 4.7, to: (1) enter into management contracts and contracts for the day-to-day operation of the Association and the discharge of its responsibilities and obligations; or (2) enter into lease, license, or other agreements for the use of property or facilities not a part of the Common Area. No contract for professional management shall have a term of more than three (3) years and each such contract shall be subject to all the other provisions hereof and shall be terminable by either party without cause or payment of a termination fee on sixty (60) days written notice. Any reference to the "term" of a contract as used in this Subsection shall not include any option or automatic renewal or extension period so long as the term of the contract may not be renewed or extended if notice is given by the Association pursuant to provisions contained within the contract.

(E) To adopt, amend, and repeal Association Rules, consistent with this Declaration and the requirements of California law, relating to use of the Common Area including Exclusive Use Common Area and the Units, the conduct of Owners, and their families, tenants, guests and invitees within the Project and such other matters as authorized by the Governing Documents. The Association Rules shall be considered as part of the Governing Documents of the Association and may be enforced in the same manner as any other Governing Document. However, no Association Rule shall restrict any rights of Owners or residents established by the other Governing Documents (Articles, Bylaws, and this

Declaration), and in the event of any conflict between an Association Rule and any other Governing Document, the provisions of the other Governing Document shall control.

(F) To delegate its powers to committees, officers, or employees of the Association.

(G) To incur debt for the purpose of maintaining and improving the Common Area, and to encumber property and/or member Assessments of the Association as security for the repayment of such debt.

(H) To grant easements on, over, under, across, and through the Project for public utility and other purposes consistent with the provisions of this Declaration and the intended use of the Project as a condominium project.

(I) Except as expressly otherwise provided herein, the Board shall have the exclusive right and obligation to manage and administer the Common Area and to contract for all goods, services, and insurance, payment for which is to be made from the assessments hereinafter provided.

(J) Open bank accounts on behalf of the Association and designate the signatories to such bank accounts.

(K) Bring and defend actions on behalf of the Association to protect the interests of the Members or the Association, as such, as long as the action is pertinent to the operations of the Association, and to assess the Members for the cost of such litigation. Prior to filing litigation regarding any disciplinary action against a Member, the Board shall comply with the requirements set forth in Section 12.6. The Board shall have the discretion to determine whether any such action is in the best interests of the Association, taking into account the cost of any such action, the possibility of success and the benefits resulting from a successful action, and may decline to pursue any such action if it determines that it is not in the best interests of the Association to do so.

(L) Establish and impose monetary penalties (fines) for the infraction of any provision of the Governing Documents, in accordance with a schedule of monetary penalties adopted by the Board and distributed to all Members, and suspend other membership rights and privileges of a Member, during any period in which such Member shall be in default in the payment of any assessment, fine, or other charge levied by the Association, and/or for any infraction of the Governing Documents.

(M) The power and the duty to provide for trash collection for the Condominiums.

(3) No Active Business. Nothing contained in this Declaration, however, shall be construed to give the Board authority to conduct an active business for profit on behalf of the Association, all of the Owners, or any of them. The Board shall have no such power or authority. However, this Subsection (3) shall not prohibit the Association and/or its Board from acquiring, owning, leasing and/or selling any Unit within the Project.

(b) Duties of the Board. The Board shall:

(1) Association Duties. Cause all duties imposed on the Association by Governing Documents to be properly performed.

(2) Records. Cause a complete record of all its acts and corporate affairs to be kept, and prepare budgets, financial statements and other reports and disclosures for the Association as required by the Governing Documents and California law.

(3) Supervise. Supervise any and all officers, agents, and employees of the Association and to see that their duties are properly performed.

(4) Assessments. Fix, levy and collect assessments pursuant to the provisions of this Declaration and California law.

(5) Insurance. Contract for casualty, liability and other insurance, sureties and/or bonds (including indemnity bonds) on behalf of the Association with such coverages and in such amounts as required by this Declaration and as deemed necessary by the Board.

(6) Vacancies. Fill a vacancy or vacancies on the Board except for a vacancy created by the removal of a Director by a Member recall.

(7) Discharge of Liens. Pay any amount necessary to Bond or discharge any claim that may be or become a lien or encumbrance levied against the Project as a whole or any part thereof that constitutes a lien against the Common Area, rather than merely against the interest therein of particular Owners; provided, however, that where one or more Owners are responsible for the existence of such lien, they shall jointly and severally be liable for the cost of discharging it, and any costs incurred by the Association by reason of said lien or liens shall be assessed against each such Owner and its Condominium as provided in Section 5.4. No decision resulting in such liability or assessment shall be reached before providing the Owner or Owners with notice and hearing satisfying the requirements of Section 12.6 of this Declaration.

(8) Enforcement. Pursue any and all remedies available under Article XII of this Declaration (or otherwise permitted under California law) for violation of the Governing Documents. Notwithstanding anything to the contrary herein contained, neither the Board nor the Association shall have the power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his or her Unit, including access thereto over and across the Common Area, except when such loss or forfeiture is the result of (A) a judgment of a court, (B) a decision arising out of arbitration, (C) on account of a foreclosure (judicial or under the power of sale herein granted) for failure of the Owner to pay the assessments levied pursuant to the provisions of this Declaration.

(9) Operating Requirements. Obtain any other material, supplies, furniture, property, labor, services, maintenance, repairs, construction, reconstruction, structural alterations, insurance, taxes, or assessments that the Association is required to secure or pay by law, local requirement, or pursuant to the terms of this Declaration, or as is necessary for the operation of the Project, or for the enforcement of this Declaration; provided, however, that if any such materials, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments are provided for particular Units, the costs thereof shall, as is reasonable, be assessed to such Units and the Owners thereof as provided in Section 6.3 or as provided in the Bylaws.

Section 4.7. Limitations on Powers of the Association. Neither the Board nor the Association shall have the power to take, and both are hereby expressly prohibited from taking, any of the following actions without the vote or written assent of a majority of the Association's Members:

(a) Contracts with Third Parties. Entering into a contract with a third person to furnish goods or services for the Common Area, the Units, or the Association for a term longer than one (1) year with the following exceptions:

(1) A management contract as long as such contract contains provisions that allow the Association to terminate the management services under the contract upon a notice period that does not exceed sixty (60) days.

(2) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission (and contracts with utility districts, sanitary services providers, energy providers, telephone service providers and/or cable or satellite dish or comparable service provider); provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

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

(4) Lease agreements for laundry room fixtures and equipment not to exceed five (5) years' duration.

(5) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation, and services not to exceed five (5) years' duration.

For purposes of this Subsection (a) of Section 4.7 the one (1) year maximum "term" of a contract does not include any option period(s), renewal period(s) and/or extension(s) of time to the contract term so long as the contract contains provisions allowing the Association to non-renew and/or cancel the contract upon the expiration of said term.

(b) Capital Improvements. Incurring aggregate expenditures for Capital Improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. As used herein, the term "Capital Improvement" means any Improvement which is not constructed or built as of the date this Declaration is recorded but does not include the repair, replacement, or maintenance of any existing Improvement.

(1) **Approval by Owners.** If during the fiscal year aggregate expenditures for Capital Improvements exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, the Association shall present the proposed Capital Improvements and the estimated total cost thereof to all Owners for approval and obtain the Owners' approval. (See Section 5.7 of this Declaration.) Upon approval by the Owners, a Special Assessment for Capital Improvement shall be levied as provided in Section 5.3.

(2) **Construction.** After the levy of the Capital Improvement Assessment, and at such time and upon such terms and conditions as the Association may deem appropriate, but not at a cost exceeding the estimated total cost of such Capital Improvement as determined above, the Association shall construct,

install, or acquire, or contract for the construction, installation, or acquisition of the proposed Capital Improvement.

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

(d) Compensation to Officers or Directors. Paying compensation to Directors or officers of the Association for services performed, except that the Board may authorize reimbursement to a Director or officer for expenses incurred in carrying on the business of the Association.

(e) Vacancies on the Board. Filling a vacancy on the Board caused by the removal of a Director by the Members.

Section 4.8. Association Prohibited Functions.

(a) Off-site Nuisances. The Association shall not use any Association funds or resources to abate any annoyance or nuisance emanating from outside the physical boundaries of the Project.

(b) Political Activities. The Association shall not: (1) participate in federal, state or local political activities or activities intended to influence a governmental action affecting areas outside the boundaries of the Project (e.g., endorsement or support of legislative or administrative actions by a local governmental authority, candidates for elected or appointed office, or ballot proposals); or (2) conduct, sponsor, participate in or expend funds or resources or any activity, campaign or event, including any social or political campaign, event or activity which is not directly and exclusively pertaining to the authorized activities of the Association. There shall be no amendment of this Section so long as Declarant owns the Project or Annexable Territory.

Section 4.9. Nonliability of Officials. To the fullest extent permitted by law, neither a current nor a past Director, officer, Committee of the Association or member of a Committee of the Association, nor the Board (collectively and individually referred to as the "Released Party"), shall be liable to any Member, Owner, the Association or any other party for any damage, loss, claim, liability or prejudice suffered or claimed on account of any decision, approval, disapproval, course of action, act, inaction, omission, error, negligence or the like made in good faith and within which such person or entity reasonably believed to be the scope of its duties.

(a) Claims Regarding Breach of Duty. No Released Party shall be personally liable to any of the Association's Members, or to any other person, for any error or omission in the discharge of their duties and responsibilities or for their failure to provide any service required hereunder or under the Bylaws, provided that such Released Party has, upon the basis of such information as may be possessed by the Released Party, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

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

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

- (1) The Director or officer is an Owner of no more than two Units;
- (2) The act or omission was performed within the scope of the volunteer Director's or officer's Association duties;
- (3) The act or omission was performed in good faith;
- (4) The act or omission was not willful, wanton, or grossly negligent;
- (5) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim was made one or more policies of insurance that include coverage for general liability of the Association and individual liability of the officers and Directors of the Association for negligent acts or omissions in their official capacities, with minimum coverage for both types of insurance equal to the amounts specified in Civil Code Section 5800 or comparable superseding statute.

The payment of actual expenses incurred by a Director or officer in the execution of that person's Association duties shall not affect that person's status as a volunteer Director or officer for the purposes of this Section. However, any Director or officer who receives direct or indirect compensation from a financial institution that acquired a Unit within the Project as the result of a judicial or nonjudicial foreclosure proceeding is not a volunteer.

The provisions of this Subsection (b) are intended to reflect the protections accorded to volunteer Directors and officers of community associations under Civil Code Section 5800 or comparable superseding statute. In the event that Civil Code Section is amended or superseded by another, similar provision of the California statutes, this Subsection (b) shall be deemed amended, without the necessity of further Member approval, to correspond to the amended or successor code provision.

(c) Indemnification of Directors, Officers, Employees and/or Agents. The indemnification rights (including the right to advancement of expenses) of Directors, Officers, employees and/or agents shall be governed by the provisions of Corporation Code Section 7237 or comparable superseding statute. As set forth in Article IX hereof, the Association has the right to purchase and maintain insurance on behalf of its Directors, Officers, employees and/or agents against liability asserted against or incurred by any Director, Officer, employee and/or agent in its capacity or status as such.

ARTICLE V: ASSESSMENTS.

Section 5.1. Assessments Generally.

(a) Covenant to Pay Assessments. Each Owner of one (1) or more Units, by acceptance of a deed or other conveyance of such Unit (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 levied by the Association as hereinafter provided, together with all

additional charges. Such deed or conveyance shall be deemed to vest in the Association the right and power to initiate all actions and procedures as the Board shall deem necessary or appropriate for the collection of such assessments and charges and for the enforcement of the liens hereinafter provided for. Each such Assessment shall be established and collected as hereinafter provided.

(b) Extent of Owner's Personal Obligation for Assessments.

(1) Obligation Runs with the Land. The obligation to pay Assessments and charges and the right and power of the Association to initiate all actions and procedures for collection shall run with the land, so that each successive Owner or Owners of Record of any Unit within the Project shall, in turn, become liable to pay all Assessments and charges assessed during the time he or she is Owner of such Unit.

(2) Personal Debt of Owner. All Assessments permitted or required herein, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a separate, distinct and personal debt and a personal obligation of the person who was the Owner of the Unit at the time the Assessment was levied. For purposes of this Subsection, for Special Assessments payable in installments, the current Owner of the Unit shall be responsible for the installment payment; if title to a Unit is conveyed or transferred prior to the date an installment payment is due, the new owner of the Unit shall be responsible for the installment payment.

(3) Liability of Subsequent Owner. Any Grantee and/or Owner who acquires title to a Unit (whether at judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Unit so purchased that become due and payable after the date of such sale, and shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability.

(4) Liability of Prior Owner. After an Owner transfers, of record, any Unit he or she owns, he or she shall not be liable for any Assessments levied after the transfer with respect to that Unit. Any unpaid Assessment of a previous Owner shall remain the debt of such previous Owner against whom assessed and the previous Owner shall remain personally liable. A contract seller of any Unit shall continue to be liable for all Assessments and charges until a conveyance by deed of such Unit is recorded in the Office of the County Recorder of Nevada County.

(c) Authority of Board to Levy Assessments. The Board shall have the power, duty and authority to levy Regular and Special Assessments sufficient to meet the Association's obligations under the Governing Documents and applicable law. The Board shall not levy or collect an Assessment or fee that exceeds the amount necessary to defray the costs for which it is levied. The Board shall also have the power and authority to levy Special Individual Assessments against particular Owners and their Unit(s).

(d) Authority of Board to Record Assessment Lien. The Board shall have authority to prepare and record a lien against any Unit for which assessments are delinquent, and to foreclose upon such lien pursuant to Section 5.9 of this Declaration.

(e) No Avoidance of Assessment Obligations. No Owner may exempt himself or herself from personal liability for Assessments duly levied by the Association, nor release the Unit or other property owned by him or her from the liens and charges hereof, by waiver of the use and enjoyment of the Common Area or any facilities thereon or by abandonment or non-use of his or her Unit or any other portion of the Project.

(f) Offsets. All Assessments levied by the Board shall be payable in the full amount specified, including any additional charges imposed as provided for by the Governing Documents. No offsets against any such Assessment shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in the Governing Documents.

Section 5.2. Regular Assessments.

(a) Purpose of Regular Assessments. All Regular Assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety, and welfare of the residents of the Project and, in particular, for the maintenance, operation and improvement of the Units, Common Area, and any real or personal property in which the Association holds an interest.

(b) Annual Budget; Regular Assessments & Board Authority. In accord with the timing provisions of Civil Code Section 5300 (or comparable superseding statute), if any, 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 Facilities), prepare and then distribute to all Association Members a budget satisfying the requirements of the Bylaws. If the Board fails to distribute the budget for any fiscal year within the time period provided for in this Section, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the approval of Owners.

(c) Board or 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 that, except as provided in Subsections (d) and (f) below, the Board of Directors may not impose a total aggregate Regular Assessment that is more than twenty percent (20%) greater than the total aggregate Regular Assessment for the Association's immediately preceding fiscal year without the approval of the Members (*see* Section 5.7, below). For purposes of this Subsection (c), the phrase "total aggregate Regular Assessment" means the amount of Regular Assessment assessed to and due from all Units for that particular year.

(d) Assessments to Address Emergency Situations. The requirement of a membership vote to approve Regular Assessment increases in excess of twenty percent (20%) of the previous year's Regular Assessment shall not apply to Assessment increases necessary to address emergency situations. For purposes of this Subsection (d), an emergency situation is any of the following:

- (1)** An extraordinary expense required by an order of a court.
- (2)** An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities, or any portion of the separate interests that the Association is obligated to maintain where a threat to personal safety is discovered.
- (3)** An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities or any portion of the separate interests that the Association is obligated to maintain that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to Subsection (a), above, provided that, prior to the imposition or collection of an assessment under this Subsection (d)(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.

(e) Allocation of Regular Assessment. Unless specified otherwise in a Declaration of Annexation for any phase or Condominium constructed after recording of this Declaration, the total estimated Common Expenses, shall be allocated among, assessed against, charged, and levied equally against each Owner/Condominium except that two-story detached Units will be levied at the rate of one hundred twenty-five percent (125%) of the Assessment established for one-story Units.

(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, together with any Special Assessment made pursuant to Section 5.3 for that year, shall be automatically assessed against each Owner and his or her Condominium 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 Association.

The failure of the Board to fix Regular Assessments hereunder before the expiration of any year, for that or the next year, shall not be deemed a waiver or modification in any respect of the provisions of this Declaration or a release of the Owner from the obligation to pay the assessments, or any installment thereof for that or any subsequent year. Failure to provide a copy of the budget to any Owner shall not affect the validity of assessments based thereon so long as that Owner receives reasonable notice before the Association commences any action or proceeding to enforce collection thereof.

(g) Assessment Due Date, Installment Payments & Delinquency. The Regular Assessment levied against each Owner and his or her Unit for the current fiscal year shall be divided into twelve (12) equal monthly installments so long as the respective Owner is not in default (*i.e.*, is current on all assessments). Each monthly installment is due and payable on the first day of each month or in such other manner and/or on such other date or dates as may be established from time to time by the Association's Board of Directors.

Installments of Regular Assessments shall be delinquent if not actually received by the Association or its designated agent by the thirtieth (30th) day of the month in which the Assessment is due (if such day is on a weekend or holiday, then on the next business day). In the event of a default in the payment of any installment, the Association may pursue the remedies set forth in Section 5.9, below, as to said delinquency.

(h) Adjustment of Regular Assessment during Fiscal Year. Subject to limitation on the amount of any increase in Regular Assessments without Member approval as set forth in Section 5.2(c) of this Declaration and under California law, if at any time during the course of any fiscal year the board shall deem the amount of the Regular Assessment to be inadequate or excessive, the Board shall have the power, based on a resolution duly adopted at an open meeting of the Board, to revise the assessment for the remainder of the fiscal year, which increased assessment will be effective upon the notice to the members required by Subsection (i) below.

(i) Mailing Notice of Increased Assessment. The Board of Directors shall mail to each Owner at the street address of the Owner's Condominium, or at such other address as the Owner may designate in writing to the Association, a notice of any increase in the amount of the Regular Assessment no less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

(j) Automatic Assessment Increases. Despite any other provisions of this Section 5.2, on Declarant's annexation of the Annexable Territory pursuant to this Declaration, Regular Assessments shall be automatically increased by the additional amount, if any, necessary to maintain the Common Area in or

abutting such Annexable Territory so long as: (1) the annexation of such Annexable Territory is permitted by DRE; and (2) the amount of such increase does not result in the levy of a Regular Assessment which is greater than the maximum potential Regular Assessment disclosed in all Final Subdivision Public Reports for the Project.

(k) Commencement and Collection of Annual Assessments. Upon the first day of the first calendar month following the first Close of Escrow in a Phase, Regular Assessments shall commence as to the Condominiums in that Phase only. All Regular Assessments shall be assessed as specified in Section 5.2(e) against the Owners and their Condominiums based on the number of Condominiums owned by each Owner; except as may be otherwise provided in a Notice of Addition or Declaration of Annexation.

Regular Assessments for fractions of a month shall be prorated. Declarant shall pay its full pro rata share of the Regular Assessments on all unsold Condominiums for which Regular Assessments have commenced. The Board shall fix the amount of the Regular Assessment against each Condominium at least thirty (30) days in advance of each Regular Assessment period. However, unless otherwise established by the Board, the initial Regular Assessments shall be assessed in accordance with the most recent Budget on file with and approved by DRE. Written notice of any change in the amount of any Assessment shall be sent via first-class mail to every Owner subject thereto not less than thirty (30) nor more than sixty (60) days before the increased Assessment becomes due.

On acquisition of record title to a Condominium from Declarant, each Owner shall contribute to the capital of the Association an amount equal to two (2) months of Regular Assessments. This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association or to the Declarant if the Declarant has previously advanced such funds to the Association.

Section 5.3. Special Assessments.

(a) Purpose of Special Assessments. Subject to the membership approval requirements set forth in Subsection (b), below, the Board of Directors shall have the authority to levy Special Assessments against the Owners and their Condominiums for the following purposes:

(1) Insufficient Regular Assessment. If, at any time, the Regular Assessment for any fiscal year is insufficient due to extraordinary expenses not contemplated in the budget prepared for that fiscal year, then the Board of Directors shall levy and collect a Special Assessment for the purpose of defraying, in whole or in part, any deficit that the Association may incur in the performance of its duties and the discharge of its obligations under the Governing Documents. However, the Board's assessment authority pursuant to this Subsection shall be subject to the membership approval requirement set forth in Section 5.3(b) below.

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

(3) Reimbursement of Reserve Account(s). A Special Assessment may be levied to reimburse any Reserve Account for funds borrowed from it to meet current operating expenses or to deal with emergencies.

(4) Repair of Defects or Damage. A Special Assessment may be levied to repair damage or defects discovered in the Common Area or Common Facilities or within those portions of a Unit that are the responsibility of the Association to maintain and repair, where the reserve funds are inadequate to pay for such repairs, or where the affected component is not a component included in the reserve funding program.

(b) Membership Approval. No Special Assessments described in Section 5.3(a) hereof that in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for the fiscal year in which the Special Assessment(s) is levied, or that are subject to the restriction of the last sentence of Section 5.2(b) above, shall be made without the vote or written approval of the Owners pursuant to Section 5.7 below. This Owner approval requirement shall not apply to any Special Assessment levied to address "emergency situations" as defined in Section 5.2(d).

(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 Condominium in the same manner prescribed for the allocation of Regular Assessments pursuant to Section 5.2(e), above. Notice of the Special Assessment so levied shall be provided to each Owner by Individual Delivery (as defined in the Bylaws).

(d) Due Date for Special Assessments. Unless the time for payment is extended by the Board, payment of all Special Assessments shall be due thirty (30) days after the Board gives the Owners written notice thereof or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment.

(e) Installment Payments of Special Assessments. The Board may, in its discretion, prorate the amount of any permitted Special Assessment over a period of months. The monthly prorated amount of any Special Assessment shall be due and payable at the same time as the Regular Assessment monthly installments. Installments of Special Assessments shall be delinquent if not actually received by the Association or its designated agent by the fifteenth (15th) day of the month in which the Special Assessment installment is due (if on a weekend or holiday, then on the next business day). In the event of a default in the payment of any Special Assessment installment, the Association may pursue the remedies set forth in Section 5.9 below, as to said delinquency and the Board may, in its discretion, declare the entire unpaid amount of the Special Assessment immediately due and payable.

Section 5.4. 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 5.3, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in Subsections (1) through (5), below or as otherwise provided in this Declaration or the Governing Documents, provided that no Special Individual Assessments may be imposed against an Owner pursuant to this Section 5.4 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 Association's Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

(1) Damage to Common Area or Common Facilities. In the event that any damage to, or destruction of, any portion of the Common Area or the Common Facilities, including any portion of a Unit that the Association is obligated to repair and maintain is caused by the willful misconduct and/or negligent act or omission of any Owner, any Member of Owner's Family, or any of Owner's tenants, lessees, guests, contract purchasers, contractor/vendors employees, licensees or invitees, the Board shall cause the same to be repaired or replaced, and all costs and expenses, including but not limited to any costs or expenses incurred in deterring, apprehending and/or identifying those persons causing damage, 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.

(2) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses to accomplish (A) the payment of delinquent Assessments, (B) any repair, maintenance or replacement to any portion of the Project that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion, or (C) to otherwise bring the Owner and/or his or her Condominium 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.

(3) Required Maintenance on Condominiums. As more particularly provided in Sections 4.5(b) and 7.3 (and without limiting the generality of those Subsections), if the Board, in its discretion, determines that any Condominium is maintained so as to become a nuisance, fire or safety hazard for any reason, including without limitation, the accumulation of trash, junk, or improper weed or vegetation control, the Association shall have the right to enter said Condominium, correct the offensive or hazardous condition and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner.

(4) Diminution in Insurance Proceeds. As more particularly provided in Section 9.5, the Association shall levy a Special Individual Assessment for the amount of the loss in insurance proceeds against any Owner who, in violation of this Declaration or other Governing Documents, caused any diminution in the insurance proceeds otherwise payable to the Association due to the Owner's individual casualty insurance.

(5) Increase in Insurance Burden. The Association shall have the authority to levy a Special Individual Assessment for the amount of the increased insurance premium against any Owner who, in violation of the Governing Documents, caused any increase in the rate of insurance paid by the Association to reimburse the Association for any such increase in the rate of insurance.

(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 Section 5.4(a), notice thereof shall be mailed to the affected Owner and the Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within thirty (30) days after the mailing of notice of the Assessment. Installments of Special Individual Assessments shall be delinquent if not actually received by the Association or its designated agent by the forty-fifth (45th) day after mailing of notice of the Assessment. In the event of a default in the payment of any Special Individual Assessment, the Association may declare that Owner's Special Individual

Assessment to be in default and pursue the remedies set forth in Section 5.9, below, as to said delinquency, subject to Subsection (c), below.

(c) Limitation on Use of Nonjudicial Foreclosure. As long as Civil Code Section 5725 (or comparable superseding statutes) places restrictions upon the Association's foreclosure powers, any lien that is based upon one or more Special Individual Assessment imposed by the Board as a disciplinary measure (*i.e.*, fines or penalties imposed under Article XII) can only be enforceable by the sale of said Condominium pursuant to judicial foreclosure. All other liens under Subsection (a) above may be enforceable by the sale of said Condominium under nonjudicial foreclosure by power of sale pursuant to Civil Code Sections 2924, 2924b and/or 2924c or comparable superseding statute(s), subject to the conditions and procedural requirements of Section 5.9 below.

Section 5.5. Reasonableness of Assessments. Each and every Assessment levied hereunder is further declared and agreed to be a reasonable Assessment, and to constitute a separate, distinct and personal obligation (with respect to which a separate lien may be created hereby) of the Owner of the Condominium against which the Assessment is imposed that shall be binding on the Owner's heirs, successors and assigns, provided that the personal obligation of each Owner for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

Section 5.6. Exemption of Certain Parts of the Project from Assessments. The following real property subject to this Declaration shall, unless devoted to use as a residential dwelling, be exempt from the Assessments and the lien thereof provided herein:

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

Section 5.7. Notice and Procedure for Member Approval. In the event that Member approval is required in connection with any increase or imposition of Assessments, approval of the requisite percentage of the Members shall be obtained by the written ballot election procedure specified in the Bylaws and the Association Rules. The approval of a majority of a quorum of the Members shall be required for approval of any Regular Assessment increase or Special Assessment requiring Member approval. The quorum required for such membership action shall be the percentage required by the Bylaws.

Section 5.8. Maintenance of Assessment Funds.

(a) Bank Accounts. All sums received or collected by the Association from Assessments, together with any interest or other charges thereon, shall be promptly deposited in two (2) or more insured checking, savings or money market accounts in a bank, savings and loan association or other financial institution selected by the Board of Directors that has offices located within the United States of America, which accounts shall be clearly designated as either an "operating" or "reserve" account.

There shall be established and maintained a cash deposit account into which shall be deposited the operating portion of all Assessments. Disbursements from such account shall be for the general operation of the Association including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Project. The Board shall maintain any other accounts it shall deem

necessary to carry out its purposes, including (at minimum) a reserve account for replacement of Capital Improvements as set forth in this Article V.

In addition, the Board shall be entitled to make prudent investment of reserve funds in insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees.

The Board, and such officers or agents of the Association as the Board shall designate, shall have exclusive control of said account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof.

To preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one or more accounts and need not be deposited in separate accounts so long as the separate accounting records described herein are maintained. 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 Subsection (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 amount required to accomplish the purpose for which such Assessment was levied, such surplus may, in the Board's discretion, be returned proportionately to the contributors thereof, reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, underfunded or 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 maintain a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made therefrom, provided that receipts and disbursements of Special Assessments made pursuant to Section 5.3 shall be accounted for together with the receipts and disbursements of Regular Assessments.

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.

(c) Checks. All checks (or other demands for payments of Association money) and/or notes of the Association shall be signed by the President or by such other Directors and/or Officers or such other person or persons as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Association reserve accounts shall require the minimum signature requirements of Civil Code Section 5510 (*i.e.*, two (2) Directors or an Officer (who is not a Director) and a Director).

Section 5.9. Collection of Assessments; Enforcement of Liens.

(a) Delinquent Assessments. If any payment of a Regular or Special Assessment (installment or lump sum) or any payment of a Special Individual Assessment assessed to any Owner is not actually received by the Association or its designated agent within fifteen (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 beginning thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to impose a late fee of \$10 or 10% of the delinquent assessment, whichever is greater, on any delinquent assessments.

(b) Effect of Nonpayment of Assessments.

(1) Creation and Imposition of Liens for Delinquent Assessments. The amount of any delinquent Regular, Special or Special Individual Assessment together with any late charges, interest, costs and/or reasonable attorneys' fees attributable thereto or incurred in the collection thereof, shall become a lien upon the Unit of the Owner so assessed from and after the time the Association causes to be recorded with the Nevada County Recorder a Notice of Delinquent Assessment in conformance with Civil Code Section 5675 or comparable superseding statute. Each default shall constitute a separate basis for a lien. Upon the Association's receipt of payment of the sums specified in the Notice of Delinquent Assessment, the Association shall cause to be recorded in the Office of the County Recorder of the County of Nevada, State of California, a Notice of Satisfaction and Release of Lien.

(2) Partial Payment of Assessments. Subject to the limitations imposed by Civil Code Section 5655 or comparable superseding statute, if any, any partial payments the Association receives will be applied as specified in the Association's Delinquent Assessment Collection Policy and/or Association Rules.

(3) Remedies Available to the Association to Collect Assessments. In the event of default in payment of any assessment, the Association may commence any procedure for collection upon its own decision. In addition to any other remedies herein or by law provided, the Association may enforce each such obligation as follows: the Association may initiate a legal action against the Owner personally obligated to pay the delinquent Assessment, foreclose its lien against the Owner's Unit or accept a deed in lieu of foreclosure. Except where otherwise prohibited by law or this Declaration, foreclosure by the Association of its lien may be by judicial foreclosure or by nonjudicial foreclosure.

However, so long as the provisions of Civil Code Section 5720(b) or a comparable superseding statute limiting the Association's foreclosure rights are in effect, judicial or nonjudicial foreclosure shall only be available to collect delinquent assessments in excess of \$1,800 exclusive of any accelerated assessments, late charges, fees and costs of collection, attorneys' fees or interest (or such other minimum amount as may be specified by statute) or if the assessments are more than 12 months delinquent. The Association shall, in collecting any delinquent assessment, comply with the requirements for internal dispute resolution and alternative dispute resolution set forth in the Governing Documents or California law. If the statutes imposing these restrictions on the foreclosure rights of the Association are amended or repealed, these restrictions shall be deemed to be amended or repealed in the same manner, without a vote of the Members.

(4) Nonjudicial Foreclosure. Nonjudicial foreclosure shall be commenced by the Association in compliance with California law. (*See* Civil Code Section 2924c, or comparable superseding statute). Each of the Owners, by mere acceptance of a deed to a Unit, gives the Association the power to appoint a trustee and attorney-in-fact by special power of attorney to enforce and to foreclose such lien by

private power of sale as provided in Division Third, Part 4, Title 14, Chapter 1, Article 1, Sections 2920 *et seq.* of the Civil Code of the State of California and further grants to the Association the authority and power to sell the Unit of such defaulting Owner, or any part thereof to satisfy said lien, for lawful money of the United States to the highest bidder. The Association shall have the rights conferred by California 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 said 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 company 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.

(5) Judicial Foreclosure. In the event foreclosure is by an action in Superior Court to obtain a court order authorizing foreclosure, reasonable costs, including attorneys' fees, shall be allowed.

(6) 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.

(c) Payment Plans. The Board may, but is not required to, adopt rules or policies (which shall become part of the Association Rules) permitting an owner to make installment payments on any delinquent assessments, accelerated assessments, late charges, fees and costs of collection, attorneys' fees and/or interest, subject to reasonable terms and conditions, including payment of additional administrative costs for administering such a payment plan.

Section 5.10. Transfer of Unit by Sale or Foreclosure. The following shall govern the Association's rights to enforce its Assessment collection remedies following the sale or foreclosure of a Unit.

(a) Assessment Liens Recorded Prior to Transfer. Except as provided in Subsection (b), below, the sale or transfer of any Unit shall not affect any Assessment lien duly recorded with respect to that Unit before the sale or transfer, and the Association can continue to foreclose its lien in spite of the change in ownership.

(b) Foreclosure by Holder of Prior Encumbrance. The Association's assessment lien shall be extinguished as to all delinquent sums, late charges, interest, and costs of collection incurred before the sale or transfer of a Unit under a foreclosure or exercise of a power of sale by the holder of a prior encumbrance (but not under a deed-in-lieu of foreclosure). A "prior encumbrance" means any First Mortgage or other mortgage or lien recorded before the Association's Notice of Delinquent Assessment is recorded.

(c) Liability of New Owner for Future Assessments. No sale or transfer of a Unit as the result of foreclosure, exercise of a power of sale, or otherwise, shall relieve the new Owner of that Unit (whether it be the former beneficiary of the First Mortgage or other prior encumbrance, or a third party acquiring an interest in the Unit) from liability for any assessments thereafter becoming due or from the lien thereof.

(d) Personal Liability of Prior Owner for Assessments. No sale or transfer of a Unit 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 of the Unit personally to collect the delinquent

assessments, late charges, interest, and associated costs of collection incurred by that prior Owner prior to the sale or transfer.

Section 5.11. Priorities. Except as otherwise provided by law, the lien securing each of the Assessments provided for under this Article V shall have priority, as of the date of recording of the Notice of Delinquent Assessment, over all other liens and encumbrances applicable to the Unit, except (a) all taxes, bonds, Assessments and other levies that, by law, would be superior thereto; (b) any lien or encumbrance recorded prior to the recording of the Notice of Delinquent Assessment; or (c) the lien or charge of any First Mortgage of record made in good faith and for value, provided that such subordination shall apply only to the Assessments that 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.

Section 5.12. Unallocated Taxes. In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than being assessed to the Units, such taxes shall be included in the Regular Assessments imposed pursuant to Section 5.2 and, if necessary, a Special Assessment may be levied against the Units in an amount equal to such taxes to be paid in two installments, thirty (30) days prior to the due date of each tax installment.

Section 5.13. Assignment of Rents. Each Owner does hereby presently assign to the Association, absolutely and regardless of possession of the property, all rents, and other monies now due or hereafter to become due under any lease or agreement or otherwise for the use or occupation of any or all parts of any Unit owned by the Owner, now existing or hereafter made for the purpose of collecting all Assessments due the Association pursuant to this Declaration that are in default. The Association hereby confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable. Upon Owner's default, the right to collect and retain rents shall be deemed revoked, and the Association, after providing written notice to the defaulting Owner may, in its discretion, pursue one or more of the remedies provided in Civil Code 2938(c) or comparable superseding statute for enforcement of an assignment of rents provision.

Section 5.14. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article V, the benefit of any homestead or exemption law of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed against the Owner's Unit.

Section 5.15. Secondary Address. Any Owner may provide the Association with a secondary address. Any notice of a secondary address shall be in writing and shall be mailed to the Association in a manner that shall indicate the Association has received it. If a secondary address is provided in accordance with this Section, the Association shall send any and all correspondence and legal notices regarding assessments and foreclosures required by this Article V or by California law to both the primary and the secondary address.

ARTICLE VI: MAINTENANCE RESPONSIBILITIES.

Section 6.1. Association's Maintenance Responsibilities. The Association shall manage, maintain, repair, and replace the Common Area and the Improvements thereon, except to the extent maintenance, repair, and replacement of Exclusive Use Common Areas is delegated to the Owners by this Declaration or the Association Rules. The Association's maintenance responsibilities specifically include:

- (a) Maintaining, repairing, and painting Building exterior walls;
- (b) Maintaining, repairing, and painting exterior door surface including the door frame and trim surface;
- (c) Maintaining, repairing, and replacing fireplace chimney caps;
- (d) Cleaning, maintaining, repairing, and replacing gutter and downspouts located on Buildings and carports;
- (e) Maintaining exterior light fixtures located on the Common Area (except those with switches controlled from, or separately metered to an Owner's Unit);
- (f) Maintaining, repairing, and replacing roof structures and roof coverings; provided however, that unless the Association has been grossly negligent in the maintenance and repair of roofs, the Association will not be responsible for any secondary damage caused to the Unit interior by water intrusion or roof leaks;
- (g) Maintaining, repairing, and replacing exterior stairs including handrails, guardrails, tread and risers, and stringers;
- (h) Repairing and replacing Exclusive Use Common Area decks, balconies, and patios;

Section 6.2. Owners' Maintenance Responsibility. Condominium Owners shall maintain all components within their Unit unless responsibility for maintenance, repair or replacement of a particular component is specifically delegated to the Association by this Declaration or the Association Rules. Every Owner must perform promptly all maintenance and repair work within such Owner's own Unit that, if omitted, would affect the Common Area or another Unit, and shall be expressly responsible for any and all damages and liabilities that his failure to do so may cause. Without limiting the foregoing, each Owner's maintenance responsibilities include the following:

- (a) Maintenance, repair, and replacement of the Owner's Unit, including:
 - (1) all windows (including glass, frame, weather stripping, and panes);
 - (2) the doors (including hardware, weatherproofing, frame, and any glass and excluding painting and staining the exterior surface of the doors);
 - (3) the garage doors (except the exterior painted surface thereof) and garage door openers;
 - (4) light fixtures with switches controlled from, or separately metered to an Owner's Unit;
 - (5) the interior surfaces of the walls, ceilings, floors, permanent fixtures, chimneys, flues, firebox, and spark arrestors in the fireplace;
- (b) Maintenance of Exclusive Use Common Areas decks and patios including snow removal as specified in Section 6.6, and day-to-day maintenance of the surface of the floors of the decks (including responsibility for any residual damage to Association Property and to any other Units). In addition, Owners

with hot tubs on their Exclusive Use Common Areas will be responsible for any and all damage caused to their Exclusive Use Common Area resulting from the hot tub; and

(c) Maintenance, repair, and replacement of heating/air conditioning systems and equipment which service an Owner's Unit wherever located.

Section 6.3. Owners' Responsibility for Damage to Common Area. The Association shall repair or replace damaged portions of the Common Area when such damage is due to or caused by the willful or negligent act/omission of an Owner, or Owner's Family, contract purchasers, lessees, or tenants, or their licensees, guests, or invitees or from an event or condition which originated from within an Owner's Unit. However, the Board, after notice to the Owner and a hearing, shall levy a Special Individual Assessment against the responsible Owner and his or her Unit for the full cost to the Association for such repair or replacement, less any proceeds received from insurance.

Section 6.4. Water Damage to Unit Interiors. Each Owner shall repair, replace or restore property in that Owner's Unit, including floor coverings and paint or other covering on any wall or ceiling, counter tops, cabinets, light fixtures and any personal property of any occupant, resident or Owner of any Unit, that is damaged or destroyed due to and/or resulting from water infiltration and/or water leaks from any pipes, drains, conduits, appliances and/or equipment; and/or from outside any Unit or any part of a Building; and/or any other place or cause, unless caused by the gross negligence of the Association, its Board, Officers, manager and/or employee. Individuals bound by this Declaration agree to bear the risk of any such loss and that the Association shall not be liable to reimburse them for property damage that is not covered by the Association's insurance (where there is such insurance coverage, the Owner shall be responsible for payment of any insurance deductible).

Section 6.5. Wood-Destroying Pests or Organisms. The Association shall be responsible for repair and maintenance of Common Area (including the perimeter walls, floors, and ceilings of the Units) required as a result of the presence of wood-destroying pests or organisms. For purposes of this Section, "wood-destroying pests or organisms" include but are not limited to termites, mold and dry rot. The Association may cause the temporary, summary removal of any occupant of a Unit for such periods and at such times as may be necessary for the treatment of such pests or organisms. The occupants of such Unit shall be responsible for their own accommodations during the temporary relocation, without reimbursement from the Association. Notice shall be given to the occupants and the Owner of such Unit of the need for temporary relocation as required by California law.

Section 6.6. Snow Removal. The Project will receive significant snow fall during the winter. The Association will take reasonable steps to clear snow from the driveways, roads, and sidewalks in the Project; however, the Association does not guarantee how quickly the snow will be removed from these areas. The Board has the power to adopt Association Rules regarding snow and snow removal. The Association Rules may include prohibitions on parking in guest parking spaces during periods when snow is expected. Snow removal may be accomplished through use of salt, sand, and snowplows. The Association is not responsible for any damage to property that is left in the driveways, roads, and sidewalks when snow accumulates.

The Owners are responsible for clearing snow from the front entries to their Condominiums and from all of their Exclusive Use Areas as soon as reasonably possible after each snowstorm. If snow accumulates on any Exclusive Use Area deck so that the snow is higher than the railing encompassing the Exclusive Use Area deck, the Association has the right to enter the Exclusive Use Area deck to remove the snow and charge the Owner of the Exclusive Use Area with the cost of the snow removal. Even when snow is removed, ice may form on sidewalks, driveways, and roads. The Association will take steps to remove or

minimize ice in these areas (but not the Exclusive Use Areas); however, the Association is not responsible for ensuring that the sidewalks, driveways, and roads are free from ice and snow at all times.

Section 6.7. Board Discretion. The Board shall have the absolute discretion to determine whether any maintenance, repair, or replacement which is the responsibility of an Owner, including without limitation the treatment of and the maintenance, repair or replacement resulting from the presence of wood destroying pests and organisms, is necessary to preserve the appearance and value of the property comprising the Project, or any portion thereof, and may notify and Owner of the work the Board deems necessary.

Section 6.8. Owner's Failure to Perform Required Maintenance. In the event that an Owner fails to perform maintenance functions for which Owner is responsible, the Association may give written notice to the offending Owner with a request to correct the failure within ten (10) days after receipt thereof, or within such longer time as the Board may deem appropriate. If the Owner refuses or fails to perform any necessary repair or maintenance within the allotted time, the Association may exercise its rights to enter the Owner's Unit and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing in accordance with Article XII of this Declaration. A Special Individual Assessment may be levied against the Owner to recover the costs incurred by the Association in performing such repairs or maintenance. In the event of an emergency threatening immediate injury to persons or property, the Association need not provide a notice and hearing before entering the Unit and performing the necessary maintenance or repairs; however, a notice and hearing will still be required before any Special Individual Assessment for the work may be levied against the Owner.

Section 6.9. Vacant Units. The owner of any unoccupied Unit shall make periodic inspections of the Unit at least once each month to identify and repair any problems such as water leaks that may cause damage to adjacent Units or the Common Area if not corrected. The Owner shall either immediately repair any such conditions or, if such condition is the responsibility of the Association, report it to a Director or the Association Manager.

ARTICLE VII: EASEMENTS & RESERVATIONS.

Section 7.1. Encroachment Easements. If any portion of the Common Area encroaches on any Unit or if any portion of a Unit encroaches on the Common Area, regardless of the cause, a valid easement exists for such encroachment and for the maintenance of it as long as it remains, and all Units and the Common Area are made subject to such easements. If the dimensions or location of a Unit or other Improvement differs from that shown and depicted on the approved plans, the actual dimensions and location shall prevail over that shown and depicted on the Map for any and all purposes. If any structure containing a Unit is partially or totally destroyed and then rebuilt and any encroachment on the Common Area results, a valid easement exists for such encroachment and for the maintenance of it as long as it remains, and all Units and the Common Area are made subject to such easements. However, in no event shall a valid easement for encroachment be created in favor of an Owner or Owners, if said encroachment occurred due to the willful conduct of said Owner or Owners.

Section 7.2. Blanket Utility Easement. There is hereby created a blanket easement in favor of the Association, its contractors and the individual Owners upon, across, over and under all of the Project for ingress, egress, installation, replacing, repairing, operating and maintaining all utilities, including but not limited to water, sewers, storm water drains and pipes, water systems, sprinkling systems, heating and gas

lines or pipes, gas, telephones, drainage and electricity and the master television antenna or cable television system if any, and similar public or quasi-public improvements or facilities.

By virtue of this easement, it shall be expressly permissible for the providing utility company and/or service provider to erect and maintain the necessary equipment and underground facilities on the Common Area. Notwithstanding the foregoing, no sewer, electrical lines, water lines, or other utilities may be installed or relocated on said Project except as initially designed and approved by the developer or thereafter approved by the Board. The easements provided for in this Section 7.2 shall in no way affect any other recorded easement on the Project.

Section 7.3. Maintenance Easements. An easement is hereby granted to the Association, its officers, agents, employees, and to any management company or contractor selected by the Association to enter in or to cross over the Common Area, including Exclusive Use Common Area, and any Unit to perform the duties of maintenance and repair of the Units, Common Area and/or Common Facilities provided that any entry by any Member, the Association or its agents into any Unit shall only be undertaken in strict compliance with Section 4.5(b).

Section 7.4. Access Easement. Each Owner shall permit other Owners, and their representatives, to enter his/her Exclusive Use Area and Unit to perform installations, alterations or repairs to the mechanical or electrical services to a Unit if: (a) requests for entry are made in advance; (b) entry is made at a time reasonably convenient to the Owner whose Exclusive Use Area or Unit is to be entered; and (c) the entered Exclusive Use Area or Unit is left in substantially the same condition as existed immediately preceding such entry. Any damage to the Exclusive Use Area or the Unit caused by entry under this Subsection shall be repaired by the entering Owner.

Section 7.5. Exclusive Use Common Area Easement. An easement is hereby granted for the benefit of specified Owners, exclusive easements over the Project for use of the Exclusive Use Area, including for deck, patio and stairway purposes as shown and assigned on the Condominium Plan or Plans for the Project and walkway and driveway purposes as shown on exhibit attached hereto and on exhibits to Recorded Notices of Addition.

Section 7.6. Other Easements. Each Unit and its Owner, and the Association as to the Common Area, are hereby declared to be subject to all the easements, dedications, and rights-of-way granted or reserved in, on, over and under the Project and each Unit and Common Area as shown on the Condominium Plan and/or a deed to a Condominium.

ARTICLE VIII: ARCHITECTURAL REVIEW.

Section 8.1. No Improvements without Approval. No Improvement (as defined in this Declaration) of any kind shall be commenced, erected or maintained within the Project, nor shall anything be done in, on, or to any part of the Project, including within the interior of the Units, that would: (a) impair the structural integrity of any existing Improvement; (b) structurally change any Improvement; (c) affect the common utility services or installations; (d) increase noise transmission from an Owner's Unit to other Units; or (e) alter the exterior appearance of an existing Improvement until plans and specifications have been submitted to and approved in writing by the Association pursuant to this Article VIII. Any Improvement may be repainted without approval so long as the Improvement is repainted the identical color which it was last painted.

Section 8.2. Appointment of Architectural Committee. If created, the Architectural Committee (referred to in this Article as “Committee”) shall consist of a chairman and no less than two (2) additional members. If no Committee is appointed, the Board shall exercise the functions of said Committee, and in such case, references to the Committee in this Article shall mean the Board.

Section 8.3. Duties of Committee. It shall be the duty of the Committee to consider and make recommendations upon the proposals and plans submitted to it pursuant to this Declaration, and to carry out all other duties imposed upon it pursuant to the Governing Documents. The vote or written consent of a majority of the Committee shall constitute the action of the Committee. The Committee shall keep and maintain a written record of all actions taken.

The Committee is not responsible for reviewing, nor may its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes. The Committee may consider the impact of views from other Units or Condominiums and reasonable privacy right claims as factors in reviewing, approving, or disapproving any proposed landscaping, construction or other Improvement. However, no views in the Project are protected. No Unit or Condominium is guaranteed the existence or unobstructed continuation of any particular view.

Section 8.4. Architectural Rules and Policies. The Board may from time to time adopt, amend, and repeal Association Rules governing the procedure for submitting applications for physical changes under this Article, documentation to accompany any such application, standards for design and materials relating to such changes, the fee to be charged for an estoppel certificate and similar matters which do not conflict with the provisions of this Article or other provisions of the governing documents. The rules may also require, as a prerequisite to processing any application for an Improvement covered by this Article, payment of a reasonable fee for plan review and processing. Any such Association Rules shall be known as “Architectural Rules”.

Section 8.5. Submission of Plans; Action by Committee.

(a) Required Documentation. Plans, specifications and such information and documentation as the Committee may require for all proposed changes shall be submitted to the Association Manager or to such person as may be designated in the Association Rules. If additional documentation relating to the change is requested by the Committee, the time periods set forth in this Section shall not begin to run until such additional documentation is received by the Committee.

(b) Approval or Rejection of Application. All approvals and rejections of requests shall be in writing. Approval of the Committee may contain conditions or requests for modification of particular aspects of the Owner’s plan and specifications.

(c) Proposed Solar Energy Systems or Electric Vehicle Charging Stations. In the case of an application to the Committee for installation, modification or removal of a Solar Energy System (as defined in Civil Code Section 801.5), if such application is not denied in writing within forty-five (45) days of the receipt of the application, the application shall be deemed approved unless the delay resulted from a reasonable request for additional information related to the application. In the case of an application for installation, modification, or removal of an Electric Vehicle Charging Station pursuant to Civil Code Section 4745, if such application is not denied in writing within sixty (60) days of receipt of the application, the application shall be deemed approved unless the delay is the result of a reasonable request for additional information.

(d) Other Work. In the event the Committee fails to approve or disapprove any proposed work other than that described in subpart (c) above within forty-five (45) days after said plans and specifications have been submitted to it, the request shall be deemed disapproved, and the written request may be resubmitted. If the Committee fails to approve or disapprove such resubmitted application within thirty (30) days of its resubmittal, the request shall be deemed approved. Owner bears the burden of proof to establish that the request was received by the Association.

Section 8.6. Basis for Approval of Improvements. The Committee shall grant the requested approval only if the Committee, in its sole discretion, finds that all of the following provisions have been satisfied:

(a) The Owner has complied with those provisions this Article and the Architectural Rules pertaining to the content, and procedures for submittal of plans and specifications;

(b) The Owner's plans and specifications (i) conform to this Declaration and to the Architectural Rules in effect at the time such plans are submitted to the Committee; and (ii) will not interfere with the reasonable enjoyment of any other Owner of his or her property; and

(c) The proposed Improvement(s), if approved, will otherwise be consistent with the architectural and aesthetic standards prevailing within the Project, in harmony with the external structures and/or landscaping within the Project and are consistent with the overall plan and scheme of Project and the purposes of this Declaration.

(d) Owners must comply with any review or permit requirements of the Town of Truckee before making any construction, installation or alterations permitted under this Declaration. Approval of any Improvement may be conditioned upon providing evidence that all requirements of the Town of Truckee have been met.

(e) Owners must provide evidence that any contractor or vendor proposed to perform work within the Project must be licensed and insured.

The Committee shall be entitled to determine that a proposed Improvement or component thereof is unacceptable when proposed for a particular Condominium, even if the same or a similar improvement or component has previously been approved for use at another location within the Project if factors such as drainage, topography or visibility from roads, Common Areas or other Condominiums or prior adverse experience with the product or components used in construction of the Improvement, design of the Improvement or its use at other locations within the Project mitigate against erection of the Improvement or use of a particular component thereof on the Condominium involved in the Owner's submittal. The Committee shall be entitled to make subjective judgments and to consider the aesthetics of a proposal when considering an Owner's request so long as the Committee acts reasonably and in good faith.

Section 8.7. Appeal of Decision of Committee to Board. Unless the Board is acting as the Architectural Committee, upon its own initiative or upon the written request of the Committee or any Association Member, the Board may review (and affirm or alter) any decision of the Committee, provided that any such request for review shall be presented to the Board within thirty (30) days after the Committee's findings and decision has been mailed or delivered to the Owner who submitted the subject application, or, in the case of Common Area Improvements, to the managing agent of the Association. The Board shall review such request and render a decision within sixty (60) days of receipt thereof or at the time of the next

regular Board meeting, whichever is later. A written notice of the Board's decision shall be sent to the person or persons who submitted the request for review within fifteen (15) days after the decision is made.

Section 8.8. Non-Waiver; Variances. The approval by the Committee of any plans, drawings, or specifications for any work, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval. The Committee shall be entitled to allow reasonable variances in order to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships.

Section 8.9. Compliance with Governmental Requirements. Each Owner bears sole responsibility for obtaining all necessary governmental permits/authorizations and/or complying with all governmental requirements including specifically applicable building codes.

Section 8.10. Commencement and Completion. Commencement of construction by Owner shall occur, in all cases, within six (6) months from the date of such approval. The Owner shall complete the construction, reconstruction, refinishing or alteration of any such improvement within ninety (90) days after commencing construction thereof. The Committee may provide a reasonable extension of time to complete any proposed project under the following conditions: (1) The Owner submits a written request for extension at least thirty (30) days before the time to complete the work expires; (2) The Owner provides a reason for the delay and expected date of completion. If an Owner fails to comply with this Section 8.10, the Committee shall proceed in accordance with the provisions of Section 8.11, below, as though the failure to complete the improvements was a non-compliance with approved plans.

Upon the completion, the Owner shall give written notice thereof to the Committee. Within sixty (60) days thereafter, the Committee, or its duly authorized representative, may inspect such improvement to determine whether it was constructed, reconstructed, altered, or refinished to substantial compliance with the approved plans. If noncompliance exists, the Committee can require the Owner to remedy or remove the same within a period of not more than forty-five (45) days from the date of the Board's ruling.

Section 8.11. Enforcement. In the event that it comes to the knowledge and attention of the Association that a work of Improvement is proceeding without proper approval and/or is not in compliance with the approved plans and specifications, the Association shall be entitled to exercise enforcement remedies specified in Article XII, including, without limitation, ordering an immediate cessation and abatement of all aspects of the work of Improvement until such time as proper Committee review and approval is obtained.

Section 8.12. Liability. Neither the Committee (nor any Member thereof) shall be liable to the Association or to any Owner for any damage, loss or prejudice suffered or claimed where the Committee (or such member) has acted in good faith on the basis of such information as may be possessed by it (or him/her). Without in any way limiting the generality of the foregoing, the Committee (or any member thereof) may consult with (or hear the views of) any Owner with respect to any plans, drawings, specifications, or any other proposal submitted to the Committee.

ARTICLE IX: INSURANCE.

Section 9.1. Types of Insurance Coverage. The Association shall purchase, obtain, and maintain, with the premiums therefor being paid out of Common Funds, the following types of insurance with the coverages described below:

(a) Fire & Casualty Insurance. The Association shall obtain and maintain a master or blanket policy of fire and casualty insurance, for the full insurable value of all Common Areas, Common Facilities, and Buildings within the Project including those portions of the Units consisting of all fixtures, installations or additions comprising a part of the Buildings housing the Units but excluding all built-in or set-in appliances, window treatments, anything the Owner attached to the walls, light fixtures, cabinets and floor, wall and ceiling finished surfaces. The insurance shall be kept in full force and effect at all times and the full replacement value of the insured property shall be re-determined on an annual basis.

Depending on the nature of the insured property and the requirements, if any, imposed by institutional Mortgagees having an interest in such property, the policies maintained by the Association pursuant to this Subsection 9.1(a) shall contain (1) an agreed amount endorsement or its equivalent, (2) an increased cost of construction endorsement or a contingent liability from operation of building laws endorsement or the equivalent, (3) a "Special Form" or "All Risk" clause or endorsement, and (4) a clause to permit cash settlements for full insurable value in case of partial destruction, if available.

The policies shall name as insured the Association, all Owners and all Mortgagees as their respective interests may appear and shall further provide for a separate loss payable endorsement in favor of the First Mortgagee of each Unit. (*See* Section 9.10, below, regarding deductibles).

(b) Public Liability & Property Damage Insurance. The Association shall obtain and maintain a policy of comprehensive public liability and property damage insurance naming as parties insured the Association, the Association Members, the Association Manager 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 any other Association owned or maintained real or personal property including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of the public liability insurance shall not be less than three million dollars (\$3,000,000.00) (or such higher amounts as may be required under California law, including but not limited to Civil Code Sections 5800 and 5805) for claims arising out of a single occurrence. The limits of the property damage insurance shall not be less than one million dollars (\$1,000,000.00) (or such higher amounts as may be required under California law, including but not limited to Civil Code Sections 5800 and 5805) for claims arising out of a single occurrence. Such insurance shall include coverage against water damage liability (including sewer line backup), liability for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location, and use.

(c) Directors & Officers Insurance. The Association shall obtain and maintain a policy of directors' and officers' errors & omissions insurance naming the Association, members of the Board the Association manager, appointed committee members and such other persons as the Board may designate as insured parties. The limits of such insurance shall not be less than one million dollars (\$1,000,000.00) (or such higher amounts as may be required under California law, including but not limited to Civil Code Section 5800). Directors' and officers' errors & omissions insurance (*i.e.*, D&O coverage) shall insure against claims arising out of or based upon negligent acts, errors, omissions, or alleged breaches of duty of any Director, officer, or committee member while acting in his or her capacity as such.

(d) Fidelity Bonds/Insurance. The Board shall also purchase and maintain fidelity bonds or insurance in an amount not less than the level required by Federal Home Loan Mortgage Corporation (Fannie Mae) and shall contain an endorsement for officers, directors, trustees and employees of the Association, the Association manager, and for all other persons handling or responsible for funds of or

administered by the Association. The bonds shall name the Association as an obligee and shall contain a waiver by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of “employees” or similar terms or expressions.

(e) Additional Insurance and Bonds. To the extent such insurance is available at a reasonable premium cost, the Association may also purchase with Common Funds such additional insurance and bonds as it may, from time to time, determine to be necessary or desirable, including, without limiting the generality of this Section 9.1(e), insurance on the Association’s personal property, umbrella insurance, demolition insurance, earthquake insurance, flood insurance, and workers’ compensation insurance. The amounts of said coverage shall be determined by the Board. The Association shall be the owner and beneficiary of any such insurance obtained.

Section 9.2. Owners Right to 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 Association Members at any reasonable time. Pursuant to Civil Code Section 5810 or comparable superseding statute, the Association shall notify Members if any insurance policies are not immediately renewed or replaced upon cancellation or lapse and/or if there is a significant change in the policy.

Section 9.3. First Mortgagees’ Minimum Coverage Requirements. An Eligible First Mortgagee for any Unit in the Project has the right to supply the Association with its minimum insurance requirements. If the Association’s insurance policies do not currently meet the minimum requirements of those Eligible First Mortgagees who have provided said minimum requirements to the Association, the Eligible First Mortgagees can request that the Association increase its coverage to match those minimum insurance requirements. The requesting Eligible First Mortgagee(s) shall be responsible for the payment of any increase in the Association’s insurance premiums due to said request. All First Mortgagees for any Unit in the Project have the right, upon written request, to obtain copies of current insurance policies and/or satisfactory evidence of the Association’s payment of premiums.

Notwithstanding any provision to the contrary elsewhere in this Declaration, the Association shall continuously maintain in effect such fire, casualty, and liability insurance and fidelity bonds meeting the insurance and fidelity bond requirements for condominium projects established by the Federal National Mortgage Association (or the Federal Home Loan Mortgage Corporation) so long as said agency(ies) have notified the Association in writing that it is a Mortgagee, Owner of a Condominium, an insurer of any Mortgage, or under contract to purchase a Mortgage, except to the extent that such coverage is not available or has been waived in writing by the Federal National Mortgage Association (or the Federal Home Loan Mortgage Corporation). Such insurance requirements may include, but not by way of limitation, a “Special Condominium Endorsement” or an “Inflation Guard Endorsement.”

Section 9.4. Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by Section 9.1 is for any reason not available, then the Association shall obtain such other or substitute policy or endorsement as may be available that provides, as nearly as possible, the coverage described above. The Board shall notify the Owners of any material adverse changes in the Association’s insurance coverage.

Section 9.5. Limitation on Individual Fire & Casualty Insurance. Except as provided in this Article IX, no Owner can separately insure his or her Unit or any part of it against loss by fire or other casualty covered by the Association’s blanket insurance carried under Section 9.1(a). If any Owner violates this provision, any diminution in insurance proceeds otherwise payable pursuant to the provisions of Section

9.1(a) that results from the existence of such other insurance will be chargeable to the Owner who acquired such other insurance, and the Owner will be liable to the Association to the extent of any diminution. The Association shall levy a Special Individual Assessment against such Owner and his or her Condominium in the amount of such diminution.

Section 9.6. Owners' Insurance.

(a) Property Insurance. An Owner shall be solely responsible for insuring his or her personal property against loss. As used in this Section, "personal property" includes but is not limited to wall covering, floor covering (carpet, hardwood, tile, etc.) and window treatments (drapes or blinds). In addition, any additions or alterations made by an Owner (or prior Owners) within the Condominium must be separately insured by the Owner, but the insurance is to be limited to the type and nature of coverage commonly known as "tenant's Improvements." All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other Owners, the Association, and any First Mortgagee of said Condominium.

(b) Liability Insurance. An Owner may carry whatever personal liability and property damage liability insurance with respect to his or her Condominium that he or she desires. However, any such policy shall include a waiver of subrogation clause acceptable by the Board and to any institutional First Mortgagee.

Section 9.7. Insurance Trustee. If a dispute arises as to allocation or use of insurance proceeds worth one million dollars (\$1,000,000.00) or more, said insurance proceeds shall be paid over to an insurance trustee. The insurance trustee shall hold the funds in trust and expend the funds for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear. Said insurance trustee shall be a commercial bank or other institution with trust powers within the State of California that agrees in writing to accept such trust.

Section 9.8. Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 9.1. 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 9.9. Distribution to Mortgagees. Subject to the provisions of Article XIII hereof, any Mortgagee has the option to apply insurance proceeds payable on account of a Unit in reduction of the obligation secured by the Mortgage of such Mortgagee.

Section 9.10. Deductibles. The Board shall have the power, in its sole discretion, to determine the amount of any deductible applicable to any insurance policy carried by the Association. In the event of a loss for which the Association coverage is used, the following shall apply:

(a) Owner Responsible for Loss. Except with respect to insurance for earthquake damage, an Owner responsible for causing an insurable loss (by either the Owner's acts and/or the acts of Owner's Family members, contract purchasers, tenants, guests, or invitees or as a result of a condition originating within the Owner's Unit or Exclusive Use Common Area for which the Owner is responsible) shall be obligated to contribute the Owner's proportional share of the costs not covered due to the deductible (the "insurance deductible"), if any, corresponding to the insurance covering the loss. The proportional share of each Owner responsible for causing the insurable loss under this Section 9.10(a) shall be based upon the ratio that the responsibility of each Owner responsible for causing the insurable loss bears to the total

responsibility of all Owners responsible for causing the insurable loss. The Board's determination of such responsibility shall be final.

(b) No Owner Responsible for Loss. If the insurable loss is not caused by the act or omission of any Owner (or the acts or omissions of the Owner's Family members, contract purchasers, tenants, guests, or invitees or a condition within the Owner's Unit for which the Owner is responsible), the deductible shall be paid by each Owner in proportion to the amount the insurable loss suffered by his or her Unit and Exclusive Use Common Area bears to the total insurable loss of all Owners resulting from the same event.

(c) Earthquake Damage. With respect to a loss covered by earthquake insurance, all Owners shall be obligated to contribute his or her equal share of the insurance deductible whether or not that Owner's Unit and/or Exclusive Use Common Area suffered damage.

(d) Association Responsibility. The Association shall be responsible for payment of the insurance deductible for any insurable loss to the General Common Area or Common Facilities, unless such loss was caused by the acts or omissions of an Owner or an Owner's Family members, contract purchasers, tenants, guests, or invitees. In the event of any insurable loss involving both the General Common Area/Common Facilities and individual Units and/or Exclusive Use Common Area, the Association shall be treated as an owner of the General Common Area/Common Facilities for purposes of applying Subsections (a) or (b) above. Unit Owners must repair at their sole cost, any damage to their Units or Exclusive Use Common Areas not covered by the Association's insurance.

(e) Failure to Pay Deductible. If, within thirty (30) days of notice by the Association to an Owner regarding that Owner's proportionate share under Subsection (a), (b) or (c) of this Section 9.10, any Owner fails or refuses to pay his or her proportionate share, the Board may levy a Special Individual Assessment against the Unit of such Owner which may be enforced under the lien provisions contained in Article V or in any other manner provided in this Declaration.

(f) Objection to Payment of Deductible. Within fifteen (15) days of the date that the notice to the Owner of his or her share of the liability is mailed, any Owner may contest the amount of his or her proportionate liability under Subsections (a), (b) or (c) of this Section by submitting to the Board written objections supported by cost estimates or other information that the Owner deems to be material. Upon receipt of said written objections, the Board shall set a hearing date on the matter. The Owner(s) contesting liability may be represented by counsel at this hearing. Following such hearing, the Board shall give written notice of its decision to all affected Owners, including any recommendation that adjustments be made with respect to the liability of any Owner(s). The Board's decision shall be final and binding.

Section 9.11. Insurance Claims. In order to keep the Association's insurance premiums (and claim history) as low as possible and, thereby maximize the Association's ability to obtain reasonably priced insurance, the following provisions shall apply to property damage claims:

(a) Damage Due to Owner's Acts or Conduct. If the damage or loss is caused by an Owner's acts or omissions (or the acts or omissions of Owner's Family members, contract purchasers, tenants, guests, or invitees) or to a condition originating in the Owner's Unit and that Owner (or tenant) has one (1) or more insurance policies, the Owner's (and/or tenant's) insurance policy (or policies) shall be primary. The Association's insurance shall be excess insurance, not contributory, to that Owner's (and/or tenant's) insurance policy or policies. The damage or loss claim must be tendered to that Owner's (and/or tenant's)

insurance policy or policies and that Owner's (and/or tenant's) insurer(s) must provide a written denial of coverage before the damage or loss claim can be tendered to the Association's insurance.

(b) Damage Due to Association's Intentional Acts or Negligence. If the damage or loss is caused by the Association's intentional acts and/or active negligence, the damage or loss claim can be tendered to the Association's insurance policy without any pre-requisite of tendering to the Owner's (or tenant's) insurance first.

(c) Damage to a Unit or Its Contents. If: (1) the damage or loss does not fall within either Subsection (a) or Subsection (b) above; (2) the damage or loss is to an Owner's Unit (and/or the contents/personal property within said Unit); and (3) the Owner (and/or tenant) with the damage or loss has insurance, the Owner's (or tenant's) insurance shall be primary. The Association's insurance shall be excess insurance, not contributory, to that Owner's (or tenant's) policy. The damage or loss claim must be tendered to that Owner's (and/or tenant's) insurance and that Owner's (and/or tenant's) insurer(s) must provide a written denial of coverage before the damage or loss claim can be tendered to the Association's insurance.

(d) Increase in Insurance Premium Due to Claim. If a claim is made to the Association's insurer for damage caused by the act or omission of an Owner or such Owner's Family members, contract purchasers, tenants, guests or invitees or by a condition originating in the Owner's Unit for which the Owner is responsible, and such claim results in an increased insurance premium for the Association, the Owner shall be responsible for payment of the amount of such increase for a period of no more than three (3) years. A Special Individual Assessment shall be levied against the Owner for such liability, after the notice and hearing required in Article XII of this Declaration. The Board may waive the liability imposed by this Subsection only for good cause shown by the Owner.

ARTICLE X: DAMAGE OR DESTRUCTION.

Section 10.1. General Provisions. This Article X shall apply in the event substantial portions of the Common Area or Common Facilities or those portions of the Units that the Association is required to maintain, repair, and replace are substantially damaged or destroyed as a result of fire, earthquake or other casualty. In such event, the Association shall have exclusive authority to negotiate losses/insurance proceeds covering such losses.

(a) Use of Separate Trust Account. All insurance proceeds (except insurance procured by Owner(s)), shall be held by the Association in a separate trust account in trust for the Association, the Owner(s) and their Mortgagees as their respective interests may appear to be in accordance with the terms and provisions of any applicable Mortgage.

(b) Power to Contract with Insurance Trustee. Should a controversy arise as to the disbursement of insurance proceeds and the amount in controversy is over one million dollars (\$1,000,000.00), the Board is authorized to enter into an agreement with an Insurance Trustee pursuant to Section 9.7 of this Declaration, relating to Insurance Trustee's powers, duties, and reasonable compensation.

(c) Determination of Adequate Insurance. The Board shall, within sixty (60) days of the casualty event, meet with general contractors, architects and/or other construction professionals to make a preliminary determination if the proceeds from available insurance will probably be sufficient to fund the

necessary repairs and reconstruction and shall report its determination to the Members and Eligible First Mortgagees in writing. Thereafter the Board shall diligently attempt to reach a final settlement and adjustment of its insurance claims with the insurers. The Association shall make good faith efforts to keep interested Owners and Eligible First Mortgagees apprised as to the status of negotiations.

(d) Insurable Losses to Individual Units. If one (1) or more residential Units suffers damage covered by the Association's property insurance, the Board may, in its discretion, pay the insurance proceeds to the Unit Owner and the Unit Owner shall be responsible for repair of the Unit. All such repairs shall be completed within one year and shall be in accordance with the requirements of this Declaration, including Article VIII. Other than the routine maintenance and repairs required under Article VI of this Declaration, the Association shall not be responsible for repair of damage or destruction to any portion of a Unit not covered by the Association's insurance.

Section 10.2. Repair and Reconstruction if Adequate Insurance is Available.

(a) Board's Authority to Contract for Repairs. Upon a determination that insurance proceeds will be adequate, the Board shall have the authority, without a vote of the Members, to enter into written contracts with general contractors, design professionals and other construction professionals for the repair and reconstruction of damaged or destroyed property covered by insurance, pursuant to Section 10.5 below.

(b) Funding of Repair and Reconstruction. The Board may borrow from the Reserve Account to fund any repair or reconstruction covered by insurance, so as not to delay reconstruction. Any such borrowed funds shall be immediately replaced upon receipt by the Association of the insurance proceeds.

Section 10.3. Minor Deficiency in Insurance Proceeds.

(a) Reconstruction Unless Vetoed by Members. If the available proceeds from the insurance maintained pursuant to Article IX are sufficient, after payment of any insured losses to individual Units, to cover at least seventy-five percent (75%) of the anticipated costs of repair and reconstruction of the Common Area and the anticipated costs of repair and reconstruction do not exceed available insurance proceeds by more than one million dollars (\$1,000,000), the damaged portions of the Common Area shall be rebuilt unless, within ninety (90) days from the date of destruction, sixty-six and two-thirds percent (66-2/3%) of all Members of the Association determine that such repair and reconstruction shall not take place. Reconstruction and repair shall proceed as set forth in Section 10.5 below.

(b) Special Assessment. Any sums in excess of available insurance proceeds required to repair or rebuild the Common Area and Common Facilities under this Section shall be obtained by Special Assessment levied equally against all Units in the Project.

(c) Advancement of Special Assessment. If any Member fails to pay, within thirty (30) days of the levy, the Special Assessment levied against that Member's Unit, the Board may advance (without relieving the Member(s) or the Members' Unit(s) from liability therefor) an amount equal to the unpaid assessments.

Section 10.4. Major Deficiency in Insurance Proceeds. If the deficiency in insurance proceeds exceeds the limits set forth in Section 10.3 above, this Section shall apply. Within ninety (90) days of the casualty or event causing the damage, the Board shall call a Special Meeting of Members or distribute a written ballot (see written ballot procedures in the Bylaws) for the purpose of deciding upon the appropriate course of action. At the meeting or through the written ballot in lieu of a meeting, the Members shall decide

whether to proceed with reconstruction of the Common Area and Common Facilities. A vote in excess of sixty-six and two-thirds percent (66-2/3%) of all Members of the Association shall be required to determine that repair and reconstruction of the Common Area and Common Facilities will not take place. If the Members vote not to repair or rebuild the Common Area and Common Facilities, the Association shall be authorized to remove any debris from the Project and to clean up the area of damage to the extent necessary to make it safe, sanitary and presentable.

Section 10.5. Repairs and Reconstruction. This Section shall apply if repair and reconstruction is authorized under one of the provisions of this Article.

(a) Board's Authority to Contract. The Board shall have the sole authority to contract for repair and reconstruction of the Common Area and Common Facilities under this Article and to hire appropriate contractors, design professionals and other necessary consultants for the work. The Board shall award the contract(s) for repair and reconstruction to the lowest responsible bidder, or to such bidder as the Board determines is more favorable for the Association. The Board shall make every reasonable effort to execute the necessary contracts and complete the work within one year of the casualty event. It shall be the obligation of the Board to take all steps necessary to assure the commencement and the completion of authorized repairs and reconstruction occur at the earliest possible date.

(b) Licensed Contractors. Only contractors duly licensed in the State of California shall be employed by the Association for the work.

(c) Scope of Repairs and Reconstruction. The damaged or destroyed improvements shall be rebuilt to the condition existing immediately prior to the event causing the loss, subject to current building codes and ordinances, unless the Board, Owners and Eligible First Mortgagees agree upon a different scope of work.

Section 10.6. Emergency Repairs. Without waiting to obtain insurance settlements or bids, the Board may undertake such emergency repair work after a casualty as the Board may deem necessary or desirable under the circumstances, and the Board may charge the maintenance fund for the costs thereof where such repairs are done prior to settlement of insurance claims.

Section 10.7. Interior Damage. With the exception of any casualty or damage covered by insurance kept by the Association, restoration and repair of any damage to the interior of any individual Residence, including all fixtures, cabinets, and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, must be made by and at the individual expense of the Owner of the Unit so damaged. If a determination to rebuild the Project after partial or total destruction is made, as provided in this Article, such interior repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Board/Architectural Committee as provided in this Declaration.

ARTICLE XI: CONDEMNATION.

Section 11.1. Sale by Unanimous Consent or Taking. The Board or a trustee appointed by the Board to act on behalf of the Association shall represent all of the Owners in any condemnation proceeding, negotiations, settlements and/or agreements. Each Owner by accepting a deed to a Condominium in the Project hereby grants the Board or its appointed trustee an irrevocable power of attorney to act on behalf of the Association and all Owners in any condemnation or proposed/threatened condemnation.

If an action for condemnation of a portion or all of the Project is proposed or threatened by any governmental agency having the right of eminent domain, then, on unanimous written consent of all of the Owners and Eligible First Mortgagees, the Project, or a portion thereof, may be sold and conveyed to the condemning authority by the Board or the Association's appointed trustee for a price deemed fair and equitable by the Board.

If the requisite number of Owners or Eligible First Mortgagees do not consent to a sale of all or a portion of the Project, and the condemning authority institutes condemnation proceedings, the court shall fix and determine the condemnation award.

Section 11.2. Distribution of Sale Proceeds or Condemnation Award.

(a) Total Sale or Taking. A total sale or taking of the Project means a sale or taking that (i) renders more than fifty percent (50%) of the Condominiums uninhabitable (such determination to be made by the Board in the case of a sale and by the court in the case of a taking) or (ii) renders the Project as a whole uneconomical as determined by the vote or written consent of fifty-one percent (51%) of those Owners and their respective Eligible First Mortgagees whose Condominiums will remain habitable after the taking.

Any determination that a sale or taking is total must be made before the proceeds from said sale or award are distributed. The proceeds of any such total sale or taking of the Project, after payment of all expenses relating to the sale or taking, shall be paid to all Owners and to their respective Mortgagees, as their respective interests may appear, in the proportion that the fair market value of each Condominium bears to the fair market value of all Condominiums in the Project. The fair market value of each Condominium shall be determined in the condemnation action, if such be instituted, or by an independent licensed real estate appraiser selected by the Association, who shall be a member of the Society of Real estate Appraisers or other nationally recognized appraiser organization and shall apply its or such other organization's standards in determining the fair market values of the Condominium.

(b) Partial Sale or Taking. In the event of a partial sale or taking of the Project, meaning a sale or taking that is not a total taking, as determined in Subsection 11.2(a), above, the proceeds from the sale or taking shall be paid or applied in the following order of priority and any judgments of condemnation shall include the following provisions as part of its terms:

(1) To the payment of expenses of the Association in effecting the sale or to any prevailing party in any condemnation action to whom such expenses are awarded by the Court to be paid from the amount awarded; then

(2) To Owners and to their respective Mortgagees, as their interests may appear, of Condominiums in the Project whose Condominiums have been sold or taken, an amount up to the fair market value of such Condominium as determined by the court in the condemnation proceeding or by an appraiser (pursuant to Section 11.2(a) above), less such Owners' share of expenses paid pursuant to Subsection 11.2(b)(i) (which share shall be in proportion to the ratio that the fair market value of each Owner's Condominium bears to the fair market value of all Condominiums).

After such payment, the recipient shall no longer be deemed an Owner and the Board or individuals authorized by the Board, acting as attorney-in-fact of all Owners shall amend the Subdivision

Map, if any, and/or the Condominium Plan and this Declaration to eliminate from the Project the Units so sold or taken; then

(3) To any remaining Owner(s) and to their Mortgagees, as their interests may appear, whose Condominium has been diminished in value as a result of the sale or taking disproportionate to any diminution in value of all Condominiums, as determined by the Court in the condemnation proceeding or by an appraiser (pursuant to Section 11.2(a) above), an amount up to the total diminution in value; then

(4) To all remaining Owners and to their respective Mortgagees, as their interests may appear, the balance of the sale proceeds or award in proportion to the ratio that the fair market value of each remaining Owner's Condominium bears to the fair market value of all remaining Owners' Condominiums as of a date immediately prior to commencement of condemnation proceedings, as determined by the Court in the condemnation proceeding or by an appraiser (pursuant to Section 11.2(a) above).

Section 11.3. Appraiser. The costs of such appraisals shall be paid from the condemnation/sale proceeds as an expense of the Association.

ARTICLE XII: BREACH & DEFAULT.

Section 12.1. Remedy at Law Inadequate. The provisions of the Declaration and the Other Governing Documents, as the same may be adopted or amended from time to time, shall constitute enforceable servitudes which shall inure to and bind each Owner, Owner's Family, lessees, tenants, contract purchasers, guests, invitees and/or licensees. Any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest may enforce, by any proceeding at law or in equity, said provisions of the Governing Documents against any Owner, Member of Owner's Family, lessee, tenant, contract purchaser, guest, invitee, licensee, occupant or user of any Condominium, or any portion of the Common Area or Common Facilities. Further, the failure of any Owner, Member of Owner's Family, lessee, tenant, contract purchaser, guest, invitee, licensee, occupant or user of any Condominium, or any portion of the Common Area or Common Facilities, to strictly comply with any provision of the Governing Documents shall be grounds for (1) an action to recover sums due for damages and/or (2) an action to enjoin by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

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 and the Association's other Governing Documents is inadequate, and injunctive or declaratory relief, or other forms of equitable relief shall be available in addition to monetary damages as a remedy for such breach, default or violation.

Section 12.2. Nuisance. Without limiting the generality of Section 12.1, the result of every act or omission whereby any covenant contained in this Declaration or the Association's Governing Documents is violated, in whole or in part, is hereby declared to be a nuisance. In addition to any other remedies that may be available, such nuisance may be abated or enjoined by the Association, its Officers, the Board of Directors and/or any Owner.

Further, every remedy against nuisance, either public or private, shall be applicable against every such act or omission; provided, however, the Board shall not be obligated to take action to abate or enjoin a

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

Section 12.3. Violation of Law. Any violation of a federal, state, county, municipal, local, or other governmental law, ordinance or regulation pertaining to the ownership, occupation or use of any property within the Project is hereby declared to be a violation of this Declaration and subject to any and all enforcement procedures set forth herein.

Section 12.4. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and not exclusive. 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 or the Governing Documents.

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 and/or the Association's Governing Documents 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, the Owner's Family, guests, contract purchasers, employees, vendor/contractors, invitees, licensees, lessees and/or tenants, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use recreational Common Facilities. The Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this Section 12.6. The initiation of legal action shall be subject to Section 12.7, below.

The decision of whether it is appropriate or necessary for the Association to initiate enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Association's Board. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement as may exist by virtue of California Civil Code Section 5975 or otherwise by law.

Upon a determination by the Board of Directors, after prior notice to the affected Member and an opportunity for a hearing pursuant to Subsections 12.6(f) and (g), that said Member has violated any provision of the Governing Documents, including but not limited to a failure to pay any Assessment when due, the Board may give notice in writing to such Member that the Member is deemed not to be a Member in Good Standing (as defined in the Bylaws). Such Member shall be deemed to be a Member not in good standing until such time as the Board shall determine in writing that the violation that resulted in the Board's determination that the Member was not in good standing has been cured or remedied or, on some other basis as in the judgment of the Board is just and proper, that such Member shall again be deemed to be a Member of the Association in good standing.

(b) Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles). Once imposed, a fine or penalty may be collected as a Special Individual Assessment and shall be enforceable as a Special Individual Assessment pursuant to Section 5.4.

(c) Definition of "Violation". A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for additional days, discipline imposed by the Board may include one component for the violation and, according to the Board's discretion, a per diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Association shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Area at the cost of the responsible Owner.

(d) "Meet and Confer" Requirement. In the event of a dispute between the Association and a Member concerning an alleged violation of the Governing Documents, either party may request in writing to meet with the other party to discuss the dispute. The Association shall comply with any request by a Member by notifying the requesting Member of the date and time for such a meeting within thirty (30) days of receipt of the written request. If such a request is made by the Association to a Member, the Member may, but is not required to, respond in writing within ten (10) days agreeing to the requested meeting on the terms set forth in the Association's request. The meeting shall be attended by one or more Directors designated by the Board to represent the Board in the "Meet and Confer" and the requesting Member. If the meeting is not attended by the entire Board, the Member may appeal any resolution resulting from the meeting to the entire Board. Any agreement between the Association and the Member as a result of such a meeting shall be reduced to writing and signed by the Association and the Member. Once signed by both parties, such agreement shall become final, binding and unappealable. The Association may comply with any "Meet and Confer" requested by a Member pursuant to this Subsection by a disciplinary hearing pursuant to Subsection 12.6(f) below. However, if the meeting is to be in conjunction with a disciplinary hearing, the notice required by Subsection 12.6(g) must be given to the Member.

(e) Limitations of Disciplinary Rights.

(1) 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 Condominium due to the failure by the Owner (or Owner's Family members, tenants, lessees, contract purchasers, guests, invitees and/or licensees) to comply with any provision of the Governing Documents, including, but not limited to any duly enacted Association Rule, except where the loss or forfeiture is the result of A) the judgment of a court of competent jurisdiction, B) a decision arising out of arbitration, C) a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association, or D) where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Association or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Association's actions satisfy the due process requirements of Sections 12.6(f) and (g).

(2) Liens Against Member's Condominium. Except as provided in the Association's Delinquent Assessment Collection Policy, or Association Rules, if any, an assessment imposed by the Association as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Areas and facilities for which the Member and/or the member's Family, guests,

lessees, tenants, contract purchasers, employees, invitees and/or licensees were responsible may become a lien against the Member's Condominium enforceable by the sale of the Condominium under Civil Code Sections 2924, 2924b, and 2924c.

(f) Hearings. No penalty or temporary suspension of rights shall be imposed pursuant to this Article XII unless the Owner alleged to be in violation is given prior Individual Notice (as defined in the Bylaws) of the proposed penalty or temporary suspension, and is given an opportunity to be heard before the Board of Directors or appropriate committee established by the Board with respect to the alleged violation(s) as provided in any Association Rules adopted by the Board pursuant to Section 12.6(h). However, this Subsection shall not prevent the Board from taking emergency action (such as towing of vehicles) to eliminate an immediate threat to the health or safety of residents or a nuisance causing substantial interference with the property rights of other residents. The required disciplinary hearing shall be scheduled as soon as practicable after any such emergency action has been taken, and if it is determined that such action was unnecessary or improper, the Association shall compensate the Member for any costs incurred as a result of such action. The Association Rules may specify those violations justifying emergency action pursuant to this Subsection.

(g) Notices. Any notice of a disciplinary hearing pursuant to Subsection 12.6(f) above 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 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. The Association's notice of a disciplinary hearing shall be delivered to the Member at least ten (10) days prior to any hearing. Notice of the Board's action as a result of the disciplinary hearing must be delivered to the Member within fifteen (15) days after the Board's decision.

(h) Rules Regarding Disciplinary Proceedings. The Board shall be entitled to adopt rules that set forth the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Association Rules and shall provide for notices and procedures conforming to the requirements of California law.

Section 12.7. Court Actions; Alternative Dispute Resolution ("ADR"). Court actions to enforce the Governing Documents may only be initiated on behalf of the Association upon approval of the Board. As long as Civil Code Sections 5925 - 5965 (or comparable superseding statutes requiring alternative dispute resolution) are in force, prior to initiating litigation the Board shall attempt in good faith to resolve any dispute with a Member concerning an alleged violation of the Governing Documents through mediation or arbitration as provided in those statutes. The Board shall have discretion to determine the form of ADR (mediation or arbitration) which will be pursued. This Section 12.7 shall automatically be repealed from this Declaration should the above Civil Code Sections (or comparable superseding statutes) be repealed by the California Legislature.

Section 12.8. Joint and Several Liability of Co-Owners. If a Condominium is owned jointly by two (2) or more persons, the liability of each Owner thereof in connection with the obligations of Owners imposed by this Declaration shall be joint and several.

Section 12.9. Costs and Attorneys' Fees. In the event that the Association takes any action because of any alleged breach or default of any Member or other party hereto under the Association's Governing Documents (whether or not any legal proceeding, including an arbitration, is initiated) the Association shall

be entitled to recover from that Member (or other party) the costs, including attorneys' fees, the Association incurred as a result of the alleged breach or default. The Association's remedies to recover its costs and attorneys' fees shall include, but are not limited to, the imposition of a Special Individual Assessment pursuant to Section 5.4.

In the event an action (including an arbitration) is brought by a Member (or other individual with the right to enforce the Governing Documents) because of any alleged breach or default by any party hereto under the Association's Governing Documents, the court may award to the prevailing party in any such action (as defined by Civil Code 1717 or comparable superseding statute) such attorneys' fees and other costs, including by way of example, but not limited to court costs and experts' fees, incurred in connection therewith as the court deems just and reasonable.

ARTICLE XIII: PROTECTION OF MORTGAGES.

Section 13.1. Mortgage Permitted. Any Owner may encumber the Owner's Condominium with a mortgage.

Section 13.2. Subordination. Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of any First Mortgage that encumbers all or a portion of the Project, or any Condominium, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such First Mortgage unless the holder of the first mortgage expressly subordinates his interest in writing, to such lien. All taxes, assessments and charges that may become liens prior to the First Mortgage under local law shall relate only to the individual Unit(s) there charged and not to the Project as a whole.

Section 13.3. Notice to Eligible First Mortgages. The Association shall give written notice to all Eligible First Mortgagees of any lapse (or cancellation) of any insurance policy or fidelity bond maintained by the Association that is not renewed, restored, or replaced within a short period of time or of any significant change to the coverage, limits and/or deductible for any of those policies or bonds issued to the Association. The Association shall also give written notice to those Eligible First Mortgagee(s) who hold the mortgage for any affected Unit of any condemnation loss or any casualty loss to any Unit covered by a mortgage, if such loss exceeds \$50,000.00, or on any loss to the Common Area, if such loss exceeds \$500,000.00.

Section 13.4. Restrictions on Certain Changes. Unless two-thirds (2/3rds) of First Mortgagees (based on one (1) vote for each Unit secured by a Mortgage), or two-thirds (2/3rds) of the Owners have given their prior written approval, neither the Association nor the Owners shall be entitled to:

(a) Seek to restore or repair the Units after condemnation or and insurable hazard in a manner that is not substantially in accordance with this Declaration and the original plans and specifications for the Project;

(b) Elect to terminate the Project as a common interest development following substantial destruction or a substantial taking of the Project through condemnation proceedings;

(c) Effect a reallocation of interests in the Common Area or Common Facilities following condemnation or partial destruction of the Project, unless the formula for such reallocation is fixed in advance by this Declaration or by applicable law;

(d) Change the fundamental purpose for which the Project was created (*i.e.*, change from residential use to a different use); or

(e) Use hazard insurance proceeds for losses to Units or Common Area in the Project for other than the repair, replacement, or restriction of Improvements, except as provided by statute or by this Declaration in case of substantial loss to the Units or Common Area of the Project.

A Mortgagee who receives a written request to approve any of the above acts by certified or registered mail and who does not deliver or post to the requesting party a negative response within sixty (60) days shall be deemed to have approved such request.

Section 13.5. Right to Examine Books and Records. Eligible First Mortgagees may examine those books and records of the Association that California law requires be made available to Members and can require the submission of financial data concerning the Association, including annual audit or review reports, if any, and operating statements as furnished to the Owners. The Association Rules may provide a procedure for requesting such inspections, copying costs and other related matters, provided, however, that such Association Rules shall conform to current California law and the Governing Documents.

Section 13.6. Distribution of Insurance and Condemnation Proceeds. Notwithstanding any other provision of this Declaration, no Unit Owner, or any other party, shall have priority over any right of First Mortgagees of Units pursuant to their mortgages in case of a distribution of insurance proceeds or condemnation awards for losses to (or a taking of) Units or Common Area. Any such distribution shall be made pursuant to the terms and provisions of the applicable Mortgage. Any provision to the contrary, in this Declaration or in the Bylaws or other documents relating to the Project, is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses naming the first mortgagees, as their interests may appear.

Section 13.7. Effect of Breach. If any Condominium is encumbered by a First Mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this Declaration for assessments, or installments of assessments, shall not operate to effect or impair the lien of the First Mortgage. On foreclosure of the First Mortgage, the lien for assessments or installments that has accrued up to the time of foreclosure shall be subordinate to the lien of the First Mortgage, with the foreclosure-purchaser taking title to the Condominium free of the lien for assessments or installments that have accrued up to the time of the foreclosure sale.

On taking title to the Condominium, the foreclosure-purchaser shall be bound to all covenants, conditions and restrictions contained in the Governing Documents, but shall be obligated to pay assessments or other charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the Condominium.

Nothing in this Section shall be construed to release any prior Owner from the Owner's obligation to pay for any assessment levied pursuant to this Declaration.

Section 13.8. Non-Curable Breach. Any mortgagee who acquires title to a Condominium by foreclosure or by deed in lieu of foreclosure or assignment-in-lieu of foreclosure shall not be obligated to cure any breach of this Declaration that is non-curable or of a type that is not practical or feasible to cure.

Section 13.9. Payment by Mortgagees. Mortgagees of a Unit may, jointly or singularly, pay taxes or other charges that are in default and that may or have become a charge against the Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for Common Area improvements or other insured property of the Association. Upon making any such payments, such Mortgagees shall be owed immediate reimbursement therefor from the Association. This provision shall constitute an agreement by the Association for the express benefit of all Mortgagees. Upon the request of any Mortgagee, the Association shall execute and deliver to such Mortgagee a separate written agreement embodying the provisions of this Section 13.10.

Section 13.10. Loan to Facilitate. Any First Mortgage given to secure a loan to facilitate the resale of a Condominium after acquisition by foreclosure or by a deed-in-lieu of foreclosure or by assignment-in-lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of this Article XIII.

Section 13.11. Appearance at Meetings. Because of its financial interest in the Project, any Eligible First Mortgagee may appear (but cannot vote) at meetings of the Members and the Board to draw attention to violations of the Governing Documents that have not been corrected or made the subject of remedial proceedings or assessments and/or other matters of concern to the Mortgagee.

Section 13.12. Right to Furnish Information. Any Mortgagee can furnish information to the Board concerning the status of any mortgage.

Section 13.13. Inapplicability of Right of First Refusal to Mortgagee. No right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey the Owner's Condominium shall be granted to the Association without the consent of any Eligible First Mortgagee of the Condominium. Any right of first refusal or option to purchase a Unit that may be granted to the Association (or other person, firm or entity) shall not apply to any conveyance or transfer of title to such Unit, whether voluntary or involuntary, to a mortgagee that acquires title to or from or ownership of the Unit pursuant to the remedies provided in its mortgage or deed or by reason of foreclosure of the mortgage or deed (or assignment) in lieu of foreclosure.

Further, no such right shall impair the rights of a First Mortgagee to:

- (a) Foreclose or take title to a Condominium pursuant to the remedies provided in the Mortgage,
- or
- (b) Accept a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor,
- or
- (c) Sell or lease a Condominium acquired by the Mortgagee.

Section 13.14. Amendments to Conform with Mortgagee Requirements. It is the intent of the Association that this Declaration and the Articles and Bylaws of the Association, and the Project in general, meet all reasonable requirements necessary to purchase, guarantee, insure or subsidize any mortgage of a Unit in the Project by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Housing Administration, and the Veterans' Administration. The Board and each Owner shall take any action or shall adopt any resolutions necessary to conform the Governing Documents and/or the Project to the reasonable requirements of any of said entities or agencies. Each Owner, by the acceptance of a deed to a Condominium, grants to the Board an irrevocable power of attorney to act as

attorney-in-fact for such purpose. The provisions of this Declaration and the Association's other Governing Documents shall be liberally interpreted so as to comply with the reasonable requirements of institutional lenders, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association.

ARTICLE XIV: DECLARANT RIGHTS & RESERVATIONS.

If there is a conflict between any other portion of the Restrictions and this Article, this Article shall control.

Section 14.1. Construction Rights. Declarant has the right to: (a) subdivide or re-subdivide the Project; (b) complete or modify Improvements to and on any portion of the Project owned solely or partially by Declarant; (c) alter Improvements and Declarant's construction plans and designs; (d) modify Declarant's development plan for the Project and the Annexable Territory, including designating and redesignating Phases and the Units and the Common Property therein and constructing Units of larger or smaller sizes, values, and of different types; and (e) construct such additional Improvements as Declarant considers advisable in the course of development of the Project so long as any Condominium in the Project or the Annexable Territory remains unsold.

Section 14.2. Sales and Marketing Rights. Declarant's rights under this Declaration include, but are not limited to, the right to install and maintain such structures, displays, signs, billboards, flags, and sales offices as may be reasonably necessary to conduct Declarant's business of completing the work and disposing of the Condominiums or the Annexable Territory by sale, resale, lease or otherwise. Declarant may use any Condominiums owned or leased by Declarant in the Project as model home complexes, real estate sales offices or leasing offices.

Section 14.3. Creating Additional Easements. At any time before acquisition of title to a Condominium in the Project by a purchaser from Declarant, Declarant has the right to establish on that Condominium additional licenses, easements, reservations, and rights-of-way to itself, to utility companies, or to others as Declarant determines are reasonably necessary to the Project's proper development and disposal.

Section 14.4. Architectural Rights. Declarant and any Person to whom Declarant may assign all or a portion of its exemption under this Declaration need not seek or obtain Board/Architectural Committee approval of any Improvements constructed anywhere on the Project by Declarant or such Person. Declarant may exclude portions of the Project from jurisdiction of the Architectural Committee in the applicable Notice of Addition or Supplemental Declaration. Declarant, may, at its option, establish an additional design review committee for any area exempted from the jurisdiction of the Architectural Committee.

Section 14.5. Use Restriction Exemption. Declarant and any Person to whom Declarant may assign all or a portion of its exemption under this Declaration is exempt from the restrictions established in Article III.

Section 14.6. Assignment of Rights. Declarant may assign its rights under the Restrictions to any successor in interest to any portion of Declarant's interest in the Project by a written assignment.

Section 14.7. Amendments. No amendment may be made to this Article without the prior written approval of Declarant. At any time before the first Close of Escrow in Phase ID, Declarant may unilaterally amend or terminate this Declaration by Recording a written instrument which effects the amendment or termination and is signed and acknowledged by Declarant. For so long as Declarant owns any portion of

the Project or the Annexable Territory, Declarant may unilaterally amend this Declaration by Recording a written instrument signed by Declarant to (a) conform this Declaration to the rules, regulations or requirements of VA, FHA, DRE, FNMA, GNMA or FHLMC, (b) amend Article III, (c) amend any of the Exhibits to this Declaration that depict portions of the Project in a Phase in which Assessments have not commenced, (d) comply with any City, County State or Federal laws or regulations, and (e) correct any typographical errors.

Section 14.8. Exercise of Rights. Each Owner grants an irrevocable, special power of attorney to Declarant to execute and record all documents and maps necessary to allow Declarant to exercise its rights under this Article.

Section 14.9. Use of Project. Declarant and its prospective purchasers of Condominiums are entitled to the nonexclusive use of the Project and any recreational facilities thereon, without further cost for access, ingress, egress, use or enjoyment, to (a) show the Project to prospective purchasers, (b) dispose of the Project as provided in this Declaration, and (c) develop and sell the Annexable Territory. Declarant, and prospective purchasers, are also entitled to the nonexclusive use of any portions of the Project which are private streets, drives and walkways for ingress, egress and accommodating vehicular and pedestrian traffic to and from the Project and the Annexable Territory. The use of the Project by Declarant may not unreasonably interfere with the use thereof by the other Owners.

Section 14.10. Participation in Association. The Association shall provide Declarant with written notice of the transfer of any Condominium and all notices and other documents to which a Mortgagee is entitled pursuant to this Declaration, provided that Declarant shall be provided such notices and other documents without making written request therefor. Commencing on the date on which Declarant no longer has an elected representative on the Board, and continuing until the later to occur of the date on which Declarant (a) no longer owns a Condominium in the Project or (b) cannot unilaterally annex property to the Project, the Association shall provide Declarant with written notice of all meetings of the Board as if Declarant were an Owner and Declarant shall be entitled to have a representative present at all such Board meetings ("Declarant's Representative"). The Declarant's Representative shall be present in an advisory capacity only and shall not be a Board member or have any right to vote on matters coming before the Board.

Section 14.11. Declarant Approval of Actions.

(a) General Rights. Until Declarant no longer owns a portion of the Project or the Annexable Territory, Declarant's prior written approval is required for any amendment to the Restrictions which would impair or diminish Declarant's rights to complete the Project or the Annexable Territory or sell or lease dwellings therein.

(b) Limit on Actions. Until Declarant no longer owns any Condominiums in the Project, or the Annexable Territory, the following actions, before being undertaken by the Association, must first be approved in writing by Declarant:

- (1) Any amendment or action requiring the approval of first Mortgagees;
- (2) The annexation to the Project of real property other than the Annexable Territory pursuant to Article XV;

- (3) The levy of a Special Assessment for the construction of new facilities not constructed in the Project by Declarant;
- (4) Any significant reduction of Association maintenance or other services; or
- (5) Any modification or termination of any provision of the Restrictions benefitting Declarant.

Section 14.12. Marketing Name. The Project shall be marketed under the general name "The Boulders Condominiums." Declarant may change the marketing name of the Project or designate a different marketing name for any Phase at any time in Declarant's sole discretion. Declarant shall notify the DRE of any change in or addition to the marketing name or names of the Project or any Phase.

ARTICLE XV: ANNEXATION OF ADDITIONAL PROPERTY.

Additional real property may be annexed to Phase 1D, and such additional real property may become subject to this Declaration by any of the following methods:

Section 15.1. Additions by Declarant. Declarant may add the Annexable Territory to the Project and bring such added territory within the general plan of this Declaration without the approval of the Association, the Board or Owners so long as Declarant, its successors or assigns owns the Annexable Territory.

Section 15.2. Other Additions. Additional real property may be annexed to the Project and brought within the general plan of this Declaration on the approval by vote or written consent of Owners entitled to exercise no less than two-thirds (2/3) of the Association's voting power.

Section 15.3. Rights and Obligations-Added Territory. Subject to the provisions of Section 15.4, when a Notice of Addition or Declaration of Annexation containing the provisions required by this Section is recorded, all provisions in this Declaration will apply to the real property described in the Notice of Addition or Declaration of Annexation (the "Added Territory") in the same manner as if the real property were originally covered by this Declaration. Thereafter, the rights, powers, and responsibilities of the parties to this Declaration with respect to the Added Territory will be the same as with respect to the property originally covered by this Declaration, and the rights, powers and responsibilities of the Owners, lessees and occupants of Condominiums in the Added Territory, as well as in the property originally subject to this Declaration, will be the same as if the Added Territory were originally covered by this Declaration. After the first day of the month following the first Close of Escrow in the Added Territory, the Owner of Condominiums located in the Added Territory shall share in the payment of Assessments to the Association to meet Common Expenses of the entire Project. Voting rights attributable to the Condominiums in the Added Territory may not be exercised until Annual Assessments have commenced on such Condominiums.

Section 15.4. Notice of Addition/Declaration of Annexation. The additions authorized under Sections 15.1 and 15.2 must be made by recording a Notice of Addition or Declaration of Annexation which will extend the general plan of this Declaration to such Added Territory. The Notice of Addition for any addition under Section 15.1 must be signed by Declarant. The Notice of Addition for any addition under Section 15.2 must be signed by at least two (2) officers of the Association to certify that the Owner approval required under Section 15.2 was obtained. Recordation of the Notice of Addition effectuates annexation of the property described in the Notice of Addition as Added Territory. After the first Close of Escrow in the

Added Territory covered by a Notice of Addition, the Added Territory will constitute a part of the Project, become subject to this Declaration and encompassed within the general plan of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration, and become subject to the Association's functions, powers and jurisdiction; and the Owners of Condominiums in the Added Territory will automatically acquire Membership. In no event, however, may any Notice of Addition revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Declaration as the same pertain to the real property originally covered by this Declaration.

Section 15.5. Power of Attorney. Each Owner of a Condominium in the Project, by accepting a deed to a Condominium, shall be deemed to have (a) agreed and acknowledged that the Owners own no interest in the Annexable Territory which may be developed, if at all, by Declarant in its sole and absolute discretion and (b) constituted and irrevocably appointed Declarant, for so long as Declarant owns all or any portion of the Annexable Territory, as his Attorney-in-Fact, for himself and each of his Mortgagees, optionees, grantees, licensees, trustees, receivers, lessees, tenants, judgment creditors, heirs, legatees, devisees, administrators, executors, legal representatives, successors and assigns, whether voluntary or involuntary, and thereby to have conveyed a Power of Attorney coupled with an interest to Declarant as his Attorney in Fact to prepare, execute, acknowledge and Record any Condominium Plan or amendment to the Condominium Plans for all or any portion of the Annexable Territory. However, nothing set forth herein shall be deemed or construed as an agreement by Declarant that any Owner shall be entitled to any participation in or discretion over the preparation and Recordation of a Condominium Plan or Plans for all or any portion of the Annexable Territory. The acceptance or creation of any Mortgage or other encumbrance, whether or not voluntary, created in good faith, or given for value, shall be deemed to be accepted or created subject to each of the terms and conditions of the Power of Attorney described in this Section.

Section 15.6. De-Annexation and Amendment. Declarant may amend a Notice of Addition or delete all or a portion of a Phase from coverage of this Declaration and the Association's jurisdiction, so long as Declarant is the owner of all of such Phase, and (a) an amending instrument or a Notice of Deletion of Territory, as applicable, is Recorded in the same manner as the Notice of Addition was Recorded, (b) Declarant has not exercised any Association vote with respect to any portion of such Phase, (c) Assessments have not commenced with respect to any portion of such Phase, (d) Close of Escrow has not occurred for the sale of any Condominium in such Phase, and (e) the Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase.

ARTICLE XVI: AMENDMENT OF DECLARATION.

Section 16.1. Amendment in General. This Declaration may be amended or revoked in any respect by the vote or assent of Members representing at least fifty-one percent (51%) of all Members. Notwithstanding the foregoing, the percentage of the Members necessary to amend a specific clause or provision of this Declaration shall be at least the percentage of affirmative votes prescribed in said clause or provision.

Section 16.2. Effective Date of Amendment. Any amendment to this Declaration will be effective upon the recording in the Office of the Recorder of Nevada County 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 14.1 above, have been duly met. Notwithstanding anything to the contrary herein contained, no such amendment shall affect the rights of

the holder of any first deed of trust or Mortgage recorded prior to the recording of such amendment. If the consent or approval of any governmental authority, Mortgagee or other entity is required under this Declaration to amend or revoke any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained.

Section 16.3. 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 XVII: MISCELLANEOUS & GENERAL PROVISIONS.

Section 17.1. Effective Date. This Declaration shall become effective upon its recordation in the Official Records of the County of Nevada, State of California.

Section 17.2. Notices.

(a) Mailing as Alternative to Personal Service. Any communication or notice of any kind permitted or required pursuant to any provision of the Governing Documents shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows: to an Owner at the Owner's Unit or to such other address as the Owner by designate from time to time in writing to the Association; to the Association at the location designated in the Annual Policy Statement as the location to deliver official communication to the Association, and to Eligible First Mortgagees at the most recent address of the Eligible First Mortgagee provided in writing to the Association. Any mailing by the Association based upon the information in its records at the time of the mailing shall be deemed effective for any notice required under the Governing Documents.

(b) Personal Service Upon Co-Owners & Others. Personal service of a notice or demand to one of the co-Owners of any Unit, to any general partner of a partnership that is the Owner of the Unit, or to any officer or agent for service of process of a corporation that is the Owner of the Unit, shall be deemed delivered to all such co-owners, to such partnership, or to such corporation, as the case may be.

(c) Deemed Delivered. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered upon deposit in the United States mail. All notices and demands served by personal delivery are delivered upon service. Where an Owner has authorized delivery by electronic transmission, delivery is complete at the time of transmission.

Section 17.3. No Public Rights in Project. Nothing contained in this Declaration shall be deemed to be a gift or a dedication of all or any portion of the Project to the general public or for any public use or purpose whatsoever.

Section 17.4. Proximity to Railroad Tracks. Railroad tracks are located within two hundred twenty-nine feet (229 ft.) of the south side of the Project. They are used multiple times every day, 24 hours a day, by Amtrak and others. Owners and residents within the Project will experience light, noise, dust, odors, vibrations, and other environmental impacts associated with the use of these railroad tracks. Persons entering the railroad right of way and on the railroad tracks risk serious injury or death. Owners acknowledge this risk and hold Declarant harmless from all liability for Owners, their Families and guests from damage and injury caused by trains and use of the railroad tracks.

Section 17.5. Bear Country. The Project is an area inhabited by the California brown bear. At various times during the year, these bears may enter the Project in search of food. It is illegal in California to kill or injure a bear. Food, garbage, and their odors attract bears. Each Owner agrees to take all reasonable steps to avoid attracting bears to the Project. This means that occupants of the Project must deposit all organic refuse in the bear proof containers provided by the Association and not leave food or garbage outside in any other locations. All bears are dangerous. Persons, particularly children, and small animals must not approach bears and must never feed bears. Owners must control their dogs because dogs can antagonize bears. Neither the Declarant nor the Association is responsible for any damage to Persons or property caused by bears.

Section 17.6. Contiguous Areas. The following are located near the Project:

(a) Commercial Centers. Two commercial centers are located near the east boundary of the Project. Retail stores, gas stations, restaurants and other businesses are located in these commercial centers. Residents of the Project can expect increased traffic and noise in the Project from the public's use of these retail shopping areas and from deliveries to these centers, which can occur at all hours of the day. Potential impacts of the gas station include the possibility of explosions or soil contamination from leakage of gasoline. Declarant and the Association have no control over the use, operation, or any other aspect of the commercial centers.

(b) Interstate 80. Interstate 80 is within three hundred fifty feet (350 ft.) of the north side of the Project. Interstate 80 includes four lanes of roadway. Interstate 80 is a major thoroughfare used to travel between Sacramento, California, and Reno, Nevada. Potential impacts of Interstate 80 on the Project include traffic, pollution, and noise.

Section 17.7. Construction of Declaration.

(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 Project 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 Subsection (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, which shall remain in full force and effect.

(c) Singular Includes Plural/Gender. 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, titles or headings used in this Declaration are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of the Declaration.

(e) Conflicts. In the event of any conflict between any of the provisions of this Article XV and any other provisions of this Declaration, the provisions of this Article XV shall control. In the event of any conflict between any of the provisions of this Declaration and any other provisions of the Governing

Documents, the provisions of this Declaration shall control. Further, neither the Articles nor the Bylaws shall be amended so as to be inconsistent with this Declaration; and, in the event of any inconsistency, the provisions of this Declaration shall control.

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

Section 17.8. Power of Attorney. To the extent necessary to carry out and enforce the provisions of this Declaration and the Association's Governing Documents in general, an irrevocable power of attorney coupled with an interest is granted to the Association by the Owners.

Section 17.9. Term of Declaration. The provisions of this Declaration shall be effective to bind the Owners, the Association, its Board of Directors, its officers and agents and their successors in interest for a period of 60 years from the date this Declaration is recorded. After the expiration of this term, the term of this Declaration shall be automatically extended for successive periods of 10 years each, unless within 6 months before the expiration of the initial 60-year term established by this Section, or any 10-year extension period, a recordable written instrument approved by Owners entitled to vote and holding a majority of all Members of the Association (or such other majority of Owners as may be required by California law) terminating the effectiveness of this Declaration is recorded.

CERTIFICATION

We, the undersigned hereby certify, under penalty of perjury, that this Declaration of Covenants, Conditions and Restrictions set for herein was duly adopted on November 16, 2022 by at least sixty-seven percent (67%) of the voting power of each Class of the Association and at least sixty-seven percent (67%) of the Association's voting power representing Owners other than Declarant.

Dated: 12/1/2022

THE BOULDERS CONDOMINIUM
ASSOCIATION

By: Sheila Featherhead
President's Signature

Sheila Featherhead
President's Name Printed

By: John Featherstone
Secretary's Signature

John Featherstone
Secretary's Name Printed

State of New York, County of New York
Subscribed and Sworn to (or affirmed)
before me this 09 day of December
2022 by John Featherstone



LILY ZHENG
Notary Public, State of New York
Reg. No. 01ZH6362341
Qualified in Queens County
Commission Expires 07/31/2025

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

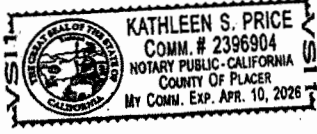
STATE OF CALIFORNIA)
) ss.
COUNTY OF PLACER)

On December 1, 2022, before me, Kathleen S. Price, Notary Public, personally appeared Sheila Greathead, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Kathleen S. Price
Notary Public



ACKNOWLEDGMENT

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

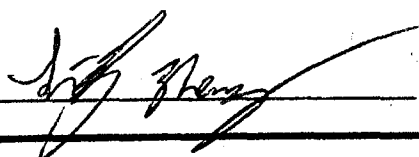
State of New York
County of New York

On December 9, 2022 before me, Lily Zheng, Notary Public
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature 

LILY ZHENG
Notary Public, State of New York
Reg. No. 01ZH6362341
Qualified in Queens County
Commission Expires 07/31/2025

(Seal)

EXHIBIT A
PROPERTY DESCRIPTION

Phase 1

Lot "B" and Lot "R-1" as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase I, A Condominium," Recorded on December 19, 2001, in Book 8 of Subdivisions, at Page 94, in the Office of the Nevada County Recorder.

Phase 2

Units 1 to 4, inclusive, and 29 to 36, inclusive, Association Property and Common Area, all as shown and described on the Condominium Plans Recorded on May 16, 2003, as Instrument No. 2003-25467 and Instrument No. 2003-25470 of Official Records and located on Lots A and D and Road Parcel Lot R-3 as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase I, A Condominium," Recorded on December 19, 2001, in Book 8 of Subdivisions, at Page 94, in the Office of the Nevada County Recorder.

Phase 3

Units 13 to 28, inclusive, Association Property and Common Area, all as shown and described on the Condominium Plan Recorded on May 16, 2003 as Instrument No. 2003-25469 of Official Records and located on Lot C and Road Parcel Lot R-2 as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase I, A Condominium," Recorded on December 19, 2001, in Book 8 of Subdivisions, at Page 94, in the Office of the Nevada County Recorder.

Phase 4

Units 49 to 68, inclusive, Association Property and Common Area, all as shown and described on the Condominium Plan Recorded on October 14, 2003, as Instrument No. 2003-54836 of Official Records and located on Lot F as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase I, A Condominium," Recorded on December 19, 2001, in Book 8 of Subdivisions, at Page 94, in the Office of the Nevada County Recorder; and Road Parcel Lot R-4 also shown on Final Map No. 00-021.

Phase 5

Units 37 to 48, inclusive, Association Property and Common Area, all as shown and described on the Condominium Plan Recorded on October 14, 2003, as Instrument No. 2003-54834 of Official Records and located on Lot E as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase I, A Condominium," recorded on December 19, 2001, in Book 8 of Subdivisions, at Page 94, in the Office of the Nevada County Recorder.

Phase 6

Units 101 to 104, inclusive, Association Property and Common Area, as shown on and described on the Condominium Plan, recorded on May 18, 2004, as Instrument No. 2004-19970 of Official Records and located on Lot L as shown on the map entitled, "Final Map No. 00-021, The Boulders-Phase II," recorded in Book of 8 Subdivisions, at Page 10, in the Office of the Nevada County Recorder; and Units 105 to 112, inclusive, Association Property and Common Area, as shown on and described on the Condominium Plan,

recorded on May 18, 2004, as Instrument No. 2004-19921 of Official Records and located on Lot M, as shown on the map entitled, "Final Map No. 00-021, The Boulders-Phase II," recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder; and

Street Parcel R-10, as shown on the map entitled, "Final Map No. 00-021, The Boulders-Phase II," recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder.

Phase 7

Units 85 to 100, inclusive, Association Property and Common Area, as shown on and described on the Condominium Plan, recorded on May 18, 2004, as Instrument No. 2004-19923 of Official Records and located on Lot J, as shown on the map entitled, "Final Map No. 00-021, The Boulders-Phase II," recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder; and

Street Parcels R-7 and R-9, as shown on the map entitled, "Final Map No. 00-021, The Boulders-Phase II," recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder.

Phase 8

Units 113 to 128, inclusive, Association Property and Common Area, as shown and described on the Condominium Plan Recorded on June 17, 2004, as Instrument No. 2004-024848 of Official Records and located on Lot K, as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase II," Recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder; and

Street Parcel R-8 as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase II," Recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder.

Phase 9

Units 77 to 84, inclusive, Association Property and Common Area, as shown on and described on the Condominium Plan, recorded on May 10, 2005, as Instrument No. 2005-17291, of Official Records and located on Lot H, as shown on the map entitled, "Final Map No. 00-021, The Boulders-Phase II," recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder; and

Street Parcels R-6, as shown on the map entitled, "Final Map No. 00-021, The Boulders-Phase II," recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder.

Phase 10

Units 129 to 136, inclusive, Association Property and Common Area, as shown on and described on the Condominium Plan, recorded on December 23, 2005, as Instrument No. 2005-51366, of Official Records and located on Lot I, as shown on the map entitled, "Final Map No. 00-021, The Boulders-Phase II," recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder; and

Street Parcels R-5, as shown on the map entitled, "Final Map No. 00-021, The Boulders-Phase II," recorded in Book 8 of Subdivisions, at Page 10, in the Office of the Nevada County Recorder.

Phase 11

Units 156 to 167, inclusive, Association Property and Common Area, as shown and described on the Condominium Plan Recorded on March 2, 2006, as Instrument No. 2006-06754 of Official Records and located on Lot P as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase III," Recorded in Book 8 of Subdivisions, at Page 147, in the Office of the Nevada County Recorder; and

Road Parcel R-12 as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase III," Recorded in Book 8 of Subdivisions, at Page 147, in the Office of the Nevada County Recorder.

Phase 12

Units 149 to 156, inclusive, Association Property and Common Area, as shown and described on the Condominium Plan Recorded on June 7, 2006, as Instrument No. 2006-21486 of Official Records and located on Lot N as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase III," Recorded in Book 8 of Subdivisions, at Page 147, in the Office of the Nevada County Recorder; and

Road Parcel R-11 as shown on the map entitled "Final Map No. 00-021, The Boulders-Phase III," Recorded in Book 8 of Subdivisions, at Page 147, in the Office of the Nevada County Recorder.

Phase 13

Units 69 to 76, inclusive, Association Property and Common Area, as shown and described on the Condominium Plan recorded on February 28, 2007, as Instrument No. 2007-0006305 of Official Records contained within Module A, shown and described on said Condominium Plan and located on Resultant Parcel B per LLA 00-021 recorded on February 28, 2007, as Instrument No. 2007-0006304 of Official Records of the Office of the Nevada County Recorder.

Phase 14

Units 137 to 144, inclusive, Association Property and Common Area, as shown and described on the Condominium Plan recorded on April 30, 2014, as Instrument No. 2014-0007755 of Official Records contained within Module B, shown and described on said Condominium Plan and located on Resultant Parcel B per LLA 00-021, recorded as Document No. 2007-0006304 of Official Records of the Office of the Nevada County Recorder.

Parcel 15

Units 145 to 148, inclusive, Association Property and Common Area, as shown and described on the Condominium Plan recorded on August 18, 2015, as Instrument No. 2015-0019332 of Official Records contained within Module C, as shown and described on said Condominium Plan recorded as Instrument No. 2007-0010310, and located on Resultant Parcel B per LLA 00-021, recorded as Document No. 2007-0006304 of Official Records of the Office of the Nevada County Recorder.

Parcel 16

Units 169 to 176, inclusive, Association Property and Common Area, as shown and described on the Condominium Plan recorded on December 18, 2015, as Instrument No. 2015-0028779 of Official Records contained within Lot "Q", as shown on the Official Map of The Boulders Phase IV-A, filed in Book 9 of Maps, Page 14, Nevada County Official Records.

Phase 17

Units 177 to 184, inclusive, Association Property and Common Area, as shown and described on the Condominium Plan recorded on December 26, 2017, as Instrument No. 2017-0028813 of Official Records contained within Lot "R", as shown on the Official Map of The Boulders Phase IV-B, filed in Book 9 of Maps, Page 11, Nevada County Official Records.

Phase 18

Units 185 to 196, inclusive, Association Property and Common Area, as shown and described on the Condominium Plan recorded on December 16, 2019, as Instrument No. 2019-0026962 of Official Records and located on Lot "T" and Lot "U" as shown on the map entitled "The Boulders – Phase IV-C," filed in Book 9 of Subdivisions, at page 19, in the Office of the Nevada County Recorder.

Phase 19

Units 200 to 203, inclusive, Association Property and Common Area contained within Lot "V", as shown on the Official Map of The Boulders Phase IV-C, Final Map No. 2017-00000125, Filed in Book 9 of Subdivisions, Page 19, Nevada County Records, and as shown and described on the Condominium Plan recorded on April 26, 2021, as Instrument No. 2021-0014147 of Official Records; and

Units 197 to 199, inclusive, Association Property and Common Area, contained within Lot "W", as shown on the Map, and as shown and described on the Plan.

Recreation Facility

Module D as shown and described on the Condominium Plan Recorded on February 28, 2007, as Instrument No. 2007-0006305-00, and amended by a First Amendment Recorded on April 3, 2007, as Instrument No. 2007-0010310-00, both of Official Records of Nevada County, California.