

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
OF
HIDDEN VALLEY LAKE ASSOCIATION**

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**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
OF
HIDDEN VALLEY LAKE ASSOCIATION
(As Restated in 1993 and Amended in 2000)**

The following DECLARATIONS OF RESTRICTIONS executed by Western Lake Properties, Inc. a corporation, ("Declarant"):

RECITALS

1. Declarants were the owners of certain parcels of real property in the County of Lake, State of California, which are more particularly described in Exhibit A attached hereto and incorporated herein by reference (the "Properties").

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

3. It was the further intention of Declarants to sell and convey residential lots to the owners, subject to the protective covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarants and such owners which are set forth in this Declaration and which are intended to be a furtherance of a general plan for the subdivision, development, sale and use of the Properties as a "planned development" as that term is defined in section 1351(k) of the California Civil Code. Finally, it was the intention of Declarants that the "Common Areas and Common Facilities" be owned and maintained by the association, but reserved exclusively for the use and enjoyment of the members of the association, their tenants, lessees, guests and invitees, all subject to the terms and conditions of the governing documents.

4. On February 25, 1993 and amended in 2000, a majority (fifty percent plus one) of the members of Hidden Valley Lake Association (the successor in interest to the Original Declarants) voted by written ballot to amend and restate the Original Declarations, all in accordance with the procedures for amendment set forth therein. As so amended and restated, these easements, covenants, restrictions, and conditions shall run with the Properties and shall be; binding on all parties having or acquiring any right,

title or interest in the Properties or any portion thereof in the same manner as the Original Declarations, and shall inure to the benefit of each owner thereof.

5. This Declaration of Covenants, Conditions and Restrictions of Hidden Valley Lake Association (As Restated in 1993 and amended in 2000) is for the purpose of enhancing and protecting the value, desirability and attractiveness of the Properties (as defined herein).

ARTICLE I Definitions

Section 1.01. "Articles" shall mean the Articles of Incorporation of Hidden Valley Lake Association, which are filed in the Office of the Secretary of State of the State of California, and as may be amended from time to time.

Section 1.02. "Assessment" means an assessment made or assessed against an Owner and his or her Lot in accordance with the provisions of Article VII of this Declaration.

Section 1.03. "Association" shall mean and refer to Hidden Valley Lake Association, a California non-profit mutual benefit corporation, its successors and assigns.

Section 1.04. "Board of Directors" or "Board" shall mean the Board of Directors of the Association.

Section 1.05. "Bylaws" shall mean the Bylaws of the Association, as such Bylaws may, from time to time, be amended.

Section 1.06. "Common Area" shall mean all real property owned by the Association for the common use, enjoyment and/or benefit of the members.

Section 1.07. "Common Facilities" means the lakes, dams, marinas, beaches, lake-access tracts, golf courses, tennis courts, equestrian trails, stables, golf driving range, clubhouses, adjacent clubhouse grounds, trees, hedges, plantings, lawns, shrubs, landscaping, roads, fences, utilities, berms, pipes, lines, lighting fixtures, buildings, structures and other facilities constructed or installed, or to be constructed or installed, or currently located on the Common Area and owned by the Association.

Section 1.08. "County" means the County of Lake, State of California.

Section 1.09. "Declarants" shall mean and refer to the project developers of the Properties, namely, Western Lake Properties, Inc., a corporation, and Boise Cascade Properties, Inc., a corporation, their successors and assigns.

Section 1.10. "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions (as Restated in 1993 and amended in 2000) as such Declaration may, from time to time, be amended. The "Original Declarations" shall mean the documents referenced in the preamble to this Declaration.

Section 1.11. "E.C.C." shall mean the Environmental Control Committee which shall have such powers as set forth in Articles IX and X, and as may be specified by the Board of Directors.

Section 1.12. "Family" shall mean one or more persons who maintain a common household in a residence, provided, however, in no event shall the number of persons in a family exceed the number of persons established in any applicable zoning ordinance, building code or governmental regulation.

Section 1.13. "Governing Documents" shall refer collectively to this Declaration, the Articles, the Bylaws, the Rules, the Policies, and to any amendments to such documents.

Section 1.14. "Lot" shall mean and refer to each plot of land depicted on or described in those subdivision maps identified in Exhibit A, including any residence or other improvements, but excluding the Common Areas.

Section 1.15. "Map" means all or any of those eleven maps pertaining to Hidden Valley Lake, Units No. 1 through 11, inclusive, and that certain map entitled "Hidden Valley Ranchos" recorded in the Office of the County Recorder of Lake County, California as specified in Exhibit A attached hereto.

Section 1.16. "Member" shall mean and refer to every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to Section 14.03, below. As more particularly described in Article III of the Bylaws, the Association's membership is divided into three classes, namely Owner Members, Associate Members and Rancho Members. The rights, preferences and privileges of all classes of membership shall be governed by this Declaration, the Articles and the Bylaws. The rights, preferences and privileges of Rancho Members are set forth in Exhibit B attached hereto.

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

Section 1.18. "Owner" means any person, firm, corporation or other entity which owns a fee simple interest in any Lot (including contract sellers, but excluding those having such interest merely as security for the payment of a debt or the performance of an obligation). For purposes of determining the validity of an ownership interest, an interest of record in the chain of title shall be prima facie evidence of ownership. If not of record, the Owner shall have the burden of satisfying the Association that they do hold a proper interest.

Section 1.19. "Owner of Record" includes an Owner and means any person, firm, corporation or other entity in which title to a Lot is vested as shown by the official records of the Office of the County Recorder.

Section 1.20. "Policies" shall mean the policies adopted by the Board of Directors of the Association or any authorized committee.

Section 1.21. "Properties" shall mean and refer to all that certain real property described in the preamble to this Declaration and such additions thereto as may thereafter be brought within the jurisdiction of the Association.

Section 1.22. "Regular Assessment" means an assessment levied on Owner and his or her Lot in accordance with Section 7.01, below and Article IX, Section I of the Bylaws.

Section 1.23. "Residence" shall mean the improvements situated on a Lot and used for Single Family Residential purposes and includes duplexes on a single Lot.

Section 1.24. "Rules" shall mean the rules adopted by the Board of Directors of the Association or any authorized committee.

Section 1.25. "Single Family Residential Use" shall mean occupation and use of a Residence for single family dwelling purposes in conformity with this Declaration and the requirements imposed by applicable zoning laws or other state, county or municipal rules and regulations. In no event shall a residence be occupied by more individuals than permitted by applicable zoning law, building code, or governmental regulation.

Section 1.26. "Special Assessment" means an assessment levied on an Owner and his or her Lot in accordance with Section 7.01(b), below.

Section 1.27. "Special Individual Assessment" means an assessment made against an Owner and his or her Lot in accordance with Section 7.01(c), below.

Section 1.28. "Unit" means and refers to each separate development phase of this subdivision project within the Properties.

ARTICLE II

Maintenance of Common Areas and Facilities

Section 2.01. Maintenance, Repair and Upkeep of Common Facilities. The Association shall be responsible for the maintenance, repair, upkeep and preservation of all common areas, facilities and recreational amenities, including, without limitation, the lake, marinas, beaches, lake access tracts, golf course, restaurant and bar, tennis courts, clubhouses and adjacent grounds, pools, stables, campground, streets, landscaping, fence, and security equipment, so long as such areas, facilities and amenities are controlled by the Association.

Section 2.02. Security Force. A 24-hour security force shall be maintained and all entrances to Hidden Valley Lake shall have security gates.

ARTICLE III

Property Rights

Section 3.01. Members' Non-Exclusive Easements of Enjoyment. Members shall have a right and easement of enjoyment in and to the Common Area, which shall include ingress and egress to and from their Lots, which shall be appurtenant to and shall pass with the title to every Lot. All such rights shall be subject to the following provisions:

(a) The right of the Association to charge reasonable admission and other fees for the use of any amenities. (See Section 10.02, below.)

(b) The right of the Association to adopt Rules and Policies as provided in Section 6.03, below, and to cause the enforcement thereof (see generally Article XIV).

(c) The right of the Association, to the extent reasonably necessary to protect the rights, privileges, benefits, uses and enjoyment of the Members in common, to limit the number of guests of Members who may use recreation areas within the Common Facilities and to adopt uniform Rules and Policies pursuant to Section 6.03, below, regulating use and enjoyment of the Properties.

(d) At or after that time when two thousand (2,000) or more Lots are improved, the Board of Directors may adopt Rules and/or Policies giving preference to Owner Members and Rancho Members over other categories of Members and nonmembers in the use of Common Facilities.

(e) Ownership of a Lot shall not extend the rights and privileges to use the Common Facilities to any combination of Owner Members and Associate Members exceeding five (5) per Lot, except upon showing to the Board of Directors and exception granted therefrom.

(f) The right of the Association, or its agents, when necessary, to enter any Lot and to perform its obligations under this Declaration, including the enforcement of restrictions, any obligations with respect to construction, maintenance and repair as necessary for the benefit of the Common Area or the Owners in common, or to make necessary repairs to the Lot and exterior of any Residence that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, Association property (see generally Section 14.03(d)).

(g) Conveyance and Revocation of Easements. The Association, acting by a two-thirds affirmative vote of all of the Board of Directors, shall have the power, but not the duty, to grant and convey to any person or entity easements, licenses or rights-of-way in, on, over or under the Common Area for purposes consistent with the terms of this Declaration, including without limitation constructing, installing, erecting, operating, maintaining or conducting thereon, therein and thereunder any improvements, facilities or uses not inconsistent with the use of such property pursuant to this Declaration. Notwithstanding the foregoing grant of authority, no conveyance of Common Area shall be made which will result in the elimination or material change in the use and enjoyment of any recreational Common Facility or which will impede the ingress and egress from any Lot.

Pursuant to the authority granted by this subparagraph (g), the Association, acting on a two-thirds affirmative vote of its directors, may also grant easements or designate exclusive use common areas (as defined in Civil Code section 1351 (i)) in order to permit Owners to care for, maintain and landscape portions of Common Areas adjacent to the Owner's Lot consisting of slope areas, drainage areas or other areas not to exceed 1500 square feet in size that the Board determines to be unsuitable for general use and enjoyment by the Members, as a whole and which will be enhanced in appearance by such Owner maintenance.

(h) Authority to Abandon Easements and Rights-of-Way. The Association shall have the power, but not the duty, to abandon any easements, licenses or rights-of-way in, on, over or under any Lot within the Properties which are for the benefit of the Association, to the extent such easements, licenses, or rights-of-way no longer

serve the Association's interests or are no longer consistent with the terms of this Declaration.

(i) Conveyances for Levee Protection. The Association, acting by a two-thirds affirmative vote of all of its Board of Directors, may also convey an easement or a fee simple interest in that certain parcel of Common Area more particularly described in Exhibit "C," attached hereto and incorporated herein by reference (which parcel consists primarily of a levee which provides flood protection to the Properties) to the Hidden Valley Lake CSD or other appropriate governmental agency with the power and authority to provide for the maintenance, repair, replacement and/or restoration of levees and other flood water improvements. In connection with any such conveyance the Association Board may also enter into, on behalf of the Association, maintenance and operation agreements if required by the grantee governmental agency.

EXHIBIT "C" AS REFERENCED HEREIN ABOVE LEGAL DESCRIPTION

A portion of that certain real property known as "Flood Control Easement," being a portion of Parcel AA as set forth on that certain map entitled "Hidden Valley Lake, Unit No. 5," consisting of nine (9) sheets marked respectively, "Sheet 1 of 9" through "Sheet 9 of 9" which map was recorded in the office of the County Recorder of Lake County, California, on December 18, 1968, in Book 10, pages 72 to 80, inclusive, of Town Maps.

ARTICLE IV Sale or Lease of Lots

Section 4.01. Signs. Signs of customary and reasonable dimensions may be displayed on any Lot or Residence when advertising the same for sale or rent. The following specifications have been established by the Board of Directors for "For Sale" or "For Rent" signs:

- (1) Maximum size: 18" x 24"
- (2) Color: subdued tones (excludes "high-visibility" paints)
- (3) Number of Signs per lot: One in front and/or one in back, maximum of two per lot. **SIGNS MUST NOT BE NAILED TO TREES, TELEPHONE OR POWER POLES.**
- (4) Message Content: For Sale or For Rent, Telephone Number, Name of Seller or Agent.

Section 4.02. Rental or Lease of Residences. Any rental or lease of an Owner's Residence may only be to a single family for Single Family Residential Use and for a term of no less than one year. It is the intent of the restrictions imposed by this section to protect, enhance and maintain the single family residential atmosphere which exists within the Properties and to avoid the occupancy of Residences for short periods of time or by an unreasonable number of individuals. Any rental or lease of a Residence shall be subject to the provisions of all Governing Documents, each of which shall be deemed to be incorporated in the lease or rental agreement. Each Owner who leases or rents his or her Residence within the Properties shall be obligated to provide the tenant, at the inception of the lease or rental, with a current copy of all Governing Documents or with a summary (prepared by the Association and made available to all Owners upon request) of the Governing Documents provisions which are most relevant to the lease or rental of homes and the importance of all residents observing the property use restrictions imposed by this Declaration and/or the Association Rules. Finally, it shall be the obligation of all Owner-lessors to ensure that their tenants or lessees comply at all times with the Governing Documents and in the event that a tenant or members of the tenant's family, guests or invitees fail to abide by the Governing Documents the Association shall be entitled to initiate appropriate disciplinary action, including the imposition of fines, against the Owner-lessor, the tenant or both. All Owners who lease or rent their Residences shall be subject to the following registration, deposit and use rights:

(a) Registration of Tenants and Lessees. All Owners renting their Residences shall be required to register their tenant(s) with the Association office and to provide the Association with a copy of the lease or rental agreement at the Association's principal office prior to tenant(s) occupancy. The purpose of this registration requirement is to (i) enable the Association and its security personnel to be aware of who is residing in the Residence, (ii) record the make, model and year of the tenant's vehicle(s); (iii) to issue bar codes, identification cards and gate passes required to gain entry through the gated access points to the subdivision's private roadways; and (iv) to be aware of the amount of rental activity within the Properties for purposes of long range facilities and fiscal planning. The Association shall have the power and authority to deny issuance of bar codes, identification cards, and gate passes to tenants or prospective tenants of owner-lessors who are not current in the payment of assessments. For purposes of this subparagraph (a), an Owner-lessor shall be considered current in the payment of assessments if the owner has paid, under protest and in strict compliance with the requirements of Civil Code section 1366.3, all assessments, late charges, and other outstanding costs of collection incurred by the Association and the issue of the Owner's liability for such assessments and charges is still in the dispute resolution process.

(b) Owner's and/or Owners' Tenant(s) Deposits. The Association shall have the right to require Owners and/or the Owners' tenant(s) to pay registration fees and deposits in accordance with a schedule of such fees and deposits which shall be adopted

by the Board of Directors as part of the Association Rules. Deposits shall be retained by the Association in a non-interest bearing account during the term of the tenancy as security for the tenant's faithful compliance with the Declaration and the Association's Rules and as security for return of the Association gate passes and identification cards. If during the tenancy, fines are adjudicated in accordance with Article XIV, below, the Association may deduct such fines from the deposits and require that Owners and/or Owners' tenant immediately replenish the amount deducted from the deposit. Upon termination of the tenancy, if all cards, and passes issued by the Association to the tenant are returned and there are no outstanding fines due to the Association against subject property or levied against the Owner-lessor and/or tenant, the deposit will be refunded, without interest, upon request. If a deposit is not claimed within 30 days following termination of the tenancy, the deposit or any remaining portion will be retained by the Association. The Association shall refund the deposit to the person who paid the deposit at the inception of the tenancy unless specifically instructed in writing by the Owner at the time of the tenant's registration with the Association.

(c) Owners Facility Use Rights. Owners who lease their Residences shall be deemed to have delegated to the tenant the Owner's rights as a Member to use and enjoy Common area recreational facilities during the term of the Lease.

Section 4.03. Obligations of Owners. Owners of Lots within the Properties shall be subject to the following:

(a) Owner's Duty to Notify Association of Tenants and Contract Purchasers. Each Owner shall notify the Secretary of the Association or the Association's General Manager, of the names of any contract purchaser or tenant of the Owner's Lot.

(b) Contract Purchasers. A contract seller of a Lot must delegate his or her voting rights as a Member of the Association and his or her right to use or enjoy the Common Area and Common Facilities to any contract purchaser in possession of the property. Notwithstanding the foregoing, the contract seller shall remain liable for any default in the payment of assessments by the contract purchaser until title to the property sold has been transferred to the purchaser.

(c) Notification Regarding Governing Documents.

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

(1) a current copy of the Governing Documents;

(2) a copy of the then current Environmental Control Committee's (E.C.C.) Rules and/or Policies (see Article IX);

(3) the Association's most current financial statements; and

(4) a true statement in writing from the Association ("delinquency statement") as to the amount of any delinquent assessments, together with information relating to late charges, attorneys' fees, interest, and reasonable costs of collection which, as of the date the statement is issued, are or may become a lien on the Lot being sold.

(ii) In order to carry out the intent and purposes of this statutory provision, the Association shall, within 10 days of the mailing or delivery of a request therefore, provide the Owner selling the property with a copy of the current Governing Documents, together with the delinquency statement referred to in the immediately preceding paragraph. The Association shall be entitled to impose a fee for providing the Governing Documents and delinquency statement equal to (but not more than) the reasonable cost of preparing and reproducing the requested materials.

Section 4.04. Termination of Obligations. Upon the conveyance, sale, assignment or other transfer of a Lot to a new Owner, the transferor-Owner shall not be liable for any assessments levied with respect to such Lot after the date of recording of the deed evidencing said transfer and upon such recording all Association membership rights possessed by the transferor by virtue of the ownership of said Lot shall cease.

Section 4.05. Notice of Acquisition. A purchaser or other person or entity acquiring an ownership interest to a Lot shall notify the Association not more than ten (10) days after the date of acquisition and provide (i) the name(s) of all persons or entities with an ownership interest as listed on the recorded title transfer documents, (ii) a mailing address for the Owner(s), (iii) day and evening telephone number and (iv) the effective date of acquisition of each ownership interest.

ARTICLE V

Membership in Association

Section 5.01. Three Classes of Membership. As more particularly provided in Article III of the Bylaws, the Association shall have three classes of membership, namely "Owner Members," "Associate Members" and "Rancho Members." The rights, duties, obligations and privileges of the Members and each class thereof shall be as set forth in the Articles, the Bylaws, this Declaration, the Rules and Policies. The rights, duties, obligations and privileges of Rancho Members are set forth in Exhibit B attached hereto.

Section 5.02. Voting Rights of Memberships. On each matter submitted to a vote of the Members, each Owner Member shall be entitled to cast one vote for each Lot owned by such Member. When more than one (1) person holds an interest in a single Lot, the vote for each Lot must be cast as a majority of co-owners of the Lot shall determine. Any vote cast by a single member shall be deemed the authorized vote for that Lot. If conflicting votes are cast for the Lot, no vote shall be counted except a single vote shall be counted for purposes of a quorum. Voting rights may be temporarily suspended under those circumstances described in Article XIV hereof. Voting rights of Rancho Members are set forth in Exhibit B, hereto.

Section 5.03. Persons Subject to Governing Documents. All present and future Members within these Properties shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time, unless a particular provision is specifically restricted in its application to one or more of such classes of persons (i.e. Owners, tenants, invitees, etc.). The acceptance of a deed to any Lot, the occupancy of any Lot or the acceptance of Rancho membership rights shall constitute the consent and agreement of such Member that each and all of the provisions of this Declaration, as the same or any of them may be amended from time to time, shall be binding upon said person and that said person will observe and comply with the Governing Documents. Members are jointly and severally liable for the acts and omissions of other Members with an interest in the same Lot.

Section 5.04. Assessments. Owner Members of the Association shall be obligated to pay the assessments imposed by Article VII of this Declaration. Any assessments levied by the Association on its Owner Members shall be levied in accordance with and pursuant to the provisions of this Declaration and the Bylaws.

Section 5.05. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale or encumbrance of the Lot to which such membership is appurtenant. In the case of a sale, membership passes automatically to the purchaser upon transfer of title to the Lot. In the case of an encumbrance of such Lot, a mortgagee does not have membership rights until he or she becomes an Owner by foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer is void. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in his or her name to the purchaser of his or her Lot, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void. The Association shall have the right to impose and collect a reasonable fee to process a change of Lot ownership and Association membership on its books and to furnish the new Lot Owner with copies of the Articles, Bylaws, Declaration, the Rules and/or Policies of the Association.

ARTICLE VI

Association Duties

Section 6.01. Rights and Duties of the Association Board of Directors. The rights, duties and obligations of the Board of Directors of the Association shall be as set forth in this Declaration, the Articles and the Bylaws of the Association.

Section 6.02. Powers and Authority of the Association. The Association shall have all of the powers of a non-profit mutual benefit corporation organized under the laws of the State of California in operating for the benefit of its membership, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, Bylaws and this Declaration. The Association and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of this Declaration, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Members. The specific powers of the Association and the limitations thereon are also referred to in Article II of the Bylaws.

Section 6.03. Association Rules and Policies.

(a) Rulemaking and Policy Making Power. The Board may, from time to time and subject to the provisions of this Declaration and the Bylaws, propose, enact and amend Rules and/or Policies of general application to the Members. Such Rules and/or Policies may concern, but need not be limited to, matters pertaining to use of the Common Areas and Common Facilities, the posting of signs, collection and disposal of refuse, minimum standards of maintenance of landscaping or other improvements on any Lot, the elimination of improvements which obstruct the vision of motorists or which create a hazard for vehicular or pedestrian traffic, the keeping of pets on Lots and any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

Notwithstanding the foregoing grant of authority, the Rules and/or Policies shall not be inconsistent with or materially alter any provision of, or the rights, preferences and privileges of members as set forth in the Articles, Bylaws or Declaration. In the event of any material conflict between any Rule or Policy and any provision of the other Governing Documents, the provision contained in the other Governing Document shall be deemed to prevail.

(b) Distribution of Rules and Policies. A copy of the Rules and/or Policies as they may from time to time be adopted shall be mailed or otherwise delivered to

Members and a current copy thereof shall be maintained in the Association's corporate records. The Association shall not be obligated to send more than one copy per Lot.

(c) Amendment of Rules and Policies. The Association Rules and/or Policies may be amended from time to time by majority vote of the Board. Amendments to the Rules and/or Policies shall be distributed to the Owners either by mail or posted in a conspicuous place within the Common Area. Any duly adopted amendment to the Rules and/or Policies shall become effective immediately from the date of adoption thereof by the Board, or at such later date as the Board may deem appropriate under the circumstances following adoption of such amendment. All amendments shall be posted in a prominent place within the Common Area on or before the effective date thereof and copies thereof shall be made available to the Members at the Association's principal office.

(d) Breach of Rules, Policies or Restrictions. Any breach of the Association Rules, Policies or other Governing Documents shall give rise to the rights and remedies set forth in Article XIV hereof.

Section 6.04. Limitation on Liability of the Association and the Association's Directors and Officers.

(a) No director, officer, committee member or employee of the Association or any property manager or management company retained by the Association (collectively "Released Parties") shall be personally liable to the Association's membership or to any other person, for any error or omission of any such person, their agents, representatives and employees, or any committee in the discharge of their duties and responsibilities hereunder or under the Bylaws, or for their failure to provide any service required hereunder or under the Bylaws; provided that the Released Party has, upon the basis of such information as may be possessed by him or her, acted reasonably and in good faith in a manner that such person believed to be in the best interest 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 shall extend to such matters as the establishment of the Association's annual financial budget and the funding of Association capital replacement and reserve accounts and the repair and maintenance of Common Facilities and the enforcement of the Governing Documents.

(b) No Released Party shall be responsible to any Member or to any Member's family, guests, servants, employees, licensees, invitees or any others for any loss or damage suffered by reason of damage, theft or otherwise of any article, vehicle or other item of personal property which may be stored by such Member or other person on any Common Facility or Lot or within any Residence or for any injury to or death of any person or loss or damage to the property of any person caused by fire, explosion or the elements or any other Member or person within the Properties, or by any other cause,

unless the same is attributable to the reckless misconduct or gross negligence of the Released Party.

ARTICLE VII

Assessments

It is the Board's responsibility to establish and levy assessments to meet the Association's operating costs and reserve/replacement requirements. The Board of Directors may, at its discretion, levy different levels of assessments against improved and unimproved Lots. The nature of this responsibility is addressed in Bylaw Article IX, Section 1. This provision in this Declaration addresses implementation.

Section 7.01. Assessments Generally. Each Owner, by acceptance of a deed, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Association assessments, together with interest, late charges, costs, and attorney's fees, which shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment and charge shall also be a joint and several personal obligation of each person who was the Owner of such property at the time when the assessment fell due.

(a) Regular Assessments. Assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors; unless otherwise provided, the annual assessment shall be due and payable on January 1st of each year. The regular assessment shall be delinquent if not received by the Association thirty days after it becomes due.

(b) Special Assessments.

(i) Non-Emergency. Special Assessments may be levied for the purpose of defraying, in whole or in part, actual or estimated revenue shortfalls in the budget adopted by the Board for the fiscal year or such other purposes as the Board deems appropriate.

(ii) Emergency. In the event of an emergency situation as provided for in Civil Code Section 1366, a special assessment may be levied according to that statute notwithstanding any other limitation in the Declaration. For purposes of this section, an emergency situation is any one of the following: (1) an extraordinary expense required by an order of a court, (2) an extraordinary expense necessary to repair or maintain the Properties or any part thereof for which the Association is responsible where a threat to personal safety on the Properties is discovered, (3) an extraordinary expense necessary to repair or maintain the Properties or any part thereof for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro forma operating budget. However, prior to the imposition or collection of an emergency special assessment under this section, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense

involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Owners with the notice of assessment.

(c) Special Individual Assessments.

(i) Definition. A Special Individual Assessment is a charge against any Owner (and/or tenant) and the Owner's Lot, or any Member where a failure to comply with the Governing Documents by any Owner, any Member, or the lessees, guests, servants, employees, licensees or invitees of an Owner or Member has (1) necessitated an expenditure of monies by the Association as a result of a violation of any Governing Document, (2) resulted in the imposition of a fine or penalty, or (3) caused any increase in the premiums for Association insurance. The Association shall also have the right to impose a Special Individual Assessment upon any Owner, Member and/or Lot to collect a fee or charge payable by the users of the amenity or service including but not limited to recreation facilities, E.C.C. plan review fees, environmental inspection fees, cutting of weeds or fireproofing and transfer fees for improved, unimproved and community development lots.

(ii) Determination. If the Association finds a Special Individual Assessment may be appropriate, before levying it, the Association must provide notice to the individual and provide an opportunity (of at least 10 calendar days) for individual response in writing or in person to the Board or Board designated hearing body. After due consideration, the Board or Board designated hearing body may decide whether or not to levy the Special Individual Assessment. This notice and hearing procedure may be simultaneous with the provisions of Article XIV hereof.

(iii) Collection. A Special Individual Assessment shall be due and payable to the Association when levied. A Special Individual Assessment may be collected in the same manner as regular assessments, except that as to fines and penalties only, which are subject to Association lien rights but not the power of non-judicial foreclosure.

Section 7.02. Consolidated Lots. As a condition of approval, the Association shall set forth a formula for allocation of assessments such that the responsibility of the affected owner(s) is clear and the Association will not receive less than the same total assessments as the unconsolidated lots would have provided (see also Section 9.19 of this Declaration).

Section 7.03. Assessment Level Increases. The Board may not impose a regular assessment that is more than 20% greater than the regular assessment for the Association's preceding fiscal year or impose special assessments which in the aggregate

exceed 5 % of the budgeted gross expenses of the Association for that fiscal year without the approval of the Members, constituting a quorum, casting a majority of the votes at a meeting, election or balloting of the Association. For purposes of this section, quorum means more than 50% of the Owner and Rancho Members of the Association. This section does not limit assessment increases necessary for emergency situations or as otherwise expressly permitted by law. The Association shall provide notice by first class mail to Lot Owners of any increase in the regular or special assessments of the Association, not less than 30 nor more than 60 days prior to the increased assessment becoming due.

Section 7.04. Enforcement of Assessments.

(a) Delinquency. Unless otherwise set by the Board of Directors, Regular, Special and Special Individual Assessments levied pursuant to this Declaration are delinquent thirty (30) days after they become due. If an assessment is delinquent the Association may recover all of the following: (i) reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees, (ii) a late charge not exceeding 10 percent of the delinquent assessment or ten dollars (\$10), whichever is greater, (iii) interest on all sums imposed in accordance with this section, including the delinquent assessment, reasonable costs of collection, and late charges, at an annual percentage rate not to exceed 12 percent interest, commencing 30 days after the assessment becomes due.

(b) Lien. There is a present lien with power of sale against each Lot to secure payment of all assessments (except that the power of nonjudicial foreclosure does not go to fines and penalties) levied against the Lot pursuant to this Declaration, all additional charges and sums which become due and payable in accordance with this Declaration after the date of recordation of a notice of delinquent assessment. Except for the transfer of a Lot pursuant to a foreclosure proceeding, the sale or transfer of a Lot shall not affect such a lien. All Association assessments shall constitute a lien which shall be superior to all other liens except (i) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (ii) the lien or charge of any first Mortgage of record recorded prior to the lien and made in good faith and for value.

(c) Nonjudicial Foreclosure. The Association shall have the power to conduct nonjudicial foreclosure in order to collect delinquent assessments. Each Owner hereby appoints the person or entity designated by the Association as "trustee" in the Notice, or such substitute trustee as is designated pursuant to California Civil Code Section 2934(a), as trustee, and such Owner empowers such trustee to enforce the lien and to foreclose the lien by the private power of sale provided in Section 1367(d) of the California Civil Code, as the statute may be revised, amended, or altered from time to time, or by judicial foreclosure. Each Owner further grants to the trustee the power and authority to sell the Lot of any defaulting Owner to the highest bidder to satisfy such lien.

(d) Other Recourse. The Association may bring an action at law against the Owner personally obligated to pay the delinquent assessment, or foreclose (whether by judicial or nonjudicial foreclosure) its lien against the Owner's Lot. Further, the Association may exercise any and all legal rights it may also have to cause the collection of delinquent assessments. The Association, acting on behalf of the Owners, shall have the power to bid for the Lot at the foreclosure sale and to acquire and hold, lease, mortgage and convey the same.

Section 7.05. Grantee Liability.

(a) Voluntary Conveyance. Where an owner voluntarily conveys part or all of that owner's interest in a Lot, the person or entity acquiring the interest takes subject to all assessments and charges (delinquent or not) outstanding against the Lot at the time of the conveyance. Both parties are jointly and severally liable for the full amount. Upon request of a prospective purchaser, the Association shall provide a true statement in writing from an authorized representative of the Association as to any assessments and/or other charges levied upon the Owner's Lot which are unpaid on the date of the statement. The statement shall also include true information on late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's Lot. The Association's recourse for such amounts to the date of the statement and against the Lot or the purchaser shall be limited to the amount so specified.

(b) Conveyance by Foreclosure. Where the Mortgagee of the first mortgage of record or other purchaser of a Lot obtains title as a result of foreclosure of any such first mortgage, the person acquiring title, his successors and assignees, shall not be liable for the assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such acquirer.

(c) Priorities. Unless otherwise provided by California law, when a notice of assessment has been recorded, such assessment shall constitute a lien on each respective Lot prior and superior to all other liens except (a) all taxes, bonds, assessments and other levies which by law would be superior thereto, and (b) the lien or charge of any first mortgage of record made in good faith and for value; provided, however, that such subordination shall apply only to the decree of foreclosure of any such mortgage or deed of trust or pursuant to a power of sale in such mortgage or deed of trust. Such foreclosure shall not relieve such property from liability for any assessments thereafter becoming due or from the lien of any such subsequent assessment.

Section 7.06. No Waiver of Offset. No Owner or Member may exempt himself or herself from personal liability or release his or her Lot from liens and charges thereof by waiver of the use and enjoyment of any Lot, or facilities maintained or services provided by the Association or by abandonment or non-use of any Lot. Each Owner, to

the extent permitted by law, waives the benefit of any homestead or exemption law of California in effect at that time any assessment or installment hereof becomes delinquent or any lien is imposed. No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

ARTICLE VIII

Lake Frontage Lots

Section 8.01. Ownership and Location of Water. The water in the lake is owned by the Stonehouse Mutual Water Company or its successor in interest. The land under the lake located within the boundaries of the Properties is part of the Common Area owned by the Association, its successors or assigns. The location of any such lake as well as its normal maximum water elevation is or will be shown on the recorded Map of each Unit within the Properties. The title that will be acquired by an Owner, and any successors or assigns of such Owner, to any Lot contiguous to any such lake shall extend only to the shoreline of the lake to which such Lot is contiguous as said shoreline was established as of October 11, 1968 (the date of the Original Declaration) if the water elevation in such lake were one vertical foot above the normal maximum water level indicated on the recorded Map of the Unit within the Properties in which it is located and as the shoreline may hereafter be established by the water at an elevation one vertical foot above the normal maximum water level by erosion, from said shoreline.

Section 8.02. No Riparian Rights. No Owner, nor any of such Owner's successors or assigns, shall have any right with respect to any stream that is a tributary to any such lake or with respect to any such lake, the land thereunder, the water therein, or its or their elevation, use or condition and none of said Lots shall have any riparian rights or incidents appurtenant; provided, however, that title shall not pass by reliction or submergence or changing water levels.

Section 8.03. Dredging. The Association, its successors and assigns, shall have the right at any time to dredge or otherwise remove any accretion or deposit from any Lot in order that the shoreline of the lake to which such Lot is contiguous may be moved toward or to, but not inland beyond, the location of said shoreline as it would be established on the date hereof if the water elevation in such lake were one vertical foot above the normal maximum water level indicated in the recorded Map of the Unit within the Properties in which it is located and title shall pass with such dredging or other removal as by erosion. In maintaining the shoreline of any lake within the Properties, the Association shall be entitled to make minor variations in the contour of the lake's shoreline as the Association deems appropriate for erosion control or public protection.

Section 8.04. Exemption From Liability. Neither the Association nor any of its successors or assigns shall be liable for damages caused by erosion, washing or other action of the water of any lake within the boundaries of the Properties or by virtue of lakeshore maintenance procedures pursued in good faith by the Association. Said exemption shall extend to any minor variations in contour of the lake's shoreline undertaken by the Association pursuant to Section 8.03, above, or lake dredging operations undertaken in good faith pursuant to said section.

Section 8.05. Modification of Water Level. Subject to the ownership rights of, and any agreements with, the Stonehouse Mutual Water Company and/or its successors, the Association reserves to itself, its successors and assigns, the right to raise and lower the water level of any lake within the boundaries of the Properties; provided, however, that such right shall not be construed as permitting the elevation of the water level to a point beyond that indicated on the recorded Maps of the Properties by increasing the height of any dam or spillway or otherwise.

ARTICLE IX Environmental Control

Section 9.01. Architectural and Environmental Control of Improvements to Real Property and Alterations. The Association shall have the authority to regulate all construction, modification and/or alterations to or on any Lot, including but not limited to new construction, changes in the topography, landscaping and any improvement, addition, installation, alteration, modifications or other change effecting the outward appearance of any lot or improvement to any lot. This shall include (but not be limited to) fences, exterior walls, hedges, patio covers, landscaping, exterior lighting, garages, awnings, exterior paint or decor, fountains or other matter visible from the exterior of a Lot. The Board of Directors may utilize the E.C.C. or other Committee to accomplish this regulation.

Section 9.02. Environmental Control Over Use of Property. The Association shall have the authority to regulate and control the use of the property. The Board of Directors may utilize the E.C.C. or other Committee to accomplish this regulation.

Section 9.03. Committee Membership. The Committee, hereinafter referred to as the "E.C.C.," shall be composed of not more than five nor less than three members appointed by the Board of Directors (B.O.D.). E.C.C. members shall be subject to removal by the B.O.D. and any vacancies must be filled by the B.O.D. within 30 days.

Section 9.04. Meetings. The E.C.C. shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of the

E.C.C. members shall constitute an act by the Committee unless the unanimous decision of its members is otherwise required by this Declaration or by E.C.C. Rule or Policy. The Committee shall keep and maintain a written record of all actions taken by it at such meetings or otherwise. The E.C.C. and its members shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred by them in the performance of any E.C.C. functions. The Board shall have discretionary authority to compensate members of the E.C.C. at such rate and on such terms and conditions as the Board may decide. Additionally, the Board may authorize payment for staff, clerical and/or secretarial services.

Section 9.05. E.C.C. Architectural and Environmental Rules and/or Policies.

The E.C.C. may, from time to time, subject to Board review and approval, adopt, amend and repeal, by unanimous vote, rules and/or policies to be known officially as the "E.C.C. Rules" and/or "E.C.C. Policies." Said rules and/or policies shall interpret and implement the provisions hereof by setting forth the standards and procedures for Committee review and guidelines for architectural design, placement of buildings, landscaping, signage, color schemes, exterior finishes and materials and similar features which are recommended for use within the Properties; provided, however, that said rules and/or policies shall not be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the E.C.C. Rules and/or Policies and this Declaration, the provisions of the Declaration shall prevail. The E.C.C. Rules and/or Policies shall constitute a part of the Association's Governing Documents. In addition to the E.C.C. Rules and/or Policies, the E.C.C. may publish guidelines for Lot owners and potential Lot owners regarding the E.C.C. Rules, procedures and policies for all types of construction on or alteration to the Properties.

Section 9.06. Submittal and Review of Plans. To obtain E.C.C. approval of any proposed changes, plans and specifications shall be submitted in accordance with the then current E.C.C. Rules and/or Policies. The E.C.C. may approve, require additional information, impose conditions, require changes and/or reject any proposed architectural changes or improvements.

Section 9.07. Lakefront Lots. Maps prepared by a registered civil engineer or a licensed land surveyor shall be included as part of all plans related to lakefront Lots showing an elevation of a minimum of 1,090 feet above mean sea level as the lowest floor elevation of the plan.

Section 9.08. Filing Fee. As a means of defraying its expenses, the Board of Directors may institute and require a reasonable plan review, inspection and community development fees to accompany the submission of plans to the E.C.C. No additional fee shall be required for resubmission of plans revised in accordance with E.C.C. recommendations.

Section 9.09. Proceeding With Work.

(a) Approval. Upon receipt of approval from the E.C.C., the Owner shall, as soon as practicable, satisfy all conditions hereof and diligently proceed with the commencement and completion of all construction, reconstruction, refinishing, alterations and excavation pursuant to said approval. Unless a variance is granted by the E.C.C., noise producing construction activities shall not start before 7:00 a.m. and must cease at or before sunset.

(b) Clearing of Lots. When a lot is being cleared for construction, no tree in excess of three inches in diameter shall be removed from the Lot without first obtaining the written consent of the E.C.C. All rubbish and debris must be promptly removed to prevent the occurrence of any fire or health hazard.

Section 9.10. Construction Materials. All structures constructed or placed on any Lot shall be constructed with a substantial quantity of new material and no used structures shall be relocated or placed on any such Lot.

Section 9.11. Approval of Lake Structures a Mere License. Whenever the E.C.C. approves plans and specifications for a boat shelter, pier, float or other structure, on or extending into any lake, such approval shall constitute a mere revocable license from the Association for the construction, placement, and maintenance of the proposed structure.

Section 9.12. Size and Placement of Residences and Structures.

(a) Minimum Area of Dwellings. Subsequent to the adoption of this Declaration, every Residence dwelling construction on a Lot shall contain the following minimum square feet of fully enclosed floor area devoted to living purposes (exclusive of roofed or unroofed porches, terraces, garages and other out-buildings.)

Waterfront Lots	1,500 sq. ft.
All other Lots	1,250 sq. ft.

(b) Single-Level Construction. Each such Residence dwelling shall be of single-level construction as defined by definitions and guidelines adopted by the E.C.C. Any owner desiring to build a multi-level structure not strictly in conformance with these restrictions and the E.C.C. guidelines must seek a variance.

(c) Height and Size Limitations. The E.C.C. shall have the authority to set up rules and/or policies as to the height and size requirements for all other types of buildings and structures, including fences, walls, chimneys, copings, flagpoles, etc.

(d) Garage and Driveway. A two car garage shall be required for each dwelling, with a paved driveway from street to garage.

(e) Fences and Pet Runs. In order to preserve the natural quality and aesthetic appearance of the existing geographic areas within the Properties, no fences or pet runs shall be allowed on any Lot unless a permit from the E.C.C. is obtained. A permit may be granted if, in the sole discretion of the Committee, a fence, pet run or other enclosure will contribute to and be consistent with such Lot and area surrounding such Lot or the nature of the Lot is such that the pet run or other enclosure is not visible to the casual observer. Any permit granted pursuant to this section shall be temporary and renewable pursuant to rules established by the E.C.C. which rules are subject to Board approval.

Section 9.13. Elevation and Setback Requirements. Each Lot has a natural and dimensioned area which limits the extent of the portion thereof upon which any improvement can be constructed. In any event, the following minimum dimensions shall govern for floor elevations on lakefront Lots and for front, side and rear setbacks on all Lots (except fences or walls where approved or required by the E.C.C.):

(a) Twenty feet from the front line of each Lot abutting the street;

(b) Twenty feet from the front and side street on corner lots;

(c) Five feet from each Lot sideline;

(d) Twenty feet, or 25% of the depth of the Lot, whichever is greater, from the rear line of each Lot, unless such rear Lot line is either contiguous to a boundary line of the golf course, in which case the depth of the rear yard shall be twenty-five feet, or 25% of the depth of the Lot, whichever is greater; or contiguous to a lake shoreline, in which event the rear yard shall be fifty feet or 25% of the depth of the Lot, whichever is greater, using as a rear line the normal lake elevation of 1,082 feet mean sea level as shown on the Map: provided, however, that on any Lot, the rear line of which is contiguous to a lake shoreline, there may be constructed and maintained, at or adjacent to such shoreline, any boat shelter, pier, or similar structure in respect to the size, design, construction or placement of which the E.C.C. shall have issued a permit or license.

Section 9.14. Cleanup During Construction. Debris from construction shall be removed daily from the site or placed in a dumpster or similar receptacle. Any debris container must be removed or emptied when full.

Section 9.15. Temporary Structures. The E.C.C. may grant permission for temporary structures to be used exclusively for storage of materials during construction. Additionally, from the onset of construction, the Owner or the general contractor shall

provide a portable toilet approved by the Lake County Health Department for construction workers until construction is completed.

Section 9.16. Completion of Construction. Every building, dwelling or other improvement, the construction or placement of which is begun on any Lot, shall be completed within six months after the beginning of such construction or placement. The E.C.C. may extend the time limit. In the event of cessation of construction for 90 consecutive days not caused by act of God or otherwise beyond the reasonable control of the Lot Owner, the existence of such incomplete construction shall be deemed to be a nuisance and the Association and/or the E.C.C. shall have the right to remove the incomplete work or complete the same, at the cost of the Owner, such cost to become a lien upon said Lot, subject to foreclosure in the manner provided by law for foreclosure of mortgages and/or trust deeds. No residence shall be occupied until the same has been substantially completed in accordance with its plans and specifications.

Section 9.17. Model Homes. No Owner of any Lot shall build or permit the building thereon of any dwelling house that is to be used as a model house or exhibit unless prior written permission to do so shall have been obtained from the E.C.C.

Section 9.18. Landscaping.

(a) Appropriate landscaping will be completed within one (1) year of the occupancy on new construction and within one (1) year following major reconstruction.

(b) Appropriate landscaping is defined as landscaping which is conducive to an individual lot. Owners of Lots having significant vegetation in the way of oak and other trees may wish to simply preserve such natural vegetation. Lots having less natural vegetation shall be more formally landscaped. (Drought resistant vegetation is suggested for use, as much as possible. Lawns are encouraged along the golf course).

(c) The E.C.C. may require a plan to address the utilitarian aspects of landscaping such as erosion control, drainage patterns, drought tolerance, fire resistance, septic systems, privacy between neighbors and the location of underground utilities.

Section 9.19. Consolidation of Lots. Contiguous Lots can be consolidated with the approval of the Association. Additionally, two homeowners bordering on a common adjacent Lot may divide that Lot and consolidate the portions to their respective adjacent Lots.

(a) The consolidated Lots shall be subject to the same E.C.C. Rules and/or Policies, including landscaping requirements as stated for construction of new homes and as specified herein.

(b) Unless prior approval is obtained from the Association, no additional separate structure or improvement designed for human habitation or requiring effluent disposal facilities shall be constructed or maintained on any consolidated Lot. Any other structure such as a garage, storage building, etc., shall be subject to the approval of the E.C.C. as to design, materials, location and color schemes.

(c) As a condition of approval of a divided Lot consolidation, the Association may require a recordable instrument to be filed with title to the affected Lots reflecting the allocation of assessment obligations and the assignment of the voting right to one of the adjacent undivided Lots.

Section 9.20. Ultimate Authority Vested in Board of Directors. The Board of Directors shall have the ultimate authority to determine the interpretation of the environmental control guidelines contained in this Declaration, the Rules, Policies and other governing instruments of the Association. The Board may adopt procedures to hear and determine appeals from the decisions of the E.C.C. or other entity. The decision of the Board rendered on any such appeal shall be final.

Section 9.21. No Waiver. Approval by the E.C.C. of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the E.C.C. under this Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

Section 9.22. Notice of Architectural or Environmental Violation. In addition to any other enforcement options the Association may have, in the event of a violation of the Declaration and/or E.C.C Rules and/or Policies, the E.C.C. may cause to be filed with title to the nonconforming Lot, a notice of Architectural or Environmental Violation which shall constitute notice to and be binding on all ownership interests of the Lot and their successors in interest of a continuing nuisance.

Section 9.23. Variances. Subject to the approval of the Board of Directors, the E.C.C. may allow reasonable variances and adjustments of this Declaration in order to overcome practical difficulties and prevent unnecessary hardships in the application of the provisions contained herein; provided, however, that variances shall only be granted hereunder which are in conformity with the intent and purposes hereof, and provided further that in every instance such variance or adjustment will not be materially detrimental or injurious to other property or, improvements in the neighborhood or the Properties. Approval of a variance must be the unanimous decision of the E.C.C. If any dispute arises between any person or persons and the E.C.C. or other hearing body relative to the intent and purposes of the Declaration, the Board of Directors shall make the final interpretations of said intent and purposes.

Section 9.24. Liability.

(a) Neither the E.C.C. nor any member thereof shall be liable to the Association or to any Owner for any damage, loss or prejudice suffered or claimed on account of: (i) the approval or disapproval of any plans, drawings and specifications, whether or not defective; (ii) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications; or (iii) the development of any property within the Properties, provided, however, that such member has acted in good faith on the basis of such information as may be possessed by him or her. Without in any way limiting the generality of the foregoing, the E.C.C., or any member thereof, may, but shall not be required to, consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications or any other proposal submitted to the E.C.C.

(b) The Association's approval of home plans is for the express purpose of checking compliance with the Declaration and applicable E.C.C. Rules and/or Policies. Plan approval is not for structural, code or other governmental areas of responsibilities. The Association's review of septic location is for the express purpose of showing known existing easements of record on the property, and for no other purpose. Neither the E.C.C. or any agent thereof shall be responsible in any way for any defects in any plans and/or specifications submitted, revised or approved under the E.C.C. Rules and/or Policies, nor for any structural or other defects in any work done according to such plans and/or specifications.

Section 9.25. Retroactive Approval. The E.C.C., in its discretion, may permit or require an application for retroactive approval for any violation of or non-compliance with the foregoing procedures.

Section 9.26. Architectural Enforcement.

(a) Notice and Opportunity for Hearing. If the Association has determined that an Owner has not constructed and/or properly maintained an improvement consistent with the specifications of the approval granted or has failed to obtain approval, and if the Owner fails to remedy such non-compliance in accordance with the provisions of the notice of non-compliance, then after the expiration of thirty (30) days from the date of such notification, the Association shall offer an opportunity for hearing to consider the Owner's continuing non-compliance and place the affirmative burden on the Owner to request a hearing upon such reasonable terms as the Association may impose.

(b) Determination. At the hearing or when the matter is otherwise addressed by the Association, if the Association finds that there is no valid reason for the continuing non-compliance, the violation shall be deemed a continuing nuisance. The Association

shall then 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 Association's determination.

(c) Association Options for Continuing Nuisance. If the Owner does not comply with the Association's ruling within such period or within any extension of such period as the Association, in its discretion, may grant, the Association may (i) remove the non-complying improvement, (ii) remedy the non-compliance, or (iii) record a Notice of Non-compliance against the property which shall also be conclusive as to all Owners and any successors in interest. The costs of any such action(s) shall be assessed against the Owner as a Special Individual Assessment (see Section 7.01(c), above). These powers of enforcement shall be in addition to the general enforcement provisions of this Declaration.

ARTICLE X

Use of Properties and Restrictions

The following general prohibitions and requirements shall prevail as to the construction or activities conducted on any Lot within the Properties:

Section 10.01. Use of Lots. The use of Lots within the Properties (except Common Area) is hereby restricted to single family residential use. Except as to Lots on which duplexes have been previously approved, one dwelling shall be allowed on each Residence Lot.

Section 10.02. Use of Common Areas and Common Facilities. The use of Common Areas and Common Facilities shall be limited to the private use for aesthetic and recreational purposes by the Association's membership, their invitees, families and guests. The Association may charge reasonable fees for the use and enjoyment of the golf course and any other recreational common facility such as, but not limited to, swimming pool, tennis courts, campgrounds, etc.

Section 10.03. Temporary Structures Trailers and Motor Homes. No structure of a temporary character, trailer, mobile home, camper, basement, tent, shack, garage, barn or other outbuilding shall be erected, placed or used on any Lot at any time as a residence, either temporarily or permanently.

Section 10.04. Sewer Facilities. No outside toilets shall be constructed on any Lot. All plumbing fixtures, dishwashers and sewage disposal systems shall be connected to a septic tank or other sewage system and approved by the Lake County Health Department.

Section 10.05. Business Activities. No business activities of any kind whatsoever shall be conducted in any building or in any portion of any Lot: provided, however, the foregoing covenants shall not apply to the activities, signs or the maintenance of buildings, by the Association, its successors and assigns, in furtherance of its powers and purposes as set forth herein. Notwithstanding the foregoing, no restrictions contained in this Article X shall be construed in such a manner as to prohibit the Owner from (a) maintaining his/her personal library therein; (b) keeping his/her personal business records or accounts therein; (c) handling his/her personal or professional telephone calls or correspondence therefrom; or (d) conducting any other activities on the Lot otherwise compatible with residential use and the provisions of this Declaration which are permitted under applicable zoning laws or governmental regulations without the necessity of First obtaining a special use permit or similar specific governmental authorization. Such uses are expressly declared to be customarily, incidental to the property's principal residential use and not in violation of any provision of this Article X. Contractors or Sub-contractors who operate their businesses from their residences in conformance with (a), (b), (c), and (d) above are permitted except that no construction vehicles, equipment or materials may be parked or stored in the open anywhere on the Properties. The Association shall have the authority to grant variances to allow certain business activities in accordance with Section 9.23, above, and subject to such terms and conditions as the Association deems reasonable.

Section 10.06. Pets and Animals.

(a) Maintenance of Pets on Privately Owned Lots. The Board may adopt reasonable restrictions related to the keeping of domestic pets.

(b) No Commercial Breeding. Pets or animals shall not be kept, bred, or maintained for any commercial purposes.

(c) "Wild" Animals. Capture, confinement, injury or killing of resident "wild" game, animals, birds, or reptiles, by anyone is prohibited. The only exceptions that will be recognized are where appropriate governmental approvals and/or permits have been obtained.

(d) Control of Pets. All household pets and animals belonging to Members, contractors, builders, or vendors must be leashed (maximum 6 feet) or otherwise effectively confined. Cats do not require leashes. Such pets or animals must not molest deer or any other resident, animals, birds, or reptiles. No pets are allowed on the golf course, pro shop areas, tennis courts, country club, beaches or marina.

(e) The Board may, in its sole discretion, prohibit maintenance within the Properties of any animal that constitutes a nuisance (whether due to its size, viciousness, unreasonable noise or otherwise) to any other Members.

Section 10.07. Signs. Signs advertising a Lot or Residence for sale or rent shall be in accordance with the provisions of Section 4.01, above. All other signs, billboards, or advertising of any kind are prohibited, except upon application to and written permission of E.C.C.

Section 10.08. Parking or Storage of Vehicles and Trailers. Reasonable rules and/or policies may be adopted by the Board of Directors to regulate the parking or storage of vehicles (including boats, trailers, campers, motor homes and recreational vehicles).

No unused vehicles, flat bed trailers, trailers, boats or stripped down, partially wrecked, or junk motor vehicles, or sizable part thereof, shall be permitted to be parked on any Association common area or streets within the Properties or on any Lot in such manner as to be visible to the occupants of other Lots within the Properties or to the users of any street, lake or golf course therein; provided, however, that this paragraph shall not apply to emergency vehicle repairs or to commercial vehicles providing services for any Lot or the Association, and in that event only for the duration reasonably necessary to provide such service. The definition of "street" shall include the unpaved "right of way" that exists from lot line to lot line.

Section 10.09. Noxious Offensive Activities. No noxious or offensive activities shall be carried on any Lot nor shall anything be done on any Lot to create a nuisance, or cause unreasonable embarrassment, disturbance or annoyance to other Members in the enjoyment of their property or in their enjoyment of the Common Areas. Without limiting the foregoing, no Owner shall permit noise (including but not limited to barking dogs or loud playing of music systems) to emanate from the Owner's Lot which would unreasonably disturb any other Member's quiet enjoyment of his or her Lot or the Common Areas. Excessive noise levels may be determined according to the County of Lake's Municipal Code or other applicable governmental regulation dealing with such matters.

Section 10.10. Maintenance of Lots. All Lots, whether occupied or unoccupied, and any improvements placed thereon, including individual sewage disposal systems, shall at all times be maintained in such a manner as to prevent their becoming unsightly by reason of unattractive growth on such Lot or the accumulation of rubbish or debris thereon, or to prevent the occurrence of any fire or health hazard. In the event any such Lot or improvement thereon is not so maintained, the Association shall have the right, through its agents and employees, to enter thereon for the purpose of maintenance, restoration, fire protection or repair, the cost of which shall become a Special Individual Assessment to which such Lot is subject, in accordance with the terms and conditions of Section 7.01(c), above.

Section 10.11. Oil and Mineral Exploration. No oil or natural gas drilling, refining, quarrying, or mining operations of any kind shall be permitted upon or in any Lot and no derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted on any Lot.

Section 10.12. Removal of Trees. No tree in excess of three inches in diameter shall be removed from any Lot without first obtaining the written consent of the E.C.C.

Section 10.13. Radios and Antennas. No radio or other transmitter that will interfere with radio or television reception shall operate from any Lot or Residence.

Section 10.14. Trash. No trash, ashes, garbage or other refuse shall be dumped or stored on any Lot nor be thrown into or left on the shoreline of any lake in the Properties. There shall be no burning of trash or garbage, whether by outside burning or from interior woodstoves or fireplaces.

Section 10.15. Repair of Damaged Improvements. No improvement on any Lot which has been partially or totally destroyed by fire, earthquake, or otherwise shall be allowed to remain in such state for more than six months from the time of such destruction.

Section 10.16. Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment as is usual or customary in connection with the use, maintenance or construction of a private Residence or appurtenant structures within the Properties and no such machinery or equipment shall be operated in a manner that causes an unreasonable interference with the quiet enjoyment of the Owners or occupants of neighboring Lots.

Section 10.17. Diseases and Pests. No Owner shall permit any thing or condition to exist upon his or her Lot which shall induce, breed, or harbor infectious plant diseases, pests, rodents or noxious insects.

Section 10.18. Restriction on Further Subdivision and Severability. No Lot shall be further subdivided nor shall less than all of any such Lot (except as provided for herein as Consolidated Lots) be conveyed by an Owner thereof and no Owner of a Lot within the Properties shall be entitled to sever that Lot from the Common Area portion of the Properties. No easement or other interest in a Lot shall be given without the prior written approval of the Association.

Section 10.19. Use of Private Streets Within the Properties. Private streets within the Properties shall not be used for recreational purposes, including "joy riding", racing,

etc. Rules governing the use of streets may be promulgated in the Rules and/or Policies. Posted speed limits shall be observed.

Section 10.20. Variances. The Board of Directors and/or the E.C.C. may allow reasonable variances and adjustments to this Declaration as more specifically described in Section 9.23, above. In the event of any request for a variance to any requirement of this Declaration, and where notice has been given to those other members potentially affected and a member fails to object to the proposed variance (according to the terms of the notice), that member shall be barred from later contesting the decision of the Association.

Section 10.21. Illegal Acts. Any illegal act shall also constitute a breach of the Governing Documents and may, at the option of the Association, be enforced as such.

ARTICLE XI Easements

Section 11.01. Easements Applicable to the Hidden Valley Lake Units.

(a) Reservations. In the original Declaration of Restrictions for all Units within Hidden Valley Lake (See Preamble to this Declaration) the Declarant reserved for itself, its successors and assigns, for purposes incident to its development of the real property subject to this Declaration, the following easements and/or rights-of-way:

- (i) For the use and maintenance of riding trails designated on the Map as "Equestrian Easements;"
- (ii) For lake and shoreline maintenance and control along the lakefront portion of each Lot contiguous to a lake shoreline to the extent of ten feet in width designated on the Map as "Public Utilities Easements;" and
- (iii) For the installation and maintenance of radio and television transmission cables over strips of land five feet in width along side and rear property lines and ten feet in width along the front property line of each Lot.

(b) Utilities. The Declarant also dedicated to Lake County rights-of-way and easement areas for the installation and maintenance of public utilities over strips of land five feet in width along side, front and rear property lines and ten feet in width along: the subdivision boundary as contained in the offer of dedication set forth on Sheet 1 of the Map, reserving therefrom the easements and/or rights-of-way set forth in subparagraph (a)(3) above, relating to radio or television transmission cables.

(c) Maintenance. On each Lot, the right-of-way and easement areas reserved by the Declarant or dedicated to public utilities purposes shall be maintained continuously by the Lot Owner but no structures, plantings or other material shall be placed or permitted to remain or other activities undertaken which may damage or interfere with the installation or maintenance of utilities; which may change the direction of flow of drainage channels in the easements; which may obstruct or retard the flow of water through drainage channels in the easements; or which damage or interfere with established slope ratios or create erosion or sliding problems. Improvements within such areas shall also be maintained by the respective lot Owner except for those for which a public authority or utility company is responsible.

(d) Dedicated Easements. The Declarant dedicated to Lake County rights-of-way and easement areas as follows:

(i) An easement, over those certain parcels described above for ingress and egress only by public law enforcement, fire protection, welfare and other public or county agencies, their vehicles and personnel.

(ii) Rights-of-way for "slope easements" together with appurtenances thereto, over, on and across those certain strips of land shown and designated as "slope easement" (S.E.).

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

(iv) Rights-of-way and easements for water, gas, sewer and drainage pipes, conduits and ditches and for poles and overhead and underground wires and conduits for electrical and telephone services together with all appurtenances thereto, on, over, under and across all those parcels shown as streets or roads and named in subsection I above and those strips of land lying 5 feet on each side of all sides and rear lot lines and 10 feet contiguous to the outer subdivision boundary throughout, together with the right to trim or remove only necessary trees, limbs and brush.

ARTICLE XII

Riparian Rights to Putah Creek

Section 12.01. Riparian Rights to Putah Creek. Notwithstanding anything in this Declaration to the contrary, there shall be permanently preserved, as part and parcel of each of the subdivided Lots of Hidden Valley Lake Units No. 4 and 5, and also as part and parcel of the other lands described in the Map as lands of the Association or as "Parcels," the existing riparian rights to Putah Creek which are part and parcel of the entire tract of real property described in said Map, despite the fact that physical contiguity to Putah Creek of said subdivided Lots and/or said other lands of the Association of said "Parcels" may be severed by the subdividing of said real property and the sale of said subdivided Lots, said other land of the Association, or said "Parcels;" provided that such preserved riparian rights of the Owners of said subdivided Lots shall be exercised (a) only through, and by virtue of said Lot Owners' stock ownership in, Stonehouse Mutual Water Company, or its successor, and (b) only to the extent that said company or entity chooses to divert and deliver water from Putah Creek pursuant to such rights in order to satisfy water needs of its stockholders.

ARTICLE XIII

Insurance

Section 13.01. Liability Insurance. To the extent such insurance is reasonably obtainable, the Association shall obtain and maintain comprehensive public liability insurance insuring the Association and any manager, agent or employee thereof against any liability incident to the ownership or use of the Common Areas and Common Facilities and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than ONE MILLION DOLLARS (\$1,000,000.00) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for 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.

Section 13.02. Fire and Extended Coverage Insurance. The Association also shall obtain and maintain a master or blanket policy of fire insurance for all appropriate Common Facilities within the Properties.

Section 13.03. Coverage Not Available. In the event any insurance policy, bond, or any endorsement thereof, required by Sections 13.01, 13.02 and 13.05 hereof are for

any reason unavailable or prohibitively expensive, then the Association shall obtain such other or substitute policy or endorsement or bond as may be available, which, at the discretion of the Board, provides as nearly as possible the coverage hereinabove described.

Section 13.04. Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereof to have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

Section 13.05. Other Insurance. The Board may purchase and maintain demolition insurance in adequate amounts to cover demolition in case of total or partial destruction and a decision not to rebuild, and a blanket policy of flood insurance. The Board also shall purchase and maintain worker's compensation insurance, to the extent that it is required by law, for all employees of the Association. The Board also shall purchase and maintain fidelity bonds or insurance, containing an endorsement of coverage of any person who may serve with or without compensation. The Board shall purchase and maintain such insurance on personal property owned by the Association, and any other insurance, including directors and officers liability insurance it deems necessary.

Section 13.06. Owner's Insurance. An Owner shall carry appropriate personal liability, fire and property damage liability insurance with respect to his or her Lot. The Association shall have no responsibility or obligation to provide such insurance coverage on behalf of any Owner.

ARTICLE XIV

Enforcement of Governing Documents

Section 14.01. Violation.

(a) Definition. A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. Any activity or condition which constitutes a public or private nuisance shall also be deemed a violation. 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 mitigate, repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Area at the cost of the responsible party.

(b) Forum. The Board may exercise control directly or delegate control to the E.C.C. or other hearing body. If delegated, there shall be a right of appeal to the Board. If the Board is the threshold forum, there shall be no further right of appeal.

Section 14.02. Jurisdiction. The Association shall have jurisdiction to cause conformance with the provisions of the Governing Documents over (a) any person on the Properties or any other person with rights in the property located on or at the Properties, including ownership, leasehold or other interests, and (b) any real and/or personal property. Said jurisdictional authority shall be subject to the terms, conditions and safeguards provided herein.

Section 14.03. Enforcement Options. In the event of a breach or violation of any of the Governing Documents by a Member or the Member's guests, employees, invitees, or licensees, the Board, for and on behalf of all other Members may enforce compliance with the Governing Documents 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 following:

(a) Suspension of Rights. The Board may suspend voting rights or the right to use recreational Common Facilities.

(b) Fines. The Board may levy a reasonable fine in an amount not to exceed Five Hundred Dollars (\$500). Any such fine may be collected in the same manner as a Special Individual Assessment, including the power to lien, except that any such lien may not be enforced by non-judicial foreclosure. The Board may implement schedules of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform time schedule is appropriate (such as fines for late payment of assessments or illegally parked vehicles).

(c) Legal Action.

(i) Good Faith Meeting. In the event of a dispute or potential dispute related in any way to the Governing Documents, the parties shall meet "face to face" and make a good faith attempt to resolve their differences. Notice of the right to a hearing by the Association and/or an actual hearing shall constitute Association compliance with this requirement.

(ii) Damages/Inadequate Remedy. 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-of-way, liens, charges or equitable servitude's contained in this Declaration are inadequate and that the failure of any Member or user of any Lot, or any portion of the Common Area or Common

Facilities, to comply with any provision of this Declaration or any rule, regulation, decision or resolution of the Board of Directors or Bylaws or Articles of Incorporation of the Association, all as may be amended from time to time, may be enjoined by appropriate legal proceedings instituted by any Member, the Association, its officers or Board of Directors, or by their respective successors in interest. Such legal proceedings may include, but not be limited to, the following:

- (A) An action for mandatory or prohibitory injunction,
- (B) An action for declaratory relief, and/or
- (C) A claim for damages, including prospective costs and costs actually incurred in obtaining compliance.

(d) Self Help. The Association shall have the right to enter upon any Lot to gain compliance with the Governing Documents, including but not limited to the following:

(i) Maintenance, Repair and Replacement. If the Association reasonably finds a Lot requires maintenance, repair or replacement of any component or condition for which the owner is responsible, the Board may direct the owner to perform the work and if the owner fails or refuses to do so, the Association may utilize the provisions set forth herein, and cause the work to be performed and collect the cost by adding it to the assessment for that Lot and collecting it in the same manner as a Special Individual Assessment.

(ii) Removal of Nuisance. Subject to the provisions herein, the Association shall have authority to enter upon a Lot to cause the removal of a nuisance from the Properties.

(e) Imposition of Special Individual Assessment. The Association may levy a Special Individual Assessment as provided for in Section 7.01(c), above.

(f) Notice of Architectural Violation. The Association may file a Notice of Architectural Violation with title to the Lot, as provided for in Section 9.22, above.

Section 14.04. Implementation. Association, as referred to in this section, shall refer to the Board, the E.C.C. or such other committee established by the Board.

(a) Notice and Opportunity for Hearing. If a member appears to be in violation of any provision of the Governing Documents, including but not limited to the Rules and/or Policies, and the provisions of any of the Governing Documents require that notice and opportunity for hearing be provided, the Association may, at its sole option, set an

affirmative date for a hearing to be held. In the event the Association decides a hearing shall be conducted, written notice shall be given at least ten (10) days prior to the date set for the hearing and may be delivered by hand to the member's residence or by First class mail. The delivery of a notice in the manner provided in this section shall be considered notice served and received. In the alternative, the Association may offer an opportunity for hearing and place the affirmative burden on the charged party to request a hearing upon such reasonable terms as the Association may impose.

(b) Contents of Notice. The contents of the notice shall include the nature of the alleged violation, whether a hearing will be held or must be requested, and the nature of the sanctions that may be imposed at the Association's discretion. If the member's failure to correct a violation has or will result in the expenditure of funds by the Association to correct the violation, the notice shall also state that the Association may vote to levy a Special Individual assessment if the Association finds that a violation has occurred.

(c) Emergency Powers. Under circumstances involving conduct that constitutes (1) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners, (2) a traffic or fire hazard, (3) a threat of material damage to, or destruction of, the Common Area or Common Facilities, or (4) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of assessment or parking violations), the Board of Directors, or its duly authorized agents, may undertake immediate corrective or disciplinary action and, upon request of the offending party (which request must be received by the Association, in writing, within five days following the Association's disciplinary action), conduct a hearing as soon thereafter as reasonably possible, but in no event no more than 15 days after the disciplinary action is imposed or 15 days following receipt of the party's request for a hearing, whichever is later. Under such circumstances, any fine imposed pursuant to an established time schedule shall be due and payable only upon expiration of the 15-day notice period.

(d) Referral to Governmental Agency. The Association, in its sole discretion, may refer any enforcement action to the appropriate governmental agency with jurisdiction, such as the police department, fire department, health department or other proper agency.

(e) Owner Standing. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement as exist by virtue of Section 135.1 of the California Civil Code or otherwise by law.

(f) Due Process Generally.

(i) Findings of Fact and Determination. During the hearing, after the hearing or when the matter is otherwise addressed by the Association, the Association shall make findings of fact and if a violation is held to have been committed, the Association may levy sanctions and a Special Individual assessment and take such other action as it deems appropriate. If any sanction is imposed, the findings shall also include notice of right to appeal to the Board.

(ii) Right to Appeal. If the enforcement procedure has been implemented by the E.C.C. or other committee, there shall be a right of appeal to the Board of Directors. The Board may adopt procedures for appeals which generally comport with the provisions of Section 14.04(a), herein. The determination of the Board of Directors shall be final.

Section 14.05. Miscellaneous.

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

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

(c) Rules re: Disciplinary Proceedings. The Board, or an appropriate committee appointed by the Board, shall be entitled to adopt rules and/or policies that further the efficient conducting of disciplinary proceedings. Such rules and/or policies shall form a part of the Association Governing Documents.

(d) Recording with Title. In addition to any other enforcement options the Association may have, in the event of a violation, the Association may cause to be filed with title to the offending Lot, a Notice of Violation which shall constitute notice to and be binding on all ownership interests of the Lot and their successors in interest of a continuing nuisance and/or that the property is security for payment of damages and/or Special Individual Assessments.

(e) Noncompliance with Procedure. Failure by the Association to technically comply with the procedures set forth herein, or any Rules or Policies, adopted, shall not be fatal to the process so long as it can be determined that there is no prejudice to the person who has been charged with a violation. Appearance at a hearing shall constitute a waiver of any defect in notice.

(f) Fees and Costs of Enforcement. In any legal action to enforce the Governing Documents, the prevailing party shall be awarded reasonable attorneys fees, costs and other charges incurred.

ARTICLE XV Amendment of Declaration

Section 15.01. Amendment.

(a) Amendment in General. This Declaration may be amended or revoked in any respect by the affirmative vote by written ballot of the holders of not less than a majority (50%o plus one) of the voting power of the Members.

(b) Effective Date of Amendment. The amendment shall be effective upon the recordation of the Office of the Recorder of Lake County of an instrument setting forth the terms thereof duly certified and executed by the President and Secretary of the Association. 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 recordation of such amendment.

ARTICLE XVI Notices

Section 16.01. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

If to any Member: To the street address of the Member's Lot or to such other address as the Member may from time to time designate in writing to the Association.

If to the Association: Hidden Valley Lake Association, 18174 Hidden Valley Road, Middletown, CA 95461

Section 16.02. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-owners of any Lot, to any general partner of a partnership which is the Owner of Record of the Lot, to any co-Rancho Member, or to any officer or agent for service of process of a corporation which is the Owner of Record of the Lot, shall be deemed delivered to all such co-owners, to such partnership, to such co-Rancho members, or to such corporation, as the case may be.

Section 16.03. Deposit in U.S. Mails. Notices and/or demands served by mail by first class, registered or certified mail, with postage prepaid, shall be deemed delivered 72 hours after deposit in the United States mail in Lake County, California. Notices and/or demands served by any other class of United States mail shall be deemed delivered five (5) days after deposit in the United States mail in Lake County, California.

ARTICLE XVII

Miscellaneous

Section 17.01. Construction and Severability; Singular and Plural; Titles.

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

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

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

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

Section 17.02. Term of Declaration. This Declaration shall affect and run with the land and shall exist and be binding upon all parties and persons claiming under it until

January 1, 2002, after which time the same shall be extended for successive periods of ten (10) years, unless an instrument amending the Declaration in whole or in part has been approved by the appropriate percentage of the voting power of Members and has been recorded in the Official Records of Lake County, California.

Dated: _____.

HIDDEN VALLEY LAKE ASSOCIATION

By: _____

By: _____