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DECLARATION OF COVENANTS  
CONDITIONS AND RESTRICTIONS  
FOR  
LAKE OAKS CONDOMINIUMS

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DECLARATION OF COVENANTS,  
CONDITIONS AND RESTRICTIONS FOR  
LAKE OAKS CONDOMINIUMS

THIS DECLARATION is made on the date hereinafter set forth by The Lake Oaks Partnership, hereinafter referred to as "Declarant", with reference to the following recitals of fact:

RECITALS:

A. Declarant is the owner of that certain real property in the County of El Dorado, State of California, which is more particularly described as follows:

Lot A, of Lake Oaks Condominium, filed in the office of the El Dorado County Recorder on 6-22-89 in Book 6 Page 132 of Maps.

B. Said real property will contain fifteen residential dwelling units to be developed with associated parking, service and recreational facilities. Declarant intends to establish within said property a condominium project under the provisions of the California Condominium Act, providing for separate title to each of the Units within the subject property and for each Unit to have appurtenant to it an undivided interest in all of the remainder of the subject property.

C. The Development of said condominium project shall be referred to as the "Project", as that term is defined in Section 1.17 of Article I, below. The owner of a condominium unit will receive title to his individual condominium unit plus an undivided one fifteenth (1/15th) interest as a tenant in common in the common area of the project. Each condominium unit shall have appurtenant to it a membership in the Lake Oaks Condominium Owner's Association.

D. It is the intention of Declarant that Declarant shall sell and convey interests in the Project to various persons, firms, corporations and other associations (hereinafter referred to as "Owners"), subject to certain protective covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarant and such Owners, all of which covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes are set forth in this Declaration and are hereby declared, expressed, agreed and intended (i) to be in furtherance of a plan for the sale and use of the Project as a cooperative venture of that type referred to as a condominium, and (ii) to benefit the Project and the Owners of the condominiums located therein, and their successors and assigns.

E. It is contemplated that Declarant shall cause to be developed the real property

referred to as Lake Oaks Condominiums, Final Subdivision Map attached hereto as Exhibit A.

NOW, THEREFORE, pursuant to the provisions of Chapter 1 of Title 6 of Part IV of Division 2 of the California Civil Code and Section 1463 of the California Civil Code, Declarant hereby declares that the Project, including the improvements, appurtenances and facilities described herein and as shown on the condominium plan (hereinafter referred to as the "Condominium Plan" and by this reference made a part hereof) to be recorded in conjunction with the Project in the Office of the County Recorder of El Dorado County, State of California, shall be held, conveyed, divided, encumbered, hypothecated, leased, rented, used, occupied and improved only upon and subject to the following uniform covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes, all of which are hereby declared, established, expressed and agreed (i) to be in furtherance of a plan for the subdivision and sale of individual "Condominiums" in a condominium "Project" as defined in Section 1350 of the California Civil Code, (ii) to be for the benefit and protection of the Project, its desirability, value and attractiveness, (iii) to be for the benefit of the owners of the Condominiums in the Project, (iv) to run with the land and be binding upon all parties having or acquiring any right, title or interest in the Project or any portion thereof, (v) to inure to the benefit of the County of El Dorado and every portion of the Project and any interest therein, and (vi) to inure to the benefit of and be binding upon each successor and assignee in interest of each owner and of Declarant. Any conveyance, transfer, sale, assignment, lease or sublease made by Declarant or by the Association (as hereinafter defined) of a Condominium in the Project will and hereby is deemed to incorporate by reference the provisions of this Declaration, including, but not limited to, the covenants, conditions, restrictions, limitations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes enforceable by Declarant, any owner or its or his successor in interest and shall also be enforceable by the Association, its Board of Directors or any person, firm, corporation or other association duly authorized by the Association or its Board of Directors to enforce all or any one or more of the provisions hereof.

ARTICLE I  
DEFINITIONS

In addition to the definitions hereinabove set forth, the following words or phrases when used in this Declaration (except when the context otherwise requires) shall have the following meanings:

1.1 "Approval" or "consent" shall mean the securing of the prior written approval or consent as required herein before doing, making or suffering that for which such approval or consent is required.

1.2 "Assessment" shall mean an Assessment whether Regular or Special, levied, charged or assessed against an Owner, his Condominium, or both, in accordance with the provisions of this Declaration and shall become a debt of such Owner and shall be deemed to have been "made" within the meaning of Section 1356 of the California Civil Code when such Assessment is entered upon the assessment roll provided for in Article VII of this Declaration and notice thereof has been mailed to the Owner of the Condominium so assessed.

1.3 "Association" shall mean Lake Oaks Condominium Owners' Association, a California non-profit mutual benefit association (the members of which shall be all of the Condominium Owners within the Project, including Declarant with respect to any retained or unsold Condominium), or its successors or assigns, which entity shall have the duty of maintaining, repair, operating, managing and administering the Common Area of the Project in the manner and to the extent provided in the Condominium Documents. The Association shall include, when the context requires, its Board of Directors, officers, agents and duly authorized representatives as the same, or any of them, may from time to time be constituted. The Association, acting alone or through its Board of Directors, officers, managers, or any duly authorized representative shall constitute the "management body" within the meaning of Section 1355 of the California Civil Code.

1.4 "Board of Directors", "Board", or "Initial Board of Directors", may be used interchangeably herein and shall mean the Board of Directors of the Association as the same may from time to time be constituted.

1.5 "Bylaws" shall mean the duly adopted Bylaws of the Association, as the same may from time to time be amended, with the original Bylaws of the Association being attached hereto as Exhibit B and made a part hereof.

1.6 "Common Area" shall mean all those portions of the Project (i) excepting only those portions thereof within any Unit therein granted or reserved and (ii) subject to all easements and rights of use in and to the Common Area provided in this Declaration and described in the document of conveyance through which each Owner acquires his or her Condominium. Unless otherwise specified, Common Area shall include the Restricted Common Area.

1.7 "Common Expense" shall mean any use of funds authorized in this Declaration and shall include all expenses or charges for the administration, insurance, maintenance, personnel, operation, repairs, utilities, additions, alterations or reconstruction of Common Area within the Project as the same may be estimated from time to time by the Association or by its Board of Directors, including, but not limited to, any amounts reasonably necessary for

reserves, contingencies and the service obligations of the Association as set forth in Article VI hereof.

1.8 "Common Funds" shall mean all funds collected or received by and/or due and payable to the Association, its Board of Directors, officers, manager or any of its duly authorized representatives for use in the administration, operation, maintenance, repair, addition, alteration or reconstruction of all or any portion of the Common Area, including but not limited to, the proceeds from insurance carried or obtained by the Association which are payable to or received by the Association as trustee for the benefit of the Owners or otherwise.

1.9 "Condominium" shall mean an estate in real property of the character defined in Section 783 of the California Civil Code located within the Project consisting of (i) a separate fee estate in a Unit and (ii) an undivided fractional interest as a tenant-in-common in the Common Area.

1.10 "Condominium Documents" shall mean only this Declaration, the Articles of Association, the Bylaws, the Condominium Plan and such other written documents, reports, maps, schedules and exhibits as are required by law to be recorded, filed or issued in connection with the subdivision, operation and regulation of the Project as a condominium project and shall be deemed to include both the preliminary subdivision public report, if applicable, and the final subdivision public report for the Project.

1.11 "Condominium Plan" shall mean a plan for the subdivision, improvement and sale of Condominiums in the Project pursuant to Section 1351 of the California Civil Code filed in the Office of the County Recorder of El Dorado County, State of California.

1.12 "Declarant" shall mean The Lake Oaks Partnership, A California Limited Partnership, its successors and assigns.

1.13 "Manager" shall mean any person, firm, corporation or other entity delegated, appointed or employed by the Association or the Board of Directors to operate, maintain or manage the Project and shall include, unless the context otherwise requires, any person employed by the Association who shall reside in the Project to oversee, operate, maintain and manage the Project and the services and facilities thereof on a daily basis.

1.14 "Mortgage" shall mean any security device encumbering all or any portion of the Project or any Condominium located therein and as used herein the term "mortgage" shall include a deed of trust. "Mortgagee" shall mean the Record Owner of a beneficial interest under a Mortgage and shall include the beneficiary under a deed of trust. The term "First Mortgage" shall mean any mortgage with first priority over any other Mortgages encumbering the same Condominium.

1.15 "Owner", "Unit Owner", and "Condominium Owner" may be used interchangeably herein and shall mean any person, firm, corporation or other association which own a Condominium and shall include (except when the context otherwise requires) the family and

each member thereof, guests, tenants, servants, employees and invitees of such owner. A "Record Owner", "Owner of Record" or "member of the Association" shall include an "Owner" and may be used interchangeably herein and shall mean any person, firm, corporation or other association in which title to a Condominium is vested, as shown by the official records in the Office of the County Recorder of El Dorado County, State of California. Declarant shall be deemed the Record Owner of all unsold or retained Condominiums until Declarant or its successor or assign shall have executed and caused to be recorded in the Office of the County Recorder of El Dorado County, State of California, an instrument of conveyance conveying the respective Condominium. As used herein, the word "family" shall mean persons related by blood or marriage.

1.16 "Percentage Interests" or "Fractional Interests" may be used interchangeably herein and shall mean the percentage interest which constitutes each Condominium Owner's undivided interest in and to the Common Area.

1.17 "Project" shall refer to the real property described herein as the subject property and the improvements comprising the entire construction thereon.

1.18 "Restricted Common Area" shall mean the garages, balcony and patio area attached to or assigned to any unit by this declaration, the Condominium Plan, or as described in the document of conveyance through which each owner acquires his or her Condominium Unit.

1.19 "Unit" shall mean the elements of each Condominium located within the Project which are not owned in common with the other Owners of other Condominiums within the Project as more particularly shown and defined on the Condominium Plan. In interpreting deeds and plans, the existing physical boundaries of a Unit constructed in substantial accordance with the original plans shall be conclusively presumed to be its boundaries regardless of any minor variance between boundaries shown on the Plan and the deed and those of the physical Unit.

## ARTICLE II SUBDIVISION MAP: CONDOMINIUM PLAN

2.1 The Property: The Property and the Improvements include all the underlying real property comprising the Project, together with the fifteen (15) residential Units constructed thereon and the Common Area contained therein.

2.2 Percentage Interest: In addition to a Unit, each owner shall receive in his instrument of conveyance from Declarant the ownership of an undivided one fifteenth (1/15th) Fractional Interest in the Common Area of the Project. These Fractional Interests shall also represent the proportionate obligation and liability of each Owner for such Owner's

share of the Common Expense, however, special assessments shall be levied upon the basis of the ratio of the square footage of the floor area of the Unit to be assessed to the total square footage of floor area of all Units to be assessed. The Fractional Interests which are hereby established shall have a permanent character and shall not be altered without the consent of the Declarant, the Mortgagee(s) and all of the Owners which is expressed in a duly recorded amendment to this Declaration.

2.3 Common Area Rights: Every Owner shall have a nonexclusive easement for use and enjoyment in, to and throughout the Common Area of the Project and a nonexclusive easement for ingress, egress and support over and through such Common Area, subject to the following rights and restrictions:

(a) The exclusive right of Owners in and to their Restricted Common Area.

(b) The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area and all improvements thereon.

(c) The right of the Association, in accordance with its Articles and Bylaws, to perform work and borrow money for the purpose of improving the Common Area and facilities thereon. The Association shall maintain all onsite drainage facilities and landscaping.

(d) The right of Declarant or its designates to enter on the Project to construct the Project and to make repairs and remedy construction defects, for a maximum of three years.

2.4 Encroachment: If any part of the Common Area encroaches upon any Unit, a valid easement for such encroachment and the maintenance thereof, so long as it continues, shall and does exist. In the event that any part of the Project shall be partially or totally destroyed and rebuilt, minor encroachments on any part of the Common Area due to construction shall be permitted and valid easements for such encroachment and the maintenance thereof shall exist.

2.5 Support Easement: In accordance with Section 1353(c) of the California Civil Code, each owner shall receive as an incident of the conveyance of its condominium, whether or not separately described, a nonexclusive easement, appurtenant to the Unit included in said conveyance, for ingress and egress and support over, across and through the Common Area and every portion of any Unit within the Project required for the structural support of the building within which said Condominium Unit is located.

### ARTICLE III ASSOCIATION

3.1 Management Body: Lake Oaks Owners Association, a California non-profit mutual benefit Association, shall be the "Association" and the management body of the Project as that term is used in Section 135(a) of the California Civil Code and shall possess and be

vested with the rights, powers and duties hereinafter set forth.

3.2 Membership Qualifications: Each Owner (including Declarant as to any unsold or retained Condominium) shall automatically, upon becoming the Record Owner of a Condominium, become a Member of the Association, and shall remain a Member thereof until such time as his record ownership ceases for any reason, at which time his membership in the Association shall automatically cease. Where more than one (1) person holds such interest in any condominium, all such persons shall be Members.

3.3 Transfer of Membership: The membership of each owner in the Association is appurtenant and inseparable from his ownership of a Condominium, which is part of the Project, and shall be automatically transferred upon any transfer or conveyance of his entire Condominium interest to any grantee or transferee. Except as provided herein, said membership shall be nontransferable whether by gift, bequest, devise, assignment or otherwise.

3.4 Amendment of Bylaws: The Bylaws may not be amended without the affirmative vote (in person or by proxy) or written consent of Members representing a majority for a quorum of the Association which shall include a majority of the voting power residing in Members other than the Declarant or where the two (2) class voting structure is still in effect, shall include a majority of each class membership. However, the percentage of voting power necessary to amend a specific clause or provision shall be not less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision. The Bylaws shall not conflict with the provisions contained in this Declaration. In the event of any such conflict, the provisions of this declaration shall control.

3.5 Classes of Membership: The Association shall have two classes of voting memberships:

(a) Class A Members shall be all those Members as defined in the above Section 3.2 with the exception of the Declarant. Class A Members shall be entitled to one vote for each Unit owned. When more than one (1) person holds such interest in any Condominium, the vote for such Condominium shall be exercised as they among themselves determine but in no event shall more votes than a Unit is entitled to be cast with respect to any Unit.

(b) The Class B Member shall be the Declarant. The Class B Member shall be entitled to vote the number of votes which is equal to three (3) times the vote attributable to each Unit owned by it within the Project. The Class B Membership shall forever cease and be permanently converted to Class A membership on the happening of any of the following events, whichever first occurs:

(i) When the total votes outstanding in the Class A membership equals the total votes (tripled as stated above) outstanding in the Class B membership; or

(ii) On the second anniversary of the original issuance of the most recently issued Public Report from the Department of Real Estate.

3.6 Voting Rights: Any Member entitled to vote may attend and vote at meetings of the Members of the Association in person, or by an agent duly appointed by an instrument in writing signed by the Member and filed with the Secretary of the Association. Any designation of any agent to act for a Member may be revoked at any time by written notice to the Association and shall be deemed revoked when the Association shall receive actual notice of the death or judicially declared incompetence of such Member or the conveyance by such Member of his Condominium. Where this is more than one (1) record owner in any Condominium, any designation of an agent to act for such persons must be signed by all record owners who are members of the Association with respect to such Condominium. Voting rights attributable to subdivision interests shall not vest until assessments against those interests have been levied by the Association.

ARTICLE IV

BOARD OF DIRECTORS

4.1 Initial Board of Directors: The initial Board shall consist of three Directors appointed in the Articles. Such Board shall serve until the first regular annual meeting of Members at which time five (5) Directors shall be elected.

4.2 Successor Board of Directors: At the time of the first annual meeting of the Members of the Association, the Members thereof, including Declarant, with respect to any unsold or retained Condominiums, shall elect a Successor Board of Directors replacing the Initial Board of Directors as defined in Section 4.1 hereof.

ARTICLE V

TRANSFER OF MANAGEMENT AND CONTROL OF ASSOCIATION

5.1 In accordance with the provisions of Section 2792.15 of Title 10 of the California Administrative Code, the management and control of the common area and all other common facilities and the personal property of the association, both tangible and intangible, shall be transferred from Declarant to the Association concurrently with or prior to the First transfer or conveyance of a Unit to an individual Owner. Such management and control shall be exercised by the Association for the benefit and enjoyment of Owners within the Project.

ARTICLE VI

MANAGEMENT

6.1 General Authority and Duties: In addition to the powers of collection and enforcement set forth in Article VIII hereof, the Association, acting alone, or through its Board of Directors, its officers or other authorized representatives, may, subject to the

provisions of the Articles of Association, the Bylaws and this declaration, exercise any or all right and powers hereinafter enumerated, including, but not limited to, any or all of those rights and powers as set forth in (i) Section 1355 (b) of the California Civil Code, and (ii) Section 2792.21 (a) of Title 10 of the California Administrative Code.

The Association shall maintain, repair, replace, restore, operate and manage all of the common area and all facilities, improvements, equipment and landscaping thereof, and all property that may be acquired by the Association. Such maintenance shall include (without limitation): painting, maintaining, repairing and replacing of all common areas, recreational facilities, exterior glass surfaces, landscaping (except for private balcony areas which are to be maintained by owners pursuant to Section 14.4) and parking areas. The responsibility of the Association for maintenance and repair shall not extend to repairs or replacement arising out of or caused by the gross negligence or willful or malicious act or omission of an Owner, the cost of which (to the extent not covered or reduced by insurance) shall be specifically assessed to said Owner pursuant to Section 7.7 (c).

6.2 Specific Powers: Without limiting the generality of the preceding Section 6.1, the Association may provide for, cause to be performed, obtain contract, acquire or pay for all or any of the following:

(a) Subject to the provisions of Section 7.7 and of Article IX hereof, for cleaning, painting, maintenance, repairs, reconstruction and replacement of and to all and any portion of the Common Area and for maintenance and repairs to all or any portion of the equipment, facilities or landscaping without the Common Area as the Association shall determine to be necessary.

(b) Make, build, maintain and repair all fences, walls, sewers, drains, curbs, sidewalks and parking areas which may be required by law to be made, built, maintained and repaired upon or adjoining or in connection with or for the use of the Project or any part thereof.

(c) Procure the services of a Manager, together with the services of such other persons as the Board of Directors shall from time to time determine to be necessary or proper for the daily management, operation and maintenance of the Project, provided that no contract for the services of the Manager or any other persons employed to assist in the operation and maintenance of the Project shall be made or entered into which may not be terminated for cause upon ninety (90) days' written notice or which binds the Association for a period in excess of one (1) year except that any such contract may be renewed for successive periods of one (1) year or more upon terms approved by the Owners entitled to exercise at least fifty one percent (51%) of the voting power of the Association residing members other than Declarant. As used in this subsection the term "persons" shall include a natural person, a portion, a partnership, an association or a firm.

(d) Grant easements where necessary for utilities and sewer facilities over the Common Area to serve the common and open space areas and the Units and obtain water, sewer, electrical, gas and other necessary utilities for the Common Area and if not separately metered or charged for the individual Units.

(e) Obtain and maintain such policies of casualty, liability and other insurance covering such persons, property and risks as are more particularly set forth in Article X of this Declaration, provided that no such insurance policy shall exceed three (3) years in duration and each such policy shall permit short rate cancellation by the insured.

(f) Provide services for a gardener or gardeners to maintain, renew or replace all or any portion of the landscaping, gardening or green areas within the Common Area, together with all tools, supplies, plants and equipment reasonably necessary for such purpose.

(g) Provide services of a trash, rubbish and garbage collection company or agency, whether public or private, for the purpose of regularly and efficiently collecting from designated areas within the Project and removing from the project all trash, garbage, rubbish and refuse discarded by the Management and the residents of the Project.

(h) Pay for taxes and assessment of whatever type duly assessed against all or any portion of the Common Area or the personal property of the Association which are or could become a lien upon said property or any portion thereof.

(i) Cause to be performed an annual audit by an independent Certified Public Accountant of the accounts and operating statements of the Association, Board of Directors, its officers, the Manager and his staff. Said audit shall reflect the income and expenditures of the Association, its Board of Directors, its officers, the Manager and his staff for the maintenance and operation of the Project for the Association's fiscal year. A copy of said audit, including a balance sheet, an operating statement, a statement of changes in financial position for the fiscal year and any information required to be reported, shall be delivered to each Owner upon the earlier of (i) ninety (90) days after the close of the Association's fiscal year or (ii) within thirty (30) days after completion thereof. If any additional audit beyond said annual independent audit is desired by a majority of the Owners, it shall be prepared at the expense of the Owners desiring such additional audit. The Association shall further prepare and distribute to each owner:

(1) A budget for each fiscal year consisting of at least the following information shall be distributed not less than forty five (45) days and not more than 60 days prior to the beginning of the fiscal year.

(A) Estimated revenue and expenses on an accrual basis.

(B) The amount of the total cash reserves of the Association currently available for replacement or major repair of common facilities and for contingencies.

(C) An itemized estimate of the remaining life of, and the methods of funding to defray the costs of repair, replacement or additions to major components of the Common areas and facilities for which the Association is responsible.

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

(3) A Balance Sheet - as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of an interest in the subdivision - and an operating statement for the period from the date of the first closing to the said accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the subdivision interest and the name of the entity assessed.

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

(A) A balance sheet as of the end of the fiscal year.

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

(C) A statement of changes in financial position for the fiscal year.

(D) For any fiscal year in which the gross income to the Association exceeds \$25,000.00 a copy of the review of the annual report prepared in accordance with the generally accepted accounting principles for a licensee of the California State Board of Accountancy.

(4) If the report referred to in (i) (3) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

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

(A) Contract and pay for legal and account services for the Association, its Board of Directors, its Officers, the Manager and his staff, provided that said services and fees are incurred solely in connection with (i) the management, operation and maintenance of the Project, (ii) the performance or enforcement (including the collection of any assessments) of the provisions of this Declaration, the Bylaws or Articles of the

Association, (iii) a protest or litigation to contest local real estate taxes levied against a majority of the Condominiums or (iv) litigation arising out of the condemnation of all or any portion of the Common Area.

(6) Provide such fidelity bond or bonds naming the Board of Directors, the officers of the Association, the Manager and his staff and such other person or persons as may be designated by the Association as principals with the Association (as trustee) as the obligee.

(7) Pay the cost to purchase, sell, lease and maintain any Condominium abandoned by its Owners or acquired by the Association pursuant to the provisions of Article VIII of this Declaration.

(8) Establish and maintain a working capital contingency fund in an amount to be determined by the Board of Directors of the Association.

(9) Such other services for the use, enjoyment and protection of the Project and the residents thereof as the Association may determine from time to time are reasonable, proper or desirable.

(10) Take such action and incur such obligations whether or not hereinbefore expressly specified, as shall be reasonably necessary for the enforcement of this Declaration and for the protection of the common interest of the Owners in the Project.

6.3 Delegation of Authority: The Association or its Board of Directors shall have the power to employ the services of a Manager or other employee, or a professional manager or management company, subject to the direction and control of said Board, to manage and carry out the affairs of the Association and, to the extent not inconsistent with the Laws of the State of California and upon such conditions as are otherwise deemed advisable by the Board, to delegate to the manager of any of its powers; provided, however, that any contract with such professional manager or management company, and the compensation to be paid, for a term greater than one (1) year must be approved by at least fifty-one (51%) percent of the voting Members of the Association other than Declarant. In no event shall any management agreement be for a term greater than three (3) years and said agreement shall provide for a termination for cause on a maximum of ninety (90) days written notice. However, the Board may not delegate to the manager the authority to make expenditures for capital additions or improvements chargeable against the Association's reserve fund; to conduct hearings concerning compliance by an Owner or his guest, tenant, lessee or invitee with this declaration or the Rules, or to make a decision to levy monetary fines, impose special assessments against an individual Lot, temporarily suspend an owner's rights as a member of the Association or otherwise impose discipline following any such hearing; or to make a decision to bring suit, record a claim of lien or institute foreclosure proceedings for default in payment of assessments. Any delegation made by the Board shall be revocable at any time.

The members of the Board, individually or collectively, shall not be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated by a written instrument authorized by a majority of the Board.

6.4 Rights of Entry: Upon consent of the Owner, which consent shall not be unreasonably withheld, the Association or its agents shall have the right and authority to enter upon and within the Owner's Unit, balcony, storage locker, or garage within the Project, to perform the Association's obligation in connection with any maintenance, repairs or construction for which the Association is responsible for emergency repairs for the benefit of the Common Area or the Owners in common. Such entry shall be made with as little inconvenience to the Owner as reasonably possible and any damage caused thereby shall be repaired by the Association.

6.5 Records: The Association shall keep and maintain detailed books and records of the business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains and losses. The membership register, books of account and minutes of meetings of the Members, of the Board and of committees shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative at any reasonable time and for a purpose reasonably related to his interest as a member at the office of the Association or at such other place within the Project as the Board shall prescribe. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given the custodian of the records by the member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made; and
- (c) Payment of the cost of reproducing copies of documents requested by a Member.

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

6.7 Indemnification: To the maximum extent permitted by Law the Association shall and does hereby indemnify the Board of Directors (and each member thereof), the officers of the Association (and each of them) and each of the employees of the Association against all expenses and liabilities, including attorneys' fees reasonably incurred by such person or persons in connection with any proceeding (including but not limited to arbitration proceedings brought in accordance with Section 24.1 hereof) to which he may be a party by reason of his being or having been a director, officer or employee of the Association, except in such cases where he is adjudged guilty of gross negligence or willful misfeasance or malfeasance in the performance of his duties.

6.8 Compensation to Officers and Directors: The Association shall not except with the vote or consent of a majority of the voting power of the Association residing in Members other than the Declarant, pay any compensation to members of the Board of Directors or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board of Directors may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

6.9 Exclusive Powers: The Association alone shall have the authority to (a) amend or repeal this Declaration upon the affirmative vote of the Owners otherwise entitled to vote and holding in the aggregate the interests in the Common Area specified in Section 21.1 of this Declaration, (b) amend the Bylaws upon the affirmative vote of the Owners specified in Section 3.4 of this Declaration, and (c) remove a member of the Board of Directors in accordance with the cumulative voting and other minority protective provisions set forth in the Bylaws. Notwithstanding anything contained in this declaration to the contrary, neither the Association nor its Board of Directors, the Manager or his staff may do, conduct or engage in any activity or cause the same to be done, which may jeopardize the non-profit character of the Association.

6.10 Additional Association Duties: The Association shall establish and maintain an adequate reserve fund for the replacement or restoration of the Common Area which shall be funded from the Regular Assessments levied against each Owner pursuant to the provisions of Section 7.1 and 7.2. The Association shall further give the Federal Home Loan Mortgage corporation notice in writing of any loss to, or taking of, the Common Area if such loss or taking exceeds the sum of Ten Thousand Dollars (\$10,000.00).

6.11 Limitation Upon Duration of Contracts: Notwithstanding anything contained in this Article VI apparently to the contrary, the Association shall not, without the affirmative vote or written consent of a majority of the voting power of the Association residing in members other than the Declarant, enter into any contract with a third person wherein the third person will furnish goods or services for the Association for a term longer than one (1) year with the following exceptions:

(a) A contract with a public utility company, if the rate charges for the material or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; and

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

ARTICLE VII  
ASSESSMENTS: COMMON FUNDS

7.1 Creation of the Lien and Personal Obligation of Assessment. Declarant for each Unit owned by it, hereby covenants and agrees, and each owner by acceptance of a deed for a Unit is deemed to covenant and agree for each Unit owned, to pay the Association the Regular Assessment, and all Special Assessments (hereinafter collectively "Assessments") to be established and collected as provided herein and in the other Project Documents. The Assessments together with late charges, interest, costs and reasonable attorneys' fees incurred in collecting delinquent assessments, shall be a charge and a continuing lien upon the Unit against which each Assessment is made, the lien is to become effective upon recordation of a Notice of Delinquent Assessment. The Assessments, together with late charges, interest, costs, and reasonable attorneys' fees shall also be the personal obligation of the Owner of such Unit at the time when the Assessments fell due. If more than one person or entity was the Owner of a Unit the personal obligation for delinquent Assessments shall not pass to any transferee unless expressly assumed by him. No owner may exempt himself from liability for his Assessments' obligations by waiver of the use or enjoyment of any of the Project.

7.2 Purpose of Assessments. Assessments shall be used exclusively to promote the recreation, health, safety and welfare of all the Owners and for the improvement, maintenance and administration of the Project and other expenditures incurred in the performance of the duties of the Association as set forth in the Project Documents.

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

Not more than ninety (90) days nor less than sixty (60) days before the beginning of each fiscal year, the Board shall meet for the purpose of establishing the Regular Assessment for the forthcoming fiscal year. At such meeting, the Board shall review the proposed pro forma operating statement or budget, and written comments received and any other information available to it and, after making any adjustments that the Board deems appropriate, shall establish the Regular Assessment for the forthcoming fiscal year; provided, however, that the Board may not impose a regular assessment that is more than ten percent

(10%) greater than the regular assessments for the Association's preceding fiscal year, or impose special assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year without the approval of owners casting a majority of the votes at a meeting or election of the Association's residing Members other than Declarant and conducted in accordance to the procedures outlined in this declaration, provided that the foregoing provisions do not limit assessment increases for the following purposes.

(1) The maintenance or repair of the common areas which the Association is obligated to maintain or repair, including, but not limited to, the payment of insurance premiums, the payment of utility bills, the costs incurred in maintaining structures or improvements, and funding reserves, or (2) addressing emergency situations. Not less than sixty (60) days before the beginning of each fiscal year, the Board shall distribute to each owner a final copy of the pro forma operating statement or budget for the forthcoming fiscal year. Regular Assessments shall be payable in equal monthly installments unless the Board adopts some other basis for collection. Unit January 1st of the year immediately following the conveyance of the first Unit to an Owner the Regular Assessment shall not exceed \$95.00 per month per Unit.

7.4 Special Assessments. If the Board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become delinquencies, costs of construction, unexpected repairs or replacements of capital improvements of the Common Area, the Board shall determine the approximate amount necessary to defray such expenses, and if the amount is approved by the Board it shall become a Special Assessment. The Board may, in its discretion, pro rate such Special Assessments over the remaining months of the fiscal year or levy the Assessment immediately against each Unit.

7.5 Limitation on Special Assessments. Any special assessment which singly or in the aggregate with previous Special Assessments for the fiscal year would amount in excess of five percent (5%) of the budgeted gross expense of the Association for the fiscal year, shall require approval by vote or written assent of a majority of the voting power of the Association residing in Members other than Declarant.

7.6 Individual Assessments. Individual Assessments may be levied against a Unit and its owner as a remedy to reimburse the Association for costs incurred in bringing that Owner and his Unit into compliance with the provisions of the Project Document. The cost and expense of repair or replacement of any portion of the Common Area resulting from the willful or negligent act of an Owner, his tenants, family, guests or invitees shall be the responsibility of such Owner, to the extent that it is not covered by insurance maintained by the Association. The Association shall cause such repairs and replacements to be made and if an Owner shall fail to pay for such repairs or replacements, the cost thereof (and other charges

permitted by Section 7.1) shall be levied as an individual assessment against such Unit and shall be payable to the Association by the Owner of such Unit. However, said Assessment shall not become a lien against the member's subdivision interest in accordance with the provisions of Section 32924, 2924(b) and 2924(c) of the Civil Code unless the charges imposed against an owner consist of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and the cost reasonably incurred (including attorney's fees) in its efforts to collect delinquent assessments.

7.7 Rate of Assessments. All assessments may be collected on a monthly basis. Both annual and special assessments must be fixed at a uniform rate for all lots.

7.9 Notice and Quorum for Members Approval Under Sections 7.3 and 7.5. Written Notice of any meeting called for the purpose of taking any action authorized under Section 7.3 or 7.5 shall be sent to all Members not less than 30 days nor more than 60 days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty (60%) percent of all the votes of each class of Membership (including sixty (60%) percent of the votes of Members other than declarant) shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting.

#### ARTICLE VIII

##### NONPAYMENT OF ASSESSMENT

##### REMEDIES OF THE ASSOCIATION:

##### MAINTENANCE OF FUNDS COLLECTED

8.1 Collection Action: Each assessment shall be a separate debt of the Owner against whom it is assessed. In the event that any Assessment is not paid in full on the date it is due, the Board of Directors may, in the name of the Association, bring suit to collect said Assessment. The defaulting Owner shall pay to the Association such sums as the court may fix as attorneys' fees in such suit. The defaulting Owner shall be liable to the Association for all its costs of collection, plus ten percent (10%) interest on the unpaid Assessment from the date of default, regardless of whether or not a suit is commenced.

8.2 Assessment Liens: In accordance with the provisions of Section 1356 of the California Civil Code, the amount of any delinquent Assessment which is assessed in accordance with Article VII hereof, together with any interest and/or costs, including attorneys' fees attributable thereto or incurred in the collection thereof, shall be and the same is hereby declared and agreed to be a lien upon the Condominium of the Owner so assessed when the Association shall cause to be recorded in the Office of the County Recorder of El

Dorado County, State of California, a Notice of Assessment executed by an authorized representative of the Association, setting for the matters required by said Section 1356; provided that no such Notice of Assessment shall be so recorded until the Association or a person designated by the Association shall have first mailed to the owner of the Condominium against which such Assessment was assessed at the street address of said Owner's Condominium or such other place as said Owner may designate in writing a Notice of Default in the form prescribed by Section 2924 of the California Civil Code, together with a demand upon such Owner to pay any such delinquent Assessment and any interest charges attributable thereto. If the Association has not received full payment of all such delinquent Assessments and any interest charges attributable thereto within fifteen (15) days from the mailing of said Notice of Default, the Association shall promptly cause said Notice of Assessment to be recorded as provided above. Following the expiration of thirty (30) days after the recordation of said Notice of Assessment, the Association shall cause the above-mentioned Notice of Default to be recorded in the Office of the County Recorder of El Dorado County, State of California, and thereafter cause the Condominium of the defaulting Owner to be sold in the manner provided in section 2924, et seq., of the California Civil Code as said sections may from time to time be amended, or in any other manner permitted by law. Any such sale shall be held as promptly as possible. The Association, or its designee, shall have the power to bid on the Condominium of the defaulting Owner at such foreclosure sale and thereafter to hold, lease, mortgage and convey the same. Except as otherwise provided in Article XVI hereof, the lien created as provided herein shall be prior to all other liens recorded subsequent to the recordation of said Notice of Assessment, and unless sooner satisfied and released or the enforcement thereof initiated as herein provided, such liens shall expire and be of no further force or effect on one (1) year from the date of recordation of said Notice of Assessment; provided that said one (1) year period may be extended by the Association not to exceed one (1) additional year by recording the Office of the County Recorder of El Dorado County, State of California, a written extension of said Notice of Assessment.

8.3 Authorization of Board: Any action to be taken by the Board of Directors to enforce the collection of any unpaid Assessments, pursuant to the above provisions or by any other remedy provided by law, must be authorized by a majority of the Board of Directors at any regular or special meeting thereof, or by the written consent of all the members of the Board of Directors acting without a meeting; provided, that should the defaulting Owner be a member of the Board of Directors, only the presence of a majority of the remaining Directors shall be necessary to establish a quorum and only a vote of a majority or the unanimous written consent of the remaining Directors shall be necessary to take any such action.

8.4 Satisfaction of Lien: Upon payment in full of any delinquent Assessment together with interest, costs and charges attributable thereto, or other satisfaction thereof, with respect to which a Notice of Assessment has been recorded, the Association shall promptly cause to be recorded a further notice stating the satisfaction and a release of the lien thereof, said Notice to be executed and acknowledged by at least two (2) members of the Board of Directors on behalf of the Association.

8.5 Waiver of Exemption: Each Condominium Owner does hereby waive to the fullest extent permitted by law, with respect only to Assessment liens created pursuant to this Article VIII, the benefit of any homestead or exemption or redemption laws of the State of California, in effect at the time any payment of any assessment becomes delinquent as herein provided and such Owner shall be deemed estopped to raise said homestead or other exemption or redemption in any action or proceeding to enforce or foreclose such Assessment liens.

8.6 Deposit of Assessments: The Assessments collected by the Association shall be promptly deposited in two (2) separate interest bearing accounts with a savings and loan association or bank selected by the Board within the County of El Dorado, State of California. Such accounts shall be clearly designated as the "Lake Oaks Condominium Owners' Association Current Maintenance and Operating Accounts" and "Lake Oaks Condominium Owners' Association Capital Maintenance and Replacement Accounts." The Board of Directors and such officers have exclusive control of said accounts and shall be responsible to the Owners for the maintenance at all times of accurate records thereof in accordance with Section 6.5 hereof.

8.7 Allocation of Receipts: The Board shall allocate a portion of each Regular Assessment as collected for the annual maintenance and operation of the Project as specified in the annual budget and the Board shall allocate a portion of said funds as collected as reserves for contingencies, replacement and deferred maintenance of the capital improvements of the Project as specified in the annual budget. Said funds shall be deposited, as allocated, into the appropriate accounts designated in Section 8.6, above, and such accounts shall be separately maintained by the Association. No Owner shall have the right to receive interest on any deposits made in accordance with this Article VIII.

#### ARTICLE IX

#### DAMAGE, DESTRUCTION, ADDITIONS OR ALTERATIONS

9.1 Decision to Repair: If all or any portion of the Common Area is damaged or destroyed by fire or other casualty then the insurance proceeds available to the Association shall be paid to the Board of Directors which shall thereupon contract to repair, reconstruct or restore the damage or destroyed portions of the Common Area as nearly as may be possible

to its condition immediately prior to such damage or destruction.

(a) If the insurance proceeds are insufficient to pay all of the costs of repairing or rebuilding, the Board of Directors shall cause all insurance proceeds available to the Association to be paid to a bank or trust company to be held for the benefit of the Owners and their respective Mortgagees of their individual Condominiums, as their interests shall appear. The Board of Directors shall thereafter obtain firm bids from two or more responsible contractors to rebuild the Common Area as nearly as may be possible to its condition immediately prior to such damage or destruction and shall, as soon as possible thereafter, call a special meeting of the Members to consider such bids. At such meeting, the Members may, by the affirmative vote of fifty-one percent (51%) of the voting power of each class of membership, elect to accept any such bid not involving a total cost exceeding the amount of available insurance proceeds by more than Fifty Thousand Dollars (\$50,000.00). The acceptance of a bid involving a total cost exceeding the amount of available insurance proceeds by more than Fifty Thousand Dollars (\$50,000.00) shall require the affirmative vote of sixty-six and two-thirds percent (66-2/3%) of the voting power of each class of memberships. If a bid is accepted, the Board of Directors shall levy a Special Assessment on all the Owners, in accordance with the provisions of Section 7.7 hereof to make up any deficiency between the total insurance proceeds and the contract price for such repair and rebuilding. Said special assessment shall be levied upon the basis of the ratio of the square footage of the floor area of the Unit to be assessed to the total square footage of floor area to all Units to be assessed.

(b) If no such bid is accepted within three (3) months after the date on which such damage or destruction occurs, then the Board of Directors shall cause a special meeting of the Members to be held at which time the Owners may, by seventy-five percent (75%) vote of each class of membership, elect not to repair, reconstruct or restore the damaged Common Area but distribute the insurance proceeds available for such reconstruction, together with any other sums otherwise available to the Association for such purposes to the Owners (including Declarant with respect to any retained or unsold Condominiums), but subject to (i) the rights of Mortgagees holding Mortgages encumbering Condominiums within the Project and (ii) all unpaid Assessments, together with any interest charges attributable thereto. Distribution of the insurance proceeds shall be made in an amount bearing the same ratio to that amount that the original selling price of each Unit bears to the total original selling price of all Units. In the event it is not the determination and vote of the Members not to repair, reconstruct or restore the damaged Common Area at the special meeting held for this purpose, the Board of Directors shall be authorized to accept the lowest available bid theretofore submitted and caused such work to be completed with Section 7.7 for all additional funds needed for such purpose.

9.2 Revival of Partition Rights: After any vote of the Members as provided in Section 9.1 not to repair and restore the damaged portion of the Common Area, the right of partition suspended by Article XVIII of this Declaration shall be revived. The Board of Directors shall, within thirty (30) days after such vote, cause to be executed, acknowledged and recorded in the Office of the County Recorder for the County of El Dorado, State of California a certificate setting forth the intention not to repair and restore the Common Area and specifying the revival of the right of partition specified herein.

9.3 Certificate of Intention: In the event it is the determination and vote of the Members, as provided in Section 9.1, not to repair, reconstruct or restore any damaged portion of the Common Area, the Board of Directors shall, as soon as practicable after the recordation of the certificate of intention described in Section 9.2, cause to be prepared, filed and/or recorded any revised subdivision map, Condominium Plan or other documents, reports, schedules or exhibits necessary to show the changed or altered status of the Project, including, without limitation, the elimination of one or more of the Units as a result of such damage. The cost of the preparation, filing and/or recordation of any document, map, report, schedule or exhibit referred to in this Section 9.3 shall be specially assessed to the Owners in the proportions specified in Section 7.4.

9.4 Repair: In the event of damage or destruction by fire or other casualty affecting any Unit, the Owner or Owners thereof shall cause the same to be repaired or reconstructed as soon as reasonably possible as nearly as possible to its condition immediately prior to such damage or destruction. If the Owner fails to do so within ninety (90) days after the casualty occurs, the Board of Directors, on behalf of the Owner or Owners, may obtain bids from two (2) or more responsible contractors and cause said work to be done according to the bid it considers most favorable. The Board of Directors shall levy a Special Assessment against the Owner of said damaged or destroyed Unit in the amount of the contract price for such repair or rebuilding, to be used for such repair and rebuilding, which Special Assessment shall be secured by the lien provided for in Article VIII hereof. In the event of damage or destruction affecting two (2) or more Units, any controversy between the Owners of such damaged Units concerning their respective obligations hereunder shall be submitted to arbitration. Each Owner shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

ARTICLE X  
INSURANCE

10.1 Types of Insurance: The Association (which if required shall be deemed for the purpose of this Article X the agent, coupled with an interest, of all of the Owners) shall

purchase, obtain, carry and maintain, with the premiums therefore being paid out of Common Funds, the following types of insurance:

(a) A master or blanket policy naming as insureds the Association, its Board of Directors and officers; the Manager and his staff; employees of the Association and all Owners and their Mortgagees as their interests may appear and containing, as a part thereof, the standard extended coverage and replacement cost endorsements and such other or special endorsements as will afford protection and insure, for the full insurable replacement cost all buildings and improvements located on or within the Project and all personal property of the Association located on or within the Project for or against the following:

(1) Loss or damage by fire or other risks covered by the standard extended coverage endorsement.

(2) "Use and occupancy coverage" for the payment of all Assessments attributable to any damaged Condominium during any period of repair or reconstruction thereof.

(3) Loss or damage to or as a result of theft, vandalism, malicious mischief, plate glass, boilers, pressure vessels or pressure pipes flooding, sprinkler leakage or water damage, and including earthquake.

(4) Such other risks, perils or coverage, including, but not limited to, loss of rents, as the Board of Directors may determine.

Said master policy or the endorsements made a part thereof may provide for a deductibility feature of not more than Two Thousand Dollars (\$2,000.00) from any amounts otherwise payable thereunder and shall also (i) provide that only improvements made or installed by the Association shall affect the valuation of any building or improvements on the Project for co-insurance purposes, (ii) provide for at least a biennial insurance review which shall include an appraisal of all buildings, improvements and personal property of the Association located on or within the Project by a representative of the insurer issuing said master policy, (iii) contain a waiver by said insurer of any and all rights of subrogation against any Owner, Declarant (and each member of its staff or employees), the Association, its Board (and each member thereof), its officers (and each of them), the Manager and each member of his staff or employees of the Association, (iv) provide that said master policy cannot be cancelled, invalidated, suspended, substantially modified, terminated, avoided or permitted to expire in whole or in part by reason of any act, omission or breach of any covenant, condition or restriction contained herein by the Association, its Board of Directors, officers, Manager, its staff or any one or more Owners without a prior written demand that the policy be cancelled, invalidated, suspended, substantially modified, terminated, avoided or expire for any reason without thirty (30) days' prior written notice from the insurer to the Association, Declarant and to any Owner or Mortgagee who shall have filed a written request

10.3 Additional Association Insurance: The Association may also purchase such additional insurance and/or bonds as it may, from time to time, determine to be necessary or desirable including, but not limited to (i) demolition insurance in amounts adequate to cover demolition in the event of destruction and a decision not to rebuild and (ii) fidelity bonds naming the manager, his staff and the officers and Board of the Association as principals and all of the Owners as obligees.

10.4 Supervision of Proceeds Use: With respect to any repairs for which proceeds of insurance are paid or are payable to the Association, the Board of Directors alone shall designate the contractor to perform said repairs, provided that nothing herein contained shall be construed to prohibit the individual Owners from overseeing repairs done to their Units.

10.5 Acceptance Insurance: All policies of insurance obtained by the Association or its Board of Directors as provided in this Article X shall be obtained from an insurance company qualified to do and doing business in the State of California and holding a rating of "AAA" or better by Best Insurance Reports and may be obtained from one or more companies.

10.6 Association Recovery Costs: All costs and expense incurred by the Association to collect or recover the proceeds of any insurance policy purchased by the Association as provided by this Article X (including, but not limited to any and all fees of attorneys, appraisers and adjusters) shall, in accordance with the provisions of Section 7.7, be specially assessed to each Owner in the proportions specified in Section 7.4 of this Declaration.

#### ARTICLE XI

#### \*\* CONDEMNATION

11.1 In the event of a condemnation award affecting all or any part of the structural common Area in the Project which is not apportioned among the owners by a court judgment or by an agreement between the condemning authority and each of the affected owners in the Project, said condemnation award shall be distributed in an amount bearing the same ratio to that amount that the original selling price of each Unit affected bears to the total original selling price of the Units affected. Upon the taking of any Unit, the Owner and his mortgagee or mortgagees shall be divested of any interest in the Project if such Owner shall vacate his Unit as a result of said taking. The remaining Owners shall decide by majority vote whether to rebuild or repair the Project, or take other action; provided, however, that any decision which will result in the Association incurring aggregate expenditures for capital improvements to the Common Area in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year shall not be effective, unless it has received the affirmative vote or written assent of a majority of the voting power of the Association residing in

Members other than the Declarant. The remaining portion of the Project shall be resurveyed, if necessary, and the Declaration shall be amended to reflect such taking and to readjust proportionately the Percentage Interests of the remaining Owners in the Project. In the event of the taking by eminent domain of more than one Unit at the same time, the Association shall participate in the proceedings and shall propose the method of division of the proceeds of the condemnation. Any award received shall be allocated fairly and proportionately among the Owners of the Units involved. The Association shall give careful consideration to the allocation of Percentage Interests in the Common Area in determining how to divide proceeds of condemnation. In the event any Owner disagrees with the proposed allocation, such Owner may have the matter submitted to arbitration in accordance with the provisions of Section 24.1. In the event of eminent domain proceedings against the Property or any portion thereof, First Mortgages shall be given timely written notice thereof in accordance with the provisions of Section 16.10.

ARTICLE XII  
UTILITIES

12.1 Repair and Maintenance: Wherever sanitary sewer and/or water connections or electricity, gas or telephone lines are installed within the Project, which connections or any portion thereof lie in or upon the Condominiums owned by persons other than the Owner of a Condominium served by said connections, the Owner of a Condominium served by said connections and the Association shall have the right, and are hereby granted the right to the full extent necessary therefor, to enter upon the Condominiums or to have the utility companies enter upon the Condominiums within the Project or upon which said connections or any portion thereof lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.

12.2 Joint Connections: Whenever sanitary sewer and/or water connections or electricity, gas or telephone lines installed within the Project serve more than one Condominium, the Owner of each Condominium served by said connections shall be entitled to the full use and enjoyment of such portions of said connections as service to his Condominium.

12.3 Disputes: In the event of a dispute between Owner with respect to the repair or rebuilding of said connections, or with respect to the sharing of the cost thereof, then, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to arbitration in accordance with the provisions of Section 24.1 of this Declaration.

12.4 Reservation of Service Easements: Easements over the Project for the installation and maintenance of electric, telephone, water, gas and sanitary sewer lines and facilities, and for drainage facilities as may be hereafter acquired or needed to serve the

project, are hereby reserved by Declarant, together with the right to grant and transfer the same.

ARTICLE XIII  
USE RESTRICTIONS

13.1 Permitted Uses: No Condominium shall be occupied and used except for residential purposes by the Owners and no trade or business shall be conducted therein, except that Declarant, its successors and assigns, may use any Unit or Units, including the surrounding Common Area, in the Project owned by Declarant for a model home site or sites and display and sales office during construction and until the last Unit is sold. No tent, shack, trailer, garage, outbuilding or structure of a temporary nature shall be used at any time as a residence, either temporarily or permanently.

13.2 Right to Lease: The Units shall not be rented by the Owners thereof for transient or motel purposes, which shall be defined as (a) rental for any period of less than thirty (30) days, (b) any rental if the occupants of the Unit are provided customary motel services such as room service for food and beverages, maid service and the furnishing of laundry and linen services. Subject to the foregoing restrictions, the Owners of their respective Condominiums shall have the right to lease the same subject to and limited by the provisions of Article XXVII hereof and provided that the lease is made subject to the covenants, conditions, restrictions, limitations and uses contained in this Declaration and the Articles and Bylaws.

13.3 Common Area: The Common Area shall be improved, occupied and used only in accordance with this Declaration and rules and regulations to be promulgated by the Board of Directors, subject to all the easements and rights of use in and to the Common Area provided in this Declaration and described in the document of conveyance through which each Owner acquires his Condominium. Each portion of the Common Area shall be used only for the purposes intended and no bicycles, scooters, tricycles or similar vehicles, toys or other articles belonging to any Owner shall be kept or allowed to remain thereon unless upon the Restricted Common Area or unless specifically designated by the Association therefor. Recreational facilities shall be limited to and provided for the use by the Owners only and subject to the rules and regulations to be promulgated by the Board of Directors and enforced by the Association.

13.4 Storage: There shall be no visible storage of any items of an Owner's personal property outside of any Unit or Restricted Common Area.

13.5 Nuisance: No Unit or Restricted Common Area shall be used in such manner as to obstruct or interfere with the enjoyment of the Owner or occupants of other Units or to

annoy them by unreasonable noise or otherwise, nor shall any illegal or extrahazardous activity be committed or permitted to occur in any Unit. No noxious or offensive activity shall be carried on in any of the Units or in the Common Area nor shall anything be done therein which may cause unreasonable embarrassment, annoyance or nuisance to the Owners or occupants of other Units in their use and enjoyment of their Units or the Common Area. No power equipment, welding equipment or carpentry shop shall be maintained or used within any Unit or portion of the Common Area, except with the approval of the Board of Directors of the Association. No automobile overhaul or maintenance work shall be permitted on the Project.

13.6 Alterations: No Owner shall, whether at his own expense or otherwise, do, make or suffer any alteration, addition or modification to any portion of the Common Area nor shall he install, attach, paste, hinge, screw, nail, build or construct any lighting, decoration or other articles or thing thereto until plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing by the Architectural Committee pursuant to Article XXV of this Declaration. There shall be no alteration of the exterior color scheme of any structural improvement except with the prior written approval of the Committee. Notwithstanding anything contained in the preceding portion of this section to the contrary, however, each Condominium Owner shall have the exclusive right to landscape and maintain the ground area of the balcony and patio area appurtenant to his own Unit. Nothing shall be done in or to any Unit or Common Area when it is likely to impair the structural integrity of the Project or any part thereof.

13.7 Antennas: No Owner shall install, attach or hang or cause to be installed, attached or hung, any equipment for electrical installation, television or radio transmitting or receiving antenna, machines or air conditioning units or other like equipment or wiring in or on any portion of the Common Area or that protrudes from or through any Common Area wall, ceiling, window or door. All radio, television, air conditioning units or other electrical equipment or appliances of any kind or nature or wiring therefor installed or used in a Unit shall fully comply with all rules, regulations and requirements of all state and local public authorities having jurisdiction over such units, equipment or appliances and the Unit Owner shall alone be liable for any damage or injury caused by any such radio, television or other electrical equipment or appliance installed or used in his Unit. Normal radio, stereo, high fidelity and television installations within a Unit are excepted.

13.8 Applicable Law: Each Owner shall promptly and fully comply with any and all applicable laws, rules, ordinances, statutes, regulations and requirements of any governmental authority or agency with respect to the occupancy and use of his Condominium.

13.9 Insurance Hazards: Nothing shall be done or kept in or on any Unit for the Common Area or any portion thereof which will increase the rate of insurance in or on any

other Unit or the Common Area or any portion thereof. No Owner shall permit anything to be done or kept in his Unit or in any Common Area or in any portion thereof with respect to which he has an easement or a right of exclusive use, which would result in the uninsurability, cancellation, suspension, modification or reduction of insurance in, on or covering any of the Units or Common Area within the Project. If, by reason of the occupancy or use of any Unit or the Common Area by any Owner, the rate of insurance of all or any portion of the Project shall be increased, such Owner shall be personally liable to the Association for any such increase in insurance premiums caused thereby in accordance with Section 7.7 of this Declaration.

13.10 Vehicles: No Owner or other occupant of a Unit shall permit any vehicle belonging to himself or herself or his or her guests to remain parked within any area of the Project other than in such Owner's garage or parking space for a continuous period exceeding forty-eight (48) hours. In no case shall such vehicle be parked, left or stored in any driveway or other area inside the Project except at areas or in spaces designated therefor. No recreational vehicles, vacation, hauling or boat trailers or camper units shall be parked or stored within the Project. As used herein the term "vehicle" shall include automobiles, motorcycles, light trucks and all other vehicles of a similar nature. Garage areas shall remain usable for automobile, motorcycle, small truck and van storage only. Any other use of garage areas interfering with such use is prohibited.

13.11 Pets: No animals or birds of any kind shall be raised, bred or kept in any Condominium or on any portion of the Project, except that not more than two (2) usual and ordinary household pets, such as dogs, cats or birds, may be kept, provided that they are not kept, bred or maintained for any commercial purposes and they are kept under reasonable control at all times. Notwithstanding the foregoing, no pets may be kept within the Project which results in an annoyance or are obnoxious to other Owners. No pets shall be allowed in the Common Area except as may be permitted by rules of the Board. No dog shall enter the Common Area except on a leash which is held by a person capable of controlling it. Declarant or any Owner may cause any unleashed dog found within the Common Area to be removed by Declarant (or any Owner) to a pound or animal shelter under the jurisdiction of Cameron Park or County of El Dorado, by calling the appropriate authorities, whereupon the Owner may, upon payment of all expenses connected therewith, repossess the dog. No dog whose barking disturbs other Owners shall be permitted to remain within the Project. Owners shall prevent their pets from soiling all portions of the Common Area where other persons customarily walk and shall promptly clean up any mess left by their pets.

13.12 Signs: Except as otherwise provided in Section 13.1 with respect to Declarant, no signs shall be displayed to the public view on any Units or on any portion of the Project other than such signs as are approved by the Board or a committee appointed by the Board.

"For Sale" or "For Rent" signs shall be allowed provided they do not exceed one (1) per Unit in number, are of customary and reasonable dimensions and are placed within the Unit or within the Common Area immediately adjacent to the Unit, the location and design of such sign to be subject to approval by the Board of Directors.

13.13 Clotheslines, Fire, Trash: No exterior clothesline shall be erected or maintained in, on or connecting any Common Area, garage or parking area within the Project. There shall be no exterior fires whatsoever except barbecues within balcony or patio areas within the Project. No unconcealed trash or rubbish containers or similar items shall be kept or maintained in areas other than areas specifically designated for such purposes with the Project at hours designated by the Board of Directors for collection. All trash or rubbish shall be stored in bins in enclosures approved by the County of El Dorado unless on-street collection is provided.

13.14 Explosives: No Owner shall at any time bring into, keep or maintain in or on any portion of the Project any highly corrosive or explosive solid, liquid, gas, chemical, substance or other material which may be hazardous to life, limb or property without in each case obtaining the approval of the Association.

13.15 Commercial Use Prohibition: Except for the management, operation and maintenance of the Project, no professional, commercial or industrial operation or business of any kind whatsoever shall be established, maintained, operated, carried on, permitted or conducted on or within the Project.

13.16 Regulations: Each Owner shall observe all regulations from time to time established, and enforced by the Association, including, but not limited to, vehicle speed limitations, traffic directional arrows and signs, parking regulations, and the use of the Common Area.

13.17 Consent: Any consent, approval or authorization given as permitted by this Declaration by the Association, its Board of Directors, officers, the manager or any person duly authorized by any of them to consent, approve or authorize any one or more acts or omissions mentioned in this Declaration shall be revocable at any time.

13.18 Oak Tree Preservation: Each Owner shall observe all rules and regulations regarding the care and preservation of native oak trees located within the Project site. Such rules and regulations shall be adopted and enforced by the Board of Directors in a form approved by the County of El Dorado. The Association shall be responsible for maintenance of all native oak trees located within the project including pest control, fertilizing and watering in accordance with an "Oak Tree Maintenance Manual" to be provided by a consultant for the Declarant.

ARTICLE XIV  
OBLIGATION OF OWNERS

14.1 Compliance with Condominium Documents: All present and future Owners, tenants and occupants of Units within the Project shall be subject to and shall comply with each and all the provisions of this Declaration, the Bylaws and the Articles of Incorporation of the Association as the same or any of them may be amended from time to time. The acceptance of a deed to any condominium, the entering into of a lease or sublease of any Condominium or the entering into occupancy of any Unit shall constitute an agreement that each and all of the provisions of this Declaration, the Bylaws and the Articles of Incorporation of the Association, as the same or any of them may be amended from time to time, are accepted and ratified by such Owner, tenant or occupant.

14.2 Separate Property Tax Assessment: Each Owner of a Condominium shall be obligated to have the real property taxes for his own Condominium and its appurtenant interest in the Common Area assessed separately pursuant to an agreement made in accordance with the provisions of Section 2183.3 of the California Revenue and Taxation Code and the tax on each such Condominium shall constitute a lien solely thereon. The foregoing sentence shall apply to all types of taxes and improvement assessments which are now or may hereafter be assessed separately by law on each Condominium or the personal property and other interests of the Owner. Each Owner shall execute such documents and take such action as may be reasonably specified by the Board of Directors to facilitate dealing with the proper governmental authority regarding such taxes and assessments. If, in the opinion of the Board of Directors, any taxes or assessments may be a lien on the entire premises or any part of the Common Area, the Board of Directors may pay such taxes or assessments and shall cause the same to be assessed to the Owners pursuant to Section 6.2(h) hereof.

14.3 Power of Attorney: Each Owner shall and does hereby grant to the persons who shall from time to time constitute the Board of Directors an irrevocable power of attorney, coupled with an interest to hold, sell, quitclaim, encumber, lease or sublease any Condominium which may, in accordance with the provisions of Article VIII hereof be acquired through foreclosure or other judicial sale by the Association or its designee.

14.4 Owner's Right and Obligation to Maintain and Repair: Except for those portions of the Project which the Association is required to maintain and repair, each Owner shall, at his sole cost and expense, maintain and repair his Unit, keeping the same in good condition. Each Owner shall keep those portions of the Restricted Common Area to which he has exclusive easement rights clean and neat. Each Owner shall have the exclusive right to paint, plaster, panel, tile, wax, paper or otherwise refinish and decorate the inner surface of the walls, ceilings, floors, windows and doors bounding his Unit. In the event an Owner fails to

maintain the interior of his Unit or the landscaping within his private patio area in a manner which the Board deems necessary to preserve the appearance and value of the Project, the Board may notify the Owner of the work required and request that it be done within sixty (60) days from the giving of such notice. In the event the Owner fails to carry out such maintenance within said period, then after notice and the opportunity for a hearing, the Board may cause such work to be done and may specially assess the cost thereof to the Owner.

14.5 Indemnification of Other Owners: In the event any personal injury or property damage is sustained by any person while physically within or on a Unit which shall result in a claim or suit against any other Owner of the Association, any of its officers, members of its Board of Directors, the manager or his staff, the Owner of such Unit within which such injury or damage occurred (i) shall and does hereby agree to fully indemnify and hold harmless such other Owner and/or the Association and its Board of Directors, officers, Declarant, manager and members of his staff and each of them against whom such claim or suit is brought and (ii) does hereby agree to defend, at his own cost and expense, any litigation resulting therefrom in which such other Owner and/or the Association, and its Board of Directors, officers, Declarant, Manager and member of his staff or any of them has been made a party; provided that no such obligation shall exist with respect to any such party whose gross negligence or willful misconduct caused or contributed to the cause of any such injury or damage.

14.6 Joint and Several Responsibility: In the event of joint or co-ownership of any Condominium within the Project the liability of such Owner shall be joint and several. This Section 14.6 shall apply to all obligations, duties and responsibilities of Owners as set forth in this Declaration, including but not limited to, the payment of all Assessments.

14.7 Theft Exclusion: Neither the Declarant, the Association, the Board of Directors, its officers, manager or any member of his staff shall be responsible to any Owner or any member of his family, employees or invitees for any loss or damage suffered by reason of theft or otherwise of any article, vehicle or thing which may be stored by such Owner or other person in or on any Unit or any portion of the Common Area.

14.8 Payment of Assessments: Each Owner shall pay when due all Regular and Special Assessments duly assessed and charged against him or his Condominium and shall observe and obey all rules and restrictions set forth in this Declaration as the same may from time to time be amended.

14.9 No Non-use Exemption: No Owner may exempt himself from liability for payment of his specified percentage and share of Common Expense duly assessed against him or his Condominium by any waiver or non-use of enjoyment by such Owner, the members of his family, guests, servants, employees or invitees of all or any portion of the Common Area, its facilities or the services provided therein or by any non-use or abandonment of his Condominium.

14.10 Fair Housing: No Owner shall, either directly or indirectly, forbid or restrict the conveyance, encumbrance, leasing or mortgaging or occupancy of a Unit to any person of a specified race, color, religion, ancestry, national origin or sex.

ARTICLE XV  
ENFORCEMENT OF DECLARANT

15.1 Association Powers: The provisions of this Declaration shall be enforceable by Declarant, each Owner of a Condominium in the Project and its or his successors in interest, shall be enforceable by the Association through its Board of Directors, or any firm, corporation or other entity duly authorized by the Association through its Board of Directors to enforce all or any one or more of the provisions hereof, and shall also be enforceable by the County of El Dorado or its successor agency as to the provisions of Articles XXI and XXVII.

15.2 Injunction: Except for the nonpayment of any Assessments provided for herein, it is hereby expressly declared, stipulated and agreed that the remedies at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, charges and equitable servitudes contained in this Declaration are inadequate and the failure of any Owner, tenant, occupant or user of any Condominium or any portion of the Common Area or facilities thereof to comply with each and all of the terms and provisions of this Declaration, the rules and regulations, decisions, resolutions and Bylaws of the Association and its Board of Directors, as each may be lawfully amended from time to time, may be enjoined by appropriate legal proceedings instituted by the Association, its officers or Board of Directors and, as to Articles XXI and XXVII, also by the County of El Dorado or its successor agency.

15.3 Cumulative Rights: The respective rights and remedies, provided by this Declaration or by law or available in equity, shall be cumulative and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or different defaults or breaches or for the same or different failures of the Owners or others to perform or observe any provision of this Declaration.

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

15.5 Loss of Membership Rights: In the event any Owner shall fail for a period of more than thirty (30) days to pay when due any Regular or Special Assessment, said Owner shall, following notice and the opportunity for a hearing before the Board of Directors, not be entitled to vote upon any matter put to vote at any annual or special meeting of the Association or to be elected to the Board of Directors. In such event, the vote of such Owner shall not be deemed to be a part of the voting power of the membership for any purpose during the period of suspension.

Notice may be given by personal service or may be given by first class or registered mail sent to the last address of the Owner shown on the Association's records. Said notice shall give at least fifteen (15) days prior notice of the expulsion, suspension or termination and the reasons thereto. Said notice shall also provide an opportunity for the Owner to be heard before the Board of Directors, not less than five (5) days before the effective date of the expulsion, suspension or termination. The Board of Directors is authorized to decide whether the proposed expulsion, termination or suspension is to take place.

Such voting rights, together with all other membership rights of a Member, may also be suspended, after notice and an opportunity for a hearing before the Board has been given, for a period not to exceed thirty (30) days for any single violation of the provisions of this Declaration or of the rules and regulations established by the Board governing the use of the Common Area.

15.6 Attorneys' Fees: In any proceeding arising because of any alleged breach or default under this Declaration the prevailing party (subject to the provisions of Section 24.1) shall be entitled to receive the costs of the proceeding and such reasonable attorneys' fees as may be determined by the court.

#### ARTICLE XVI MORTGAGEE PROTECTION PROVISIONS

Notwithstanding any and all provisions hereof to the contrary, there are hereby added to the within instrument the following provisions (and to the extent these added provisions conflict with any other provisions of the within instrument, these added provisions shall control):

16.1 Written Notification to First Mortgagees: The Board shall notify in writing the holders of first Mortgages of the Unit of any default by the mortgagor of such Unit in the performance of such mortgagor's obligation under the management documents (Declaration of Restrictions Articles of Association and Bylaws of Lake Oaks Condominium Owners' Association), which is not cured within thirty (30) days. It shall be the responsibility of each Owner of a Unit to notify the Association within thirty (30) days of the close of his escrow

to purchase such Unit, of the name and address of the holder of the first Mortgage on his particular Condominium.

16.2 Exemption From Right of First Refusal: Any holder of a first Mortgage which comes into possession of the Condominium pursuant to the remedies provided in the Mortgage, foreclosure of the Mortgage or deed or assignment, in lieu of foreclosure, shall be exempt from any future "right of first refusal", if such right shall be created in the future.

16.3 Subordination of Assessment Lien to Mortgages: Any holder of a first Mortgage which comes into possession of the Condominium upon foreclosure of the Mortgage, shall take the property free of any claim for unpaid assessments or charges against the mortgaged Unit which accrue prior to the time such holder comes into possession of the Condominium (except for claims for a share of such assessments or charges resulting from a reallocation of such assessments or charged to all residential Units, including the mortgaged Unit). The line for assessments provided for herein shall be subordinate to the lien of any first Mortgage or deed of trust nor or hereafter placed upon the properties subject to assessments; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to a sale or transfer of such property pursuant to a decree of foreclosure or trustee's sale. Such sale or transfer shall not relieve such property from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment.

16.4 Prior Approval of First Mortgage Holders. Unless at least sixtysevenpercent (67%) of holders of first Mortgage liens on individual Condominiums have given their prior written approval, the Association shall not:

- (a) By act or omission, seek to abandon or terminate the Condominium regime;
- (b) Change the pro rata interest or obligations of any Condominium Unit for:
  - (i) purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards; and for (ii) determining the pro rata share of ownership of each Unit in appurtenant real estate and any improvements thereon which are owned by Unit Owners in the Project in individual pro rata interests ("Common Area");
- (c) Partition or subdivide any Condominium Unit;
- (d) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area by the Condominium Project shall not be deemed a transfer within the meaning of this clause;
- (e) Use hazard insurance proceeds for losses to any Condominium property (whether to Units or to the Common Area) for other than the repair, replacement or reconstruction of such improvements, except as provided by statute in case of substantial loss to the Units and/or the Common Area of the Project.

(f) Make any material amendment to the Declaration or to the Bylaws, as used herein the term "material amendment" shall mean any amendment relating to any of the following subjects: (i) the Percentage Interest of the Unit Owner in the Common Areas of the Project; (ii) the fundamental purpose for which the Project was created (such as a change from residential use to a different use); (iii) voting; (iv) assessments, assessment liens and subordination thereof; (v) the reserve for repair and maintenance of the Common Areas; (vi) property maintenance obligations; (vii) casualty and liability insurance; (viii) reconstruction in the event of damage or destruction; (ix) rights to use the Common Areas; (x) annexation, and (xi) any provision which by its terms is specifically for the benefit of First Mortgagees or specifically confers rights on First Mortgagees.

(g) Effectuate any decision by the Association to terminate professional management and assume self-management.

16.5 Examination of Books and Records: The holders of first Mortgages shall have the right to examine the books and records of the Association.

16.6 Reserves for Replacement: An adequate reserve fund for replacement of the Common Area facilities must be established by the Association and must be funded by regular monthly assessments, rather than by special assessments.

16.7 Taxes, Assessments and Charges: All taxes, assessments and charges which may become liens prior to the first Mortgage under the local law, shall relate only to the individual Condominiums and not to the Project as a whole. A mortgagee may singly or jointly with other mortgagees pay taxes, overdue premiums on hazard insurance policies or secure new such policies on the lapse of a policy, or pay other charges which are in default and which may or have become a lien against all or any portion of the Common Area and the mortgagees making such payments shall be entitled to immediate reimbursement therefor from the Association.

16.8 No Priority Over Rights of First Mortgagees: No provision herein shall give a Unit Owner or any other party priority over any rights of first Mortgagees of Units pursuant to their Mortgages in the case of a distribution to Unit Owners of insurance proceeds or condemnation awards for losses to or a taking of Units and/or the Common Area.

16.9 Professional Management of Project: Any agreement for professional management of the Project, or any other contract providing for services of the developer, sponsor or builder shall not have a term exceeding one (1) year. Any such agreement must provide for termination by either party for cause on thirty (30) days written notice, or without cause and without payment of a termination fee upon ninety (90) days or less written notice.

16.10 Notice to Lender: The Association shall give notice in writing to all first Mortgagees of any loss to or taking of the Common Area of the Project, if such loss or taking exceeds \$10,000.00, and of the authority of the County of El Dorado to record a parcel map

waiver in accordance with Section 20.1 of Article XX of this Declaration.

16.11 Conflict: If there is any conflict between any provision of this Article XVI and any other provision in this Declaration, the Articles of Association or the Bylaws of the Association, the language contained in this Article XVI shall control.

16.12 Effect of Amendment: Any amendment to this Declaration, which is not "material" (as defined in Section 16.4 (F)) affects and binds all Mortgagees. No "material amendment" to this Declaration shall affect the right of the Mortgagee of any first mortgage described in Article XVI which is made in good faith and for value unless it is approved by seventy-five percent (75%) of all such first Mortgagees in which case it shall be binding upon all Mortgagees; provided, however, that any "material amendment" shall be binding upon the Mortgagee of any First Mortgage, if such Mortgagee shall (i) join in the execution of such amendment, or (ii) approve said amendment in writing as a part of said amendment.

#### ARTICLE XVIII TERM OF DECLARATION

17.1 Subject to the provisions of Article IX and XI hereof, the covenants, conditions, restrictions, limitations, easements, rights and rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with and benefit the land within the Project and shall be binding upon the Owners, declarant, the Association, its Board of Directors and its officers and their successors and assigns and shall continue in full force and effect for a term of fifty (50) years from the date of recordation of this Declaration, after which time it shall be automatically extended for successive periods of ten (10) years each unless, within six (6) months prior to the expiration of the initial fifty (50) year or any ten (10) year extension period, a written agreement approved by owners otherwise entitled to vote, which Owners hold in the aggregate more than a seventy-five percent (75%) interest in the Common Area and approved by the County of El Dorado shall be placed on record in the Office of the County Recorder of El Dorado, State of California, terminating the effectiveness of this Declaration.

#### ARTICLE XVIII SUSPENSION OF RIGHT OF PARTITION

18.1 In accordance with the provisions of Section 1354 of the California Civil Code, the right of partition of the Common Area is hereby suspended and no proceedings shall be brought for the partition of said Common Area, except (1) as provided in Section 1354(b) of the California Civil Code as said section may be amended from time to time, or (2) as specifically provided in Section 9.2 of this Declaration, provided that nothing contained herein

shall prohibit the partition or division of joint or common interest of any two or more Owners in any one Condominium within the Project upon compliance with Section 16.4(c) of this Declaration. In accordance with the provisions of Section 1355(b)(9) of the California Civil Code, each Owner does hereby grant to the Association (as the same may from time to time be constituted) an irrevocable power of attorney, coupled with an interest to sell the entire Project for the benefit of all of the Owners, which power of attorney shall be binding upon all of such Owners, but shall be exercisable only after:

(a) The happening of one of the conditions set forth in said Section 1354(b);  
(b) The approval of such exercise by the Owners otherwise entitled to exercise at least fifty-one percent (51%) of the voting power of the Association, excluding the vote of the Declarant; and

(c) The recordation in the Office of the County Recorder of the County of El Dorado, State of California, of a certificate executed by the secretary of the Association or other authorized person on behalf of the Association and stating that said power of attorney is properly exercisable under said Section 1355(b)(9) and hereunder.

ARTICLE XIX  
PROHIBITION AGAINST SEVERANCE

19.1 No Owner of a Condominium within the Project shall have the right, for any purpose, to sever his Unit in any Condominium from his undivided interest in the Common Area. Said component interest shall not be severally sold, conveyed, encumbered, hypothecated or otherwise severally dealt with, and any violation or attempted violation of this Article XIX shall be void and of no effect; provided, however, that said prohibition against such severance shall not, in accordance with the provisions of Section 1355(g) of the California Civil Code extend beyond the commencement of the period during which the right of partition has been suspended pursuant to Article XVIII of this Declaration.

ARTICLE XX  
AMENDMENT OF DECLARATION

20.1 Prior to close of escrow for the sale of the first Unit, Declarant may amend this Declaration with the consent of the Department of Real Estate. After the sale of the first Unit this Declaration may be amended only by the affirmative vote (in person or by proxy) or written consent of members representing a majority of the total voting power of the Association which shall include the affirmative votes or written consent of a majority of the members other than the Declarant, or where the two (2) class voting structure is still in effect,

a majority of the voting power of each class of membership. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Any amendment must be recorded and shall become effective upon being recorded in the Office of the County Recorder of El Dorado County, provided that there has been received any prior consent from the Department of Real Estate required by Section 11013.7 of the California Business and Professions Code.

Notwithstanding the other provisions of this Section 20.1, this Declaration shall not be amended or otherwise altered when such amendment or alteration would affect, in any manner, any condition of development or entitlement imposed pursuant to any permit, approval, entitlement, rule or regulation, or law of the County of El Dorado unless such amendment or alteration has been first approved in writing by the Planning and Community Development Director of said County.

ARTICLE XXI  
NOTICES

21.1 Any communication or notice of any kind permitted or required herein may be delivered as provided in this Declaration and shall be in writing and may be served, as an alternative to personal service, by mailing such notice as follows:

If to Declarant:     The Lake Oaks Partnership  
                          8850 Greenback Lane, Suite 1000  
                          Orangevale, CA 95662

If to an Owner:       To the street address of his Condominium or at such other address  
                          as said Owner may from time to time designate in writing to the  
                          Association.

If to the               Lake Oaks Condominium Owners' Association at the street address  
Association:           of the Project.

If to the County:     County of El Dorado  
                          330 Fair Lane  
                          Placerville, CA 95667

All notices or demands to be served by mail shall be mailed by registered or certified mail, with postage thereon full prepaid. Service shall be deemed to be completed on the actual date of delivery as shown by the addressee's registered or certified mail receipt or at the expiration of three (3) business days after such mailing, whichever first occurs.

~~ARTICLE XXII~~  
~~ENFORCEMENT OF BONDED OBLIGATIONS~~

~~22.1 If there are any improvements for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that improvement in the Planned Construction Statement appended to the Bond (to secure performance of the common area improvement for which the Association is obligee), or if the Association has given an extension in writing for the completion of any common area improvement, within thirty (30) days after the expiration of the extension, the Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond.~~

~~If the Board decides not to initiate action to enforce the obligations under the Bond or if the Board fails to consider and vote on the question, a special meeting of members for the purpose of voting to override said decision or to consider said action when the Board has failed to vote on the question shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by members representing five percent (5%) or more of the total voting power of the Association.~~

~~*DOM* A vote of fifty-one percent (51%) of the voting power of the Association residing in members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.~~

ARTICLE XXIII  
MISCELLANEOUS PROVISIONS

23.1 Disputes: Except as otherwise specifically provided herein, any dispute or question among or between any Owners involving any action, omission, interpretation, application or endorsement of or with respect to any of the provisions of this Declaration shall be submitted to arbitration. Each Owner shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator and the decision shall be by a majority of all the arbitrators.

Arbitration pursuant to this Section 24.1 shall be initiated and required by giving notice specifying the matter to be arbitrated. If an action is already pending on any matter concerning which the notice is given, the notice shall be ineffective unless given before the expiration of sixty (60) days after the service of process on the person giving the notice. The arbitrators shall be bound by this Declaration and pleadings in any action pending on the same matter shall, if the arbitration is required to be consented to, be deemed amended above. Each party shall pay half the cost of arbitration including arbitrators' fees. Attorneys' fees shall be awarded separately as provided in Section 15.6 hereof.

ARTICLE XXIII

23.6 County Approval. Notwithstanding any other provisions herein, the provisions pertaining to maintenance of drainage facilities shall not be modified, amended, or terminated by vote of the Association or otherwise without the express written consent of the Board of Supervisors of the County of El Dorado as authorized by a Resolution to that effect by the Board.

23.2 Interpretation: The provisions of this Declaration shall be liberally construed to effectuate its purposes of creating a uniform plan for the use, operation and maintenance of the Project. All article headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. Whenever the context so requires, the singular in number includes the plural, the plural includes the singular, the masculine gender includes the feminine and/or neuter and the neuter gender includes the masculine and/or feminine. Any reference in this Declaration to a specific section of a California statute, administrative regulation or municipal ordinance shall constitute a reference to not only such statute, regulation or ordinance, but also to any amendment or reenactment which may from time to time occur with respect thereto and to any successor thereof.

23.3 Partial Invalidity: In case any term, covenant, provision, phrase or other element contained in this Declaration shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect, alter, modify or impair in any manner whatsoever any other term, covenant, provision, phrase or other element contained in this Declaration, the provisions of which shall be carried out as if such invalid, illegal or unenforceable provision were not contained herein.

23.4 Separate Obligations: Each monthly installment of an Assessment is hereby declared and agreed to be a separate and distinct debt of the Owner against whom the same is assessed and any lien upon such Owner's condominium arising by reason of said Assessment as provided in Section 3.2 hereof is expressly declared and agreed to be a separate and distinct lien securing only the separate debt giving rise to such lien. It is the intent of this Section 24.4 that the enforcement of any such individual lien shall not require the concurrent enforcement of any other lien securing a separate Assessment debt as might otherwise be required by the provisions of Section 726 of the California Code of Civil Procedure.

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

#### ARTICLE XXIV ARCHITECTURAL CONTROL

24.1 Architectural Committee: There shall be an Architectural Committee (the "Committee") which shall consist of not less than three (3) nor more than five (5) members. Declarant may appoint the original members of the Committee and all replacements until the first anniversary of the issuance of a public report for the Project. The Declarant reserves to itself the power to appoint a majority of the members of the Committee until ninety percent

(90%) of the Units in the Project (including subsequent phases, if any) have been sold or until the fifth anniversary of the date of issuance of the final public report for the first (or any) phase of the Project, whichever occurs first. After one (1) year from the date of sale of the first Unit, the Board shall have the power to appoint all the members of the Committee other than those members who are subject to appointment by the Declarant pursuant to the immediately preceding sentence. Members of the Committee appointed by the Declarant need not be Members of the Association. In the event of death, disability, disqualification or resignation of any member of the Committee, the successor shall be appointed by the person, entity or group which appointed such member, until Declarant no longer has the right to appoint any members of the Committee, and thereafter the Board of Directors shall have full authority to designate such a successor. At any time after the Declarant's right to appoint a majority of the members of the Committee is terminated, the Board of Directors shall have the power, through a duly recorded written instrument, to change the membership of the Committee or to change any of its powers and duties.

24.2 Duties of Committee: It shall be the duty of the Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms hereof, to insure that any improvements constructed on the Project conform to plans approved by the Committee, to adopt Architectural Rules and to perform other duties imposed on it by this Declaration. Notwithstanding anything contained in this Declaration expressly or implied to the contrary, no improvements or alterations may be constructed, made or placed on or to the Project or any portion thereof until the committee shall have approved, in writing, plans and specifications showing the nature, kind, shape, size, materials and location of said improvements or alterations and the Committee, in its own name or on behalf of the Association, may exercise all available legal and equitable remedies to prevent or remove any unauthorized and unapproved construction of improvements on the Project or any portion thereof. In the event the Committee fails to approve or disapprove plans and specifications within thirty (30) days after the same have been submitted to it, approval will not be required and the related covenants shall be deemed to have been fully complied with.

24.3 Meetings: The Committee shall meet from time to time as necessary to perform its duties hereunder. The vote or written consent of a majority of the members, at a meeting or otherwise, shall constitute the act of the Committee unless the unanimous decision of the Committee is required by any other provision of this Declaration. The Committee shall keep the maintain a written record of all actions taken by it at such meeting or otherwise. Members of the Committee shall not receive any compensation for services rendered.

24.4 Architectural Rules: The Committee may, from time to time, and in its sole and absolute discretion, adopt, amend and repeal, by unanimous vote or written consent, rules and regulations, to be known as "Architectural Rules." Said Rules shall interpret and implement

this Declaration by setting forth the standards and procedures for Committee review and the guidelines for architectural design, placement for buildings, landscaping, color, scheme, exterior finishes and materials and similar features which are recommended for use within the Project.

24.5 Waiver: The approval by the Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Committee 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.

24.6 Liability: Neither the Committee nor any member thereof shall be liable to the Association, Owner, or to any other person, for any loss, damage or injury suffered or claimed on account of (a) the approval or disapproval of any plans, specifications or drawings, or (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications; provided, that with respect to the liability of a member, such member acted in good faith on the basis of actual knowledge possessed by him.

The undersigned, being the Declarant herein, has executed this Declaration on October 31, 1988

DECLARANT:

THE LAKE OAKS PARTNERSHIP  
A CALIFORNIA LIMITED PARTNERSHIP  
BY ALI N. CAKUS, INC.  
A CALIFORNIA CORPORATION  
GENERAL PARTNER BY

Ali N. Cakus  
ALI N. CAKUS, PRESIDENT

STATE OF CALIFORNIA )  
COUNTY OF \_\_\_\_\_ ) SS

On this 31 day of October, 1988 before me, the undersigned Notary Public in and for said County and State, personally appeared Ali N. Cakus

Ali N. Cakus personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name subscribed to this instrument and acknowledged that he executed it.

Stanley Rynearson  
Notary Public in and for said County and State

Stanley Rynearson

