

ARTICLE VI.

COVENANT FOR ASSESSMENT

Section 6.1 Creation of the Lien and Personal Liability.
Declarant, for each Lot owned by it within the Property, hereby covenants and agrees to pay, and each Owner of any Lot within the Property by acceptance of a deed or recorded contract of sale therefor, whether or not it shall be so expressed in such instrument, is deemed to covenant and agree to pay to the Association:

(a) Regular Assessments or charges;

(b) (i) Special Assessments for the purpose of defraying, in whole or in part, the cost of capital improvements to be made by the Association as herein provided, and/or for the purpose of defraying special common expenses other than for capital improvements and/or for defraying the costs of any action or undertaking on behalf of the Association, the funding for which is not otherwise provided for herein, and/or for the purposes set forth in Section 6.1(b)(ii) below, all subject to the provisions of Section 6.4 hereof;

(ii) In the event the Board shall determine that the estimate of total Regular Assessments for the current year is or will become inadequate to meet all Common Expenses for such current year for any reason, it shall then immediately determine the approximate amount of such inadequacy and shall issue a supplemental estimate of the Common Expenses and shall determine the amount of additional assessment revenue required for the current year, and shall thereupon levy a special (supplemental) assessment against each Lot and the Owners thereof, which special (supplemental) assessment shall set forth the date or dates when due; provided that the levy of any such special (supplemental) assessment shall be subject to the provisions of Section 6.4 below.

(c) Reconstruction Assessments levied against each Owner and his Lot by the Board in accordance with the provisions of Sections 12.1 and 12.2 hereof, for the purpose of defraying the expense to the Association of reconstructing all or any portion of damaged or destroyed improvements located within the Association Property.

(d) Special Benefit Area Assessments levied against each Owner and his Lot by the Board in accordance with the provisions of Section 6.5 hereof.

All assessments, together with interest thereon, costs of collection thereof, late charges which may be imposed by the Association, and reasonable attorneys' fees, shall be a charge

on the land and shall be a continuing lien, with power of sale, upon the property against which each such assessment is made. The lien shall become effective upon recordation of a Notice of Claim of Lien in accordance with Section 6.9 of this Declaration. Each such assessment, together with such interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due, and shall bind his heirs, devisees, personal representatives, successors and assigns; provided, however, that the personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them (it being understood that subject to the provisions of Article X below, the lien effected against a Lot by recordation of a Notice of Claim of Lien shall remain in full force and effect following any conveyance or transfer of the said Lot).

Section 6.2 Purpose of Assessments. The assessments levied by the Association shall be collected, accumulated and used exclusively to promote the recreation, health, safety and welfare of the Members of the Association including, without limitation, use for the improvement, maintenance, operation, replacement and administration of the Association Property and the Off-Tract Maintenance Areas for the common good of the Owners and the protection of the value of the Property, and to discharge any other obligations of the Association under this Declaration. The Board shall not expend or use funds designated as reserve funds for any purpose or in any manner other than those specified in Sections 1365.5(c)(1) and (2) of the California Civil Code, as it may be from time to time amended. Nothing in this Declaration shall be construed in such a way as to permit the use of Association assessments or funds to abate any annoyance or nuisance emanating from outside the boundaries of the Property. Regular Assessments shall be used to satisfy Common Expenses of the Association.

Section 6.3 Regular Assessments.

(a) The Regular Assessments levied by the Association shall be collected, accumulated and used generally for the maintenance and operation of the Association Property, the Off-Tract Maintenance Areas, the administration of the Property and the Association, the establishment of reserves as contemplated in Section 8.3 hereof, and for such other purposes as may be from time to time reasonably determined by the Board, subject to such limitations as may be set forth in the Restrictions.

(b) Until January 1 of the year immediately following the year in which a grant deed is recorded conveying the first Lot located within the Property, the Regular Assessment shall be that dollar amount per month per Lot then subject to assessment as was provided for in the Association budget that was approved by the California Department of Real Estate in connection with the issuance of the public report for the

first phase of the development ("Initial Regular Assessment"), unless the amount of such Initial Regular Assessment is adjusted by the Board in accordance with the provisions and subject to the limitations set forth elsewhere in this Section 6.3; provided that until said January 1 of the year immediately following the year in which the first grant deed to a purchaser of a Lot located within the Property is recorded, the Board shall in no event levy a Regular Assessment per month per Lot in an amount which exceeds one hundred twenty percent (120%) of the amount of the Initial Regular Assessment, unless the Board first obtains approval from Members constituting a quorum [i.e. more than fifty percent (50%) of the Members of the Association], casting a majority of the votes at a meeting or election of the Association ("Increase Election"). Increase Elections and the meetings and elections of the Association pertaining thereto shall be conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the California Corporations Code and Section 7613 of the California Corporations Code. Notwithstanding the foregoing, this Section 6.3(b) shall not limit Regular Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 6.3(e).

(c) Starting with the first calendar year immediately following the calendar year in which Regular Assessments commence, the Board may only levy Regular Assessments which exceed the Regular Assessments for the immediately preceding calendar year as follows ("Maximum Authorized Annual Regular Assessment For Subsequent Calendar Years"):

(i) If the increase in annual assessments is less than or equal to twenty percent (20%) of the Regular Assessments for the immediately preceding calendar year, then the Board must either (A) have distributed the Budget for the current calendar year in accordance with Section 1365(a) of the California Civil Code [which is presently in conformity with Section 8.3(a) of this Declaration], or (B) obtain the approval of Members holding a majority of the voting power cast in an Increase Election;

(ii) If the increase in Regular Assessments is greater than twenty percent (20%) of the Regular Assessments for the immediately preceding calendar year, then the Board must obtain the approval of Members holding a majority of the voting power of votes cast in an Increase Election.

Notwithstanding the foregoing, this Section does not limit annual Regular Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 6.3(e).

(d) If the Board, by majority vote, determines that the important and essential functions of the Association may be properly funded by a Regular Assessment in an amount less than the Maximum Authorized Annual Regular Assessment described in Section 6.3(c) above, it may levy such lesser Regular Assessment so long as it complies with the provisions of said Section 6.3(c).

(e) For purposes of Sections 6.3(b), 6.3(c) and 6.4, an "Emergency Situation" is any one of the following:

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

(ii) An extraordinary expense necessary to repair or maintain the Property or any portion thereof for which the Association is responsible where a threat to personal safety on the Property is discovered; and

(iii) An extraordinary expense necessary to repair or maintain the Property or any portion thereof for which the Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Prior to the imposition or collection of an assessment pursuant to this subparagraph 5.3(e)(iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the members with notice of assessment.

Section 6.4 Special Assessments. In addition to the Regular Assessments authorized above, the Board may levy, in any assessment year, Special Assessments for any of the purposes contemplated in Section 6.1(b) above; provided that, any such Special Assessments exceeding five percent (5%) in the aggregate of the budgeted gross expenses of the Association for the assessment year in question shall require the approval of Owners, constituting a quorum of more than fifty percent (50%) of the Members, casting a majority of the votes at a meeting or election of the Association. Written notice of the amount of any Special Assessment shall be sent to every Owner. The due date for payment of same shall be set forth in such notice, and to the extent reasonably appropriate, each special assessment shall be levied upon the same basis as that prescribed for the levying of Regular Assessments. The above provisions with respect to Special Assessments do not apply in the case where individual extraordinary charges are levied against an Owner for any of the purposes described in Section 6.15 below (including, without limitation, where the individual extraordinary charge against an Owner is used by the Board as a remedy to reimburse the Association for the costs incurred in bringing the Member and/or his Lot into compliance with the provisions of the Restrictions). Notwithstanding anything to

the contrary in this Section 6.4, the limitation on the increases applicable to Special Assessments in this Section 6.4 shall not limit assessment increases for addressing Emergency Situations as such term is defined in Section 6.3(e) above.

Annual increases in Special Assessments for any calendar year which are five percent (5%) or less in the aggregate of the budgeted gross expenses of the Association for the assessment year in question, shall not be imposed unless the Board has either: (a) prepared and distributed the pro forma operating budget not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year as required by Section 8.3(a) of this Declaration; or (b) obtained the approval of members, constituting a quorum [i.e. more than fifty percent (50%) of the Members of the Association], casting a majority of the votes at a meeting or election of the Association conducted in accordance Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code.

Section 6.5 Special Benefit Area Assessments. "Special Benefit Area Assessments" shall mean and refer to a charge levied by the Association against an Owner and his respective Lot to cover the expenses incurred by the Association in the operation, maintenance, repair and/or funding of reserves as to a portion of the Property designated as a "Special Benefit Area," which expenses are allocable only to Owners within such a Special Benefit Area. These expenses chargeable to Owners in a Special Benefit Area may include, without limitation, the following:

(a) Maintenance, management, operation, repair and replacement of particular Improvements within the Special Benefit Area;

(b) Utilities or services for the benefit of Owners within the Special Benefit Area;

(c) Reasonable reserves, as deemed appropriate by the Board, for repair and replacement of any Improvements maintained by the Association within a Special Benefit Area; and

(d) Unpaid Special Benefit Area Assessments.

The Association shall distribute to Owners within any Special Benefit Area a pro forma operating statement and budget for the upcoming fiscal year which shall estimate the expenses attributable to the Special Benefit Area, and shall set forth the amount and payment schedule of the Special Benefit Area Assessments.

Section 6.6 Uniform Rate of Assessment. Regular Assessments and Special Assessments must be fixed at a uniform rate for all Lots then subject to assessment by the Association. Each Lot (and the Owners thereof) subject to assessment by the

Association at the time any of the foregoing types of assessments (except Special Benefit Area Assessments) are levied shall be liable to the extent herein provided for that proportion of the overall assessment levied as the number one (1) bears to the total number of Lots then subject to assessment by the Association.

Section 6.7 Date of Commencement of Regular Assessments; Due Dates of Assessments.

(a) The Regular Assessments provided for herein shall commence as to all Lots located within the Original Property on the date of closing of the first sale of a Lot within the Original Property to a purchaser thereof, provided that in the event said date of closing is other than the first day of a calendar month, Regular Assessments for such month of closing only shall be prorated based on the number of days in the calendar month of closing.

(b) Except for the partial first year, and partial first month, if applicable, which are dealt with in Sections 6.3(b), Regular Assessments shall be levied on a calendar year basis. All Regular Assessments shall be due and payable in monthly installments, in advance, on the first day of each and every month, or in such other manner and at such other times as the Board may from time to time establish.

Section 6.8 Duties of the Board of Directors as to Assessments. The Board shall fix the amount of the Regular Assessment against each Lot on an annual basis for each calendar year at least thirty (30) days in advance of the commencement of such period and shall, at that time, prepare a roster of the Lots within the Property, and all types of assessments applicable thereto, which shall be kept in such place as may be from time to time designated by the Board, provided that same shall be open to inspection by any Owner during normal business hours.

Written notice of the Regular Assessments shall be sent to every Owner by first class mail on an annual basis not less than thirty (30) nor more than sixty (60) days in advance of the commencement of the applicable calendar year, and such notice shall specify when installment payments shall be due and payable, and to the extent not covered by the preceding notice, the Association shall also provide notice by first-class mail to the Owners of Lots of any increase in the Regular or Special Assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. Nothing to the contrary herein withstanding, if the Regular Assessment is not made as required for any calendar year, then the Regular Assessment for the last prior calendar year shall be deemed automatically assessed against the Owners of each Lot then subject to assessment, and installment payments based on such amount shall be payable on the regular payment dates until changed by new or supplementary assessment.

Upon demand, the Association shall furnish to any Owner and/or Mortgagee of a Lot which is liable for any Assessments, a certificate in writing signed by an officer of the Association setting forth the nature and extent of such assessments, the due dates thereof, and whether or not any delinquency exists. Such certificates shall be conclusive evidence of payment of any Assessments or portion thereof therein stated to have been paid. A reasonable charge may be made by the Board of Directors for the issuance of any such certificate.

Section 6.9 Effect of Nonpayment of Assessments: Delinquency and Remedies of the Association.

(a) If any Assessments, or any portion thereof, are not paid on the date when due, then such assessment or portion thereof not paid when due shall be deemed delinquent and shall, together with interest and costs of collection including but not limited to, reasonable attorneys' fees as provided for below, become a continuing lien on the Lot against which such assessment was made when such lien is perfected by the recordation of a "Notice of Claim of Lien" against such Lot in the manner provided for in Section 6.9(e) below. Upon recordation of a Notice of Claim of Lien against a Lot, such lien shall constitute a lien on the Lot prior and superior to all other monetary liens except (i) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (ii) the lien or charge of any first mortgage of record made in good faith and for value.

(b) With respect to each assessment not paid within fifteen (15) days after its due date, the Association may, at its election, require the Owner to pay a "late charge" not to exceed the greater of TEN DOLLARS (\$10.00) or ten percent (10%) of such delinquent assessments. No charge shall be imposed more than once for the delinquency provided, however, that the imposition of a late charge on any delinquent payment shall not eliminate or supersede charges imposed on prior delinquent payments.

(c) In addition to the late charge which may be imposed on delinquent Assessments pursuant to Section 6.9(b) above, the Association may charge interest on the amount of such delinquent Assessments, which interest shall accrue from month to month on the outstanding balance (including any late charges previously assessed and unpaid and costs of collection), commencing thirty (30) days after such Assessment became due until payment thereof at an interest rate not to exceed ten percent (10%) per annum.

(d) In addition to all other legal and equitable rights or remedies, the Association may, at its option, bring an action at law against the Owner personally obligated to pay the Assessment and all charges relating thereto (and such action may be brought without foreclosing or waiving any lien

securing such amount); or, upon compliance with the notice provisions set forth in Section 6.9(e) below, the Association may foreclose the lien against the Lot, and there shall be added to the amount of such Assessment or any portion thereof, the interest thereon and all costs and expenses including, but not limited to, reasonable attorneys' fees, incurred by the Association in collecting the delinquent Assessment. In lieu of judicially foreclosing the lien, the Association, at its option, may foreclose such lien by proceeding under a power of sale as provided for in Section 6.9(f) below, such a power of sale being given to the Association as to each and every Lot for the purpose of collecting delinquent Assessments. Each Owner vests in the Association, its successors or assigns, the right and power to bring all actions at law or of lien foreclosure against such Owner or other Owners for purposes of collecting delinquent Assessments.

(e) No action shall be brought to foreclose the lien, or to proceed under the power of sale, until at least thirty (30) days after a Notice of Claim of Lien, executed by a duly authorized representative of the Association, has been recorded with the County Recorder of the County in which the Property is located, said Notice setting forth the amount claimed (which may include late payment charges and interest as provided for above and expenses of collection, including reasonable attorneys' fees), a good and sufficient legal description of the Lot being assessed, the name of the record owner or reputed owner thereof, the name and address of the Association as claimant, and the name of the trustee authorized by the Association to conduct any nonjudicial foreclosure sale to recover such claims. A copy of said Notice of Claim of Lien shall be deposited in the United States Mail, certified or registered, with postage prepaid, addressed to the Owner of the Lot using the address of the said Lot or using such other address as may have been previously given in writing to the Association by such Owner.

(f) Any such sale provided for above shall be conducted in accordance with the provisions of Section 2924 - 2924(h) of the Civil Code of the State of California, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted or provided by law. The Association, through its duly authorized agents, shall have the power to bid on the Lot at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same.

(g) Upon the timely curing of any default for which a Notice of Claim of Lien under Section 6.9(e) of this Declaration was recorded by the Association, the officers of the Association are hereby authorized to record an appropriate release of such notice, upon payment by the defaulting Owner of a reasonable fee to be determined by the Association to cover the cost of preparing and recording such release together with the payment of such other costs, interest or

fees as shall have been incurred (including, but not limited to, reasonable attorney's fees).

(h) The assessment lien and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association and its assigns may have hereunder or by law.

Section 6.10 Assessment of Lots Owned by Declarant. Except as otherwise specifically provided in this Declaration, each Lot owned by Declarant within the Property shall be assessed to the same extent and in the same manner as if the Lot was owned by any individual Owner.

Section 6.11 Exempt Property. All portions of the Property dedicated to, and accepted by, a local public authority, if any, and all of the above shall be exempt from the assessments created hereby; provided, however, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 6.12 Nonuse and Abandonment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Association Property or abandonment of his Lot.

Section 6.13 Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created for assessments pursuant to this Article VI, the benefit of any homestead or exemption laws of California in effect at the time any assessment or installment becomes delinquent or any lien is imposed.

Section 6.14 Administration of Additional Property by the Association. If Declarant elects in the future to have the Association administer one or more additional phases by bringing them under the coverage of this Declaration by annexation pursuant to the annexation provisions hereof, then the provisions of this Declaration shall be liberally and reasonably construed to the end that the Association can properly serve as the managing body with respect to any such additional phases so annexed, and can do all of the things and undertake all of the actions reasonably necessary for the management, operation and administration of any such additional projects so annexed including, but not limited to, the levying of those assessments described in this Article VI against all Owners of Lots located within the phases that are managed and administered by the Association. For example, under the circumstances outlined in this Section 6.14, the term "Property" as used in this Article VI shall be construed to encompass and mean all phases then managed and/or administered by the Association. Further, under the circumstances outlined above, each Owner of a Lot located within the Property shall be assessed for his pro rata share (as such term is hereinafter defined) of the aggregate of the Common Expenses of the Association applicable to all of the Property administered by the Association. An Owner's pro rata share of the Association's aggregate Common Expenses pertaining to

all of the phases administered by the Association within the Property shall be (for each Lot owned by such Owner) that proportion of said Association's aggregate Common Expenses as the number one (1) bears to the total number of Lots located within phases then administered by the Association within the Property; provided, however, that the Board may make such adjustment with respect to the amount of the assessments levied or to be levied against the Lots located within the Property and the Owners thereof, as may be reasonably required in order to insure that the Owners who receive substantially greater benefits and/or services from the Association shall be required to bear a proportionally greater share of the aggregate Common Expenses of the Association; and provided further that all Owners whose Lots are located within the same project within the Property shall be treated in exactly the same manner under the foregoing adjustment provisions. Declarant's election in the future to have the Association administer any such additional phases within the Property shall be evidenced by the recordation of a Supplemental Declaration covering such additional phases, which declaration shall reflect that such phases have been annexed into the Property and that the Association has been designated as the managing body with respect thereto.

Section 6.15 Extraordinary Charges. Declarant, for each Lot owned by it within the Property, hereby covenants and agrees to pay, and each Owner of any Lot within the Property by acceptance of a deed or recorded contract of sale therefor, whether or not it shall be so expressed in such instrument, is deemed to covenant and agree to pay to the Association, the following:

(a) Charges levied against individual Lot Owners by the Board in accordance with Sections 8.1(d) and 8.4 of this Declaration and Article X of the Bylaws;

(b) Charges required to pay for or reimburse the Association for extra costs for maintenance and repairs caused by the willful or negligent act of the individual Owner, his or her family, guests, tenants, lessees and/or invitees and not caused by ordinary wear and tear; and/or

(c) Charges levied by the Board to pay for or reimburse the Association for costs incurred in bringing any Owner or his Lot into compliance with the provisions of the Restrictions.

Each such charge shall be the personal obligation of the person(s) who was the Owner of such Lot at the time the charge arose and shall bind his heirs, devisees, personal representatives and assigns; provided, however, that the personal obligation for the delinquent charge shall not pass to the Owner's successor in title unless expressly assumed by them, and provided further, that unlike the Regular, Special reconstruction or Special Benefit Area Assessments, the above-described charges shall not become a lien against the Owner's Lot which is enforceable by a sale of the interest pursuant to

Section 2924, 2924(b) or 2924(c) of the California Civil Code. The basis and due date for such charge and Owner(s) responsibility for same shall be fixed by resolution of the Board. Written notice of the charge shall be delivered to the responsible Owner(s). An extraordinary charge not paid when due shall be subject to the same late charge and payment of interest as provided for delinquent Assessments pursuant to Section 6.9 above. An extraordinary charge, together with late charge, interest thereon and costs of collection including, without limitation, reasonable attorneys' fees, may be fixed and established by the Board from time to time as herein provided and may be enforced by decision arising out of an arbitration conducted in accordance with Section 10.3 of this Declaration or by judgment of a court of competent jurisdiction.

Section 6.16 Exemption of Vacant Lots and Association Property. Declarant and any Owner shall be exempt from the payment of any portion of any Assessment, which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of any Common Facilities on the Association Property which are not complete at the time the Assessments commence. Any such exemption from the payment of Assessments pursuant to this Section 6.16 shall be in effect only until the earliest of (i) the date of recordation of a notice of completion for the Common Facility; or (ii) the Common Facility has been placed into use.

Section 6.17 Notice of Enforcement Remedies. In addition to the financial statements referenced in Section 8.3 below, the Board of Directors 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' Lots.

Section 6.18 Aggregation of Lots. No person shall be permitted to construct any improvements across the boundary of two (2) or more Lots without the prior approval of the Architectural Committee. In the event that an Owner is permitted to construct improvements on two (2) or more Lots within the Project, the Owner of each Lots shall remain obligated to pay Assessments on all of the Lots.

ARTICLE VII.

ARCHITECTURAL COMMITTEE AND ARCHITECTURAL CONTROL

Section 7.1 Additional Architectural Restrictions. In addition to complying with the minimum restrictions set forth in Article III above, each Owner must also obtain the prior written