

for monetary damages, other than Association assessments (except as noted in Section 4.11 above), not to exceed Five Thousand Dollars (\$5,000.00), relating to the enforcement of the Governing Documents, the parties shall endeavor to submit the matter to a form of alternative dispute resolution such as mediation or arbitration as provided in Section 1369.510 and sequence of the California Civil Code, or comparable superseding statute. The form of alternative dispute resolution may be binding or non-binding at the option of the parties. Any party to such dispute may initiate this process by serving on another party to the dispute a Request for Resolution ("Request"). The Request shall include (1) a brief description of the dispute between parties, (2) a request for alternative dispute resolution, and (3) a notice that the party receiving the Request is required to respond thereto within thirty (30) days of receipt or it will be deemed rejected. Service of the Request shall be made in the same manner as prescribed for service in a small claims court as provided in Section 116.340 of the Code of Civil Procedure as follows: (1) delivery of the Request to the party in person; or (2) use of substituted service as provided by California Code of Civil Procedure 415.20(a) and (b).

(b) Parties receiving a Request shall have thirty (30) days following service of the Request to accept or reject alternative dispute resolution and, if not accepted within the thirty (30) day period by a party, alternative dispute resolution shall be deemed rejected by that party. If alternative dispute resolution is accepted by the party upon whom the Request is served, the alternative dispute resolution shall be completed within ninety (90) days of receipt of the acceptance by the party initiating the Request, unless extended by written stipulation signed by both parties. The costs of the alternative dispute resolution shall be borne by both parties. A party's refusal to participate in alternative dispute resolution prior to the filing of a complaint in any action specified in this Section 10.7 may be considered by a court in determining the amount of attorney's fees and posts to be awarded to the prevailing party. Further, a filing party's failure to request alternative dispute resolution may result in the loss of important legal rights. The alternative dispute resolution procedure does not apply if the applicable time limitation for commencing the civil action would run within one hundred twenty (120) days.

(c) Members of the Association shall annually be provided a summary of the provisions of this Section, specifically referencing California Civil Code Section 1369.510 and sequence, or comparable superseding statute, as provided in the By-Laws.

ARTICLE XI

ARCHITECTURAL CONTROL

[11.1] Approval of Proposed Improvements. Before commencing construction or installation of any Improvement within the Properties, the Owner planning such Improvement must submit a written request for approval to the Board of Directors or its duly appointed Architectural Committee established pursuant to Section 11.4 below, and Article X of the By-Laws. The Owner's request shall include structural plans and specifications satisfying the minimum requirements specified in the Architectural Rules (as provided in Section 11.7 below). Unless the Board of Directors' approval of the proposal is first obtained, no work on the improvement shall be undertaken. The Board of Directors shall base its decision to approve, disapprove or conditionally approve the proposed improvement on the criteria described in Section 11.8 below.

[11.2] Procedure to Obtain Architectural Approval. The procedures to apply for approval to make exterior modifications to the Member's separate interest or to the common area are as follows:

(a) The member shall submit an application to the Board of Directors, c/o the Management Company, if one, on a form obtained by the Member from the Association. The Board of Directors will submit the application to the Architectural Committee, if any, within fifteen (15) days of its receipt. The Architectural Committee will tender its recommendation to the Board of Directors within thirty (30) days of the committee's receipt of the application. If there is no appointed committee, the Board shall have 45 days to render a decision.

(b) The Board of Directors, at its next regularly scheduled meeting, will issue its decision on the application. The Board of Directors will advise the Member applicant, in writing, of its decision on the application within ten (10) days of reaching its decision. If there is no Architectural Committee or if the Board of Directors elects to act upon the application itself, it shall so act at the next regularly scheduled meeting after receipt of the application unless the meeting is to occur in less than thirty (30) days of receipt of the application, and in that event the Board of Directors shall act upon the application at the following regularly scheduled meeting.

(c) In the event the Board of Directors determines that it needs additional information before approving or denying the application, the Board shall notify the Member applicant as soon as practical after making said determination. Upon obtaining the requested additional information, the Member applicant shall tender the information on an addendum application to the Board of Directors. Upon receipt of the addendum, the application process recommences and is subject to the timetable set forth in paragraph one, above.

(d) Any decision on the application will be made in good faith and will not be unreasonable, arbitrary, or capricious. If a proposed change is disapproved, the written decision shall include both an explanation of why the proposed change is disapproved and a description of the procedure for reconsideration of the decision by the Board of Directors. If a proposed change is disapproved, the applicant is entitled to reconsideration by the board of directors of the association that made the decision, at an open meeting of the board. This paragraph does not require reconsideration of a decision that is made by the Board of Directors at an open meeting of the Board.

(e) The application shall include, but is not limited to, the following information to the extent it is pertinent:

(i) A complete description of the proposed change; Any color modification shall include a color swatch and the brand of paint to be used;

(ii) Any structural change shall include competent drawings that are easily understood with to-scale measurements;

(iii) In the event a building permit is required by the governing authority, a copy of all plans required to be submitted for the permit process;

(iv) Any work that requires a building permit shall be performed only by a licensed professional or tradesman. Said professional or tradesman shall be approved by the Board of Directors or its designee(s) and shall provide proof of their license and worker's compensation and liability insurance prior to the commencement of any work;

(v) All building permits or copies thereof shall be presented to the Board of Directors or its designee(s) prior to the commencement of any work.

(f) In the event the Board of Directors fails to approve or deny a complete application within 90 days of its submission, the application shall be deemed approved. However, no application for structural changes to any structure shall be deemed approved if not denied within said 90 days.

In the event the application is disapproved in whole or part, the applicant may apply, in writing, to the Board of Directors for reconsideration. Any reconsideration shall be heard by the Board that denied the application, in whole or part, at an open meeting of the Board. Said meeting shall take place at the next regularly scheduled meeting if said request for reconsideration is received by the Board within 20 days of said meeting. Otherwise said hearing shall occur at the following regularly scheduled meeting. However, if the original denial, in whole or part, was rendered at an open meeting of the Board of Directors, the Board is not required to reconsider its decision.

[11.3] Modifications to Approved Plans. Once a proposed work of Improvement has been duly approved by the Board of Directors of Directors, no material modifications shall be made in the approved plans and specifications therefore and no subsequent alteration, relocation, addition or modification shall be made to the work of Improvement, as approved, without a separate submittal to, and review and approval by, the Board of Directors. If the proposed modification will have, or is likely to have, a material effect on other aspects or components of the work, the Board of Directors, in its discretion, may order the Owner and his or her contractors and agents to cease working not only on the modified component of the Improvement, but also on any other affected component. The restrictions of this subparagraph shall also apply to any proposed modification of any Residence, fence or other structure from its appearance or location as originally constructed.

If it comes to the knowledge and attention of the Association, the Architectural Committee, or the agents or employees of either, that a work of Improvement, or any modification thereof, is proceeding without proper approval, the Association shall be entitled to exercise the enforcement remedies specified in Section 11.12 below, including, without limitation, ordering an immediate cessation and abatement of all aspects of the work of Improvement until such time as proper architectural review and approval are obtained.

[11.4] Composition of Architectural Committee. The Architectural Committee shall be composed of three (3) Members of the Association appointed by the Board of Directors. In selecting Members for the Architectural Committee, the Board of Directors shall try to select individuals whose occupations or education will provide technical knowledge and expertise relevant to matters within the Architectural Committee's jurisdiction. Architectural Committee members shall serve one (1) year terms subject to the Board of Directors' power to remove any

Architectural Committee member and to appoint his or her successor. Neither the members of the Architectural Committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto. If the Board of Directors establishes an Architectural Committee, it shall have those powers which are specifically designated by the Board of Directors in the resolution establishing the Architectural Committee.

[11.5] Duties. The Architectural Committee shall have the duty to consider and advise upon the proposals and plans for Improvements submitted to it pursuant to this Declaration, to propose Architectural Rules pursuant to Section 11.7, and to carry out all other architectural review duties imposed upon it by this Declaration.

[11.6] Meetings. The Architectural Committee shall meet from time to time as necessary to properly perform the architectural review functions described herein. The Architectural Committee shall keep and maintain a written record of all actions taken, and this record shall be maintained with the Minutes of the Board of Directors.

The Applicant shall be entitled to appear, at any meeting of the Architectural Committee at which his or her proposal has been scheduled for review and consideration. The Applicant shall be entitled to be heard on the matter and may be accompanied by his or her architect, engineer and/or contractor, if any. Other Owners whose Lots may be affected by the proposed improvement (in terms of the view or solar access of their Lots, noise or other considerations) shall also be entitled to attend the meeting.

Unless the applicant agrees to a shorter notice period, ten days' notice of the time, place and proposed agenda for the review of architectural matters shall be communicated before the date of the meeting to any Applicant whose application is scheduled to be heard, and to other Owners whose Lots may be affected by the proposed Improvement.

[11.7] Architectural Rules. The Board of Directors may, from time to time, adopt, amend, and repeal rules and regulations to be known as "Architectural Rules". The Architectural Rules shall interpret and implement the provisions hereof by setting forth: (1) the standards and procedures for architectural review, including the required content of Improvement plans and specifications; (2) guidelines for architectural design, placement of any work or Improvement or color schemes, exterior finishes and materials and similar features which are recommended or required for use in connection with particular Improvement Developments within the Properties; and (3) the criteria and procedures for requesting variances from any property use restrictions that would otherwise apply to the proposed Improvement under the Governing Documents, as provided in Section 11.13 below. Notwithstanding the foregoing, no Architectural Rule shall be in derogation of the minimum standards required by this Declaration. If the right to propose Architectural Rules is delegated to the Architectural Committee, any such rule shall not become effective until it has been approved by the Board of Directors.

[11.8] Basis for Approval of Improvements. When a proposed Improvement is submitted to the Architectural Committee for review, the Architectural Committee shall recommend the requested approval to the Board of Directors only if the Architectural Committee makes the following findings regarding the proposed development: (1) the Owner's plans and specifications conform to this Declaration and to the Architectural Rules in effect at the time

such plans are submitted to the Architectural Committee; (2) the Improvement will be in harmony with the external design of other structures and/or landscaping within the Properties; (3) the Improvement, as a result of its appearance, location or anticipated use will not interfere with the reasonable enjoyment of any other Owner of his or her property; and (4) the proposed Improvement(s), if approved, will otherwise be consistent with the architectural and aesthetic standards prevailing within the Properties and with the overall plan and scheme of development within the Properties.

The Board of Directors shall be entitled to determine that a proposed Improvement or component thereof is unacceptable when proposed on a particular Lot, even if the same or a similar Improvement or component has previously been approved for use at another location within the Properties if factors such as drainage, topography or visibility from roads, Common Areas or other Lots or prior adverse experience with the product or components used in construction of the Improvement, design of the Improvement or its use at other locations within the Properties militate against erection of the Improvement or use of a particular component thereof on the Lot involved in the Owner's submittal.

In approving a request for construction of an Improvement, the Board of Directors may condition approval upon the adoption of modifications in the plans and specifications or observance of restrictions as to location, noise abatement or similar mitigating conditions.

[11.9] Time Limits for Approval or Rejection. Within sixty (60) days after submission of plans and specifications satisfying the requirements of the Architectural Rules, the Board of Directors shall return one set of such plans to the Applicant, with either written notice of approval or disapproval or with written suggestions for changes required for approval accompanying the returned set of plans. If the Board of Directors recommends that the plans and specifications be modified, the Applicant may submit such changes for approval to the Board of Directors, which shall not unreasonably withhold its approval so long as the Applicant has complied in all material respects with the requested changes. If no written notice of approval or disapproval is received by the Applicant within sixty (60) days after the Owner's plans and specifications (or revisions thereto) are submitted to the Board of Directors, the plans shall be deemed to have been approved as submitted.

[11.10] Failure to Complete Work. Unless the Board of Directors grants the Owner an extension of time to complete the development, construction, reconstruction, refinishing or alteration of any such Improvement must be completed within six (6) months after construction has commenced, except and for so long as such completion is rendered impossible or would result in great hardship to the Owner because of strikes, fires, national emergencies, natural calamities or other supervening forces beyond the control of the Owner or his or her agents.

If the Owner fails to comply with this Section, the Board of Directors shall proceed in accordance with the provisions of Section 11.11 below as though the failure to complete the Improvement was a noncompliance with approved plans.

[11.11] Inspection of Work by Board of Directors. Inspection of the work relating to any approved Improvement and correction of defects therein shall proceed as follows:

(a) During the course of construction, representatives of the Board of Directors shall have the right to inspect the job site to confirm that the work of Improvement is proceeding in accordance with the approved plans and specifications.

(b) Upon the completion of any work of Improvement for which architectural approval is required under this Article, the Owner shall give the Board of Directors a written notice of completion.

(c) Within thirty (30) days after the Owner has given the Board of Directors a written notice of completion, the Board of Directors shall inspect the Improvement to determine whether it was constructed, reconstructed, altered or refinished in substantial compliance with the approved plans. If the Board of Directors finds that the Improvement was not erected, constructed or installed in substantial compliance with the Owner's approved plans, then within the thirty (30) day inspection period, the Board of Directors shall give the Owner a written notice of noncompliance detailing those aspects of the development that must be modified, completed or corrected. If the violation or nonconforming work is not corrected, the Board of Directors shall have the enforcement rights and remedies set forth in Section 11.12 below.

(d) If for any reason the Board of Directors fails to notify the Owner of any noncompliance within thirty (30) days after receipt of the Owner's notice of completion, the Improvement shall be deemed to have been constructed in accordance with the approved plans for the development unless it can be demonstrated that the Owner knew of the noncompliance and intentionally misled the Board of Directors with respect thereto.

[11.12] Enforcement of Architectural Compliance Matters. In addition to other enforcement remedies set forth in this Declaration, the Board of Directors shall have the authority to order an abatement ("red tag") of any construction, alteration, or other matter for which approval is required, to the extent that it has not been approved or if it does not conform to the plans and specifications submitted to and approved by the Board of Directors. If an Improvement development is red tagged, the Owner and his or her contractor shall cease all construction activity until such time as the issues giving rise to the red tag are resolved. The red tag notice shall clearly state the reasons why the abatement has been ordered.

No work for which approval is required shall be deemed to be approved simply because it has been completed without a complaint, notice of violation, or commencement of a suit to enjoin such work. If any legal proceeding is initiated to enforce any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorney's fees in addition to the costs of such proceeding.

If the Owner fails to remedy any noticed noncompliance within thirty (30) days from the date of such notification, or if the Owner feels that the development has been red tagged without justification, the Architectural Committee or Owner shall notify the Board of Directors in writing of such failure or alleged lack of justification. The Board of Directors shall then set a date on which a hearing shall be held before the Board of Directors regarding the alleged noncompliance. The hearing shall be conducted in accordance with Section 11.13 below.

The approval by the Board of Directors of any plans, drawings or specifications for any work of Improvement done or proposed, or for any other matter requiring the Board of Directors' approval under this Article, or any waiver thereof, 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 by the same or some other Owner. Different locations for Improvements, the size of the structure, proximity to other Residences or Common Facilities and other factors may be taken into consideration by the Board of Directors in reviewing a particular submittal.

[11.13] Variances. The Board of Directors, in its sole discretion, shall be entitled to allow reasonable variances in any procedures or minimum construction standards in this Article XI, to overcome practical difficulties, avoid unnecessary expense, or prevent unnecessary hardship to any Owner-applicant, provided all of the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a property use restriction that would otherwise be applicable under this Declaration, the Board of Directors shall conduct a hearing on the proposed variance after giving prior written notice to all Owners residing within the lesser of fifty (50) feet or two (2) Lots away from the Lot where the Improvement is proposed to be erected. The notice shall also be posted in the Association's principal office within the Properties. The notice shall be posted and mailed to the interested Owners at least fifteen (15) days prior to the date when the Board of Directors is scheduled to act on the requested variance. No decision shall be made with respect to the proposed variance until the fifteen (15) day comment period has elapsed.

(b) If the requested variance pertains to any material Improvement or development, the Board of Directors must make a good faith written determination that the variance is consistent with one or more of the following criteria: (1) the requested variance will not constitute a material deviation from any restriction contained herein or that the variance proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (2) that the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance with respect to any other Lot or Common Area within the Properties.

[11.14] Estoppel Certificate. Within thirty (30) days after written demand is delivered to the Board of Directors by any Owner, and upon payment to the Association of a reasonable fee (as established from time to time by the Board of Directors), the Board of Directors shall record an estoppel certificate, executed by two of its members, certifying (with respect to any Lot owned by the Owner-applicant) that as of the date thereof, either: (1) all Improvements made and other work completed by the Owner comply with this Declaration; or (2) such Improvements or work do not so comply, in which event the certificate shall also identify the non-complying Improvements or work and set forth with particularity the basis of such noncompliance. Any purchaser from the Owner, or from anyone deriving any interest in the Lot through the Owner, shall be entitled to rely on the Association's estoppel certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners and any persons deriving any interest through them.

[11.15] Limitation on Liability. Neither the Association, the Board of Directors, nor the Architectural Committee or any member thereof shall be liable to any Owner for any

damage, loss or prejudice suffered or claimed on account of any mistakes in judgment, negligence or nonfeasance arising out of: (1) the approval or disapproval of any plans, drawings and specifications, whether or not defective; (2) the construction or performance of any Improvement development, whether or not pursuant to approved plans, drawings or specifications; or (3) the execution and filing of an estoppel certificate pursuant to Section 11.14 above, whether or not the facts stated therein are correct; provided, however, that such Member acted in good faith on the basis of such information as he or she possessed at the time the act or omission occurred.

[11.16] Compliance with Governmental Regulations. Review and approval by the Board of Directors of any proposals, plans or other submittals pertaining to Improvements shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements of any governing agency, the responsibility for which shall lie solely with the Owner who desires to construct, install or modify the Improvement.

ARTICLE XII

CONDEMNATION

[12.1] Sale by Unanimous Consent or Taking. If an action for condemnation of all or a portion of the Development is proposed or threatened by any governmental agency having the right of eminent domain, then, on unanimous written consent of all of the Owners and all institutional Mortgagees, the Development, or a portion thereof may be sold and conveyed to the condemning authority by the Board of Directors or its designees acting as the attorney-in-fact of all Owners under an irrevocable power of attorney, which each Owner by accepting a deed to a Lot in the Development hereby grants and which shall be coupled with the interest of all other Owners, for a price deemed fair and equitable by the Board. If the requisite number of Owners or institutional Mortgagees does not consent to a sale of all or a portion of the Development, and the condemning authority institutes condemnation proceedings, the court shall fix and determine the condemnation award.

[12.2] Distribution and Sale Proceeds of Condemnation Award.

(a) Total Sale or Taking. A total sale or taking of the Development means a sale or taking that (1) renders more than fifty percent (50%) of the Lots uninhabitable (such determination to be made by the Board in the case of a sale and by the court in the case of a taking) or (2) renders the Development as a whole uneconomical as determined by the vote or written consent of two-thirds (2/3) of those Owners and their respective institutional Mortgagees whose Lots will remain habitable after the taking. However, any determination that a sale or taking is total must be made before the proceeds from any sale or award are distributed. The proceeds of any such total sale or taking of the Development, after payment of all expenses relating to the sale or taking, shall be paid to all Owners and to their respective Mortgagees in the proportion that the fair market value of each such Lot bears to the fair market value of all Lots in the Development. The fair market value of Lots shall be determined in the condemnation action, if such be instituted, or by an appraiser.