

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
CANTO DE LAS LUPINE**

This Declaration of Covenants, Conditions and Restrictions for Canto de las Lupine (the "Declaration") is made by Canto de Las Lupine, LLC., a California limited liability company ("Declarant").

RECITALS

A. Declarant is the owner of all the real property located in the County of Shasta, State of California, more particularly described as follows:

Lots 1 through 15 inclusive as shown on the subdivision map of the "Canto de las Lupine Planned Development Subdivision", Tract 1880, filed for record on May 26, 2005 in Book 23 of Maps at Page 75 of the Records of the County of Shasta, State of California (the "Subdivision Map")("Canto de las Lupine").

B. Declarant hereby declares that all of the real property defined in this Declaration as constituting the Canto de las Lupine common interest development shall be held, sold and conveyed subject to the following easements, restrictions, associations, reservations, covenants and conditions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Canto de las Lupine development. These covenants, easements, restrictions, conditions and reservations: (i) create a general plan and scheme for the subdivision development, sale and use of the Lots and Common Areas within Canto de las Lupine as a "common interest development" as that term is defined in California Civil Code Section 1351(k); (ii) are for the benefit and protection of the Canto de las Lupine property and for the protection and enhancement of the desirability, value and attractiveness of the Lots, Common Areas and other parcels of real property located therein; (iii) run with all the real property comprising Canto de las Lupine, and other portions of the Property subsequently annexed thereto; and (iv) bind all parties having or acquiring any right, title or interest in the Canto de las Lupine development of any portion thereof, and their successors and assigns.

C. The Canto de las Lupine common interest development comprises a portion of the Property. At some time in the future all of the Property is master planned to become part of Canto de las Lupine. If Canto de las Lupine is developed in accordance with the master plan, it will consist of 48 Lots and Common Areas and Common Facilities. It is the intention of Declarant to develop all of the Property and to implement the master plan in one or more subsequent Phases. Phase 1 is described in Recital "A" and the Lots and property therein are subjected to this Declaration upon the recording hereof. The remainder of the Property is intended to be developed in subsequent Phases with the Lots and property in each subsequent Phase subjected to this Declaration by annexing the Lots and Common Areas within each subsequent Phase pursuant to Article XV, below. The property that is from time to time eligible for future annexation comprises the balance of the Property and is

referred to herein as the "Annexable Property" and are more particularly described in Exhibit "A" hereto. Declarant may, but shall have no obligation to, annex all or any portion of the Annexable Property into the Canto de las Lupine development and unless annexed no portion of the Annexable Property shall be subject to the provisions of this Declaration.

D. It is the further intention of the Declarant to develop, sell and convey the 15 or more residential Lots within Canto de las Lupine comprising Phase 1, subject to the protective covenants, conditions, restrictions, limitations, reservations, liens, grants of easements, rights, rights of way, charges and equitable servitudes between Declarant and Lot Owners as set forth in this Declaration and any duly adopted amendments thereto.

E. Finally, it is the intention of Declarant to transfer and convey to the Association the "Common Area" and "Common Facilities" located within Canto de las Lupine. Those Common Areas and Common Facilities shall be owned and maintained by the Association and reserved exclusively for the use and enjoyment of the Members of the Association, their tenants, lessees, guests and invitees subject to the terms and conditions of this Declaration and the other Governing Documents. The Association will have no ownership interest in or control over any portion of the Property other than the real property in Canto de las Lupine, i.e. the real property described in Recital "A", above, and any property subsequently annexed to Canto de las Lupine in accordance with this Declaration.

ARTICLE I

Definitions

Section 1.01. "Annexable Property" means those portions of the Property which at any given point in time are not a part of or have not been annexed to Canto de las Lupine. The Annexable Property as of the date of the recording of this Declaration is more particularly described in Exhibit "A".

Section 1.02. "Articles" means the Articles of Incorporation of the Association, which are filed in the office of the California Secretary of State, as such Articles may be amended from time to time.

Section 1.03. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner or his or her Lot in accordance with the provisions of Article IV, below.

Section 1.04. "Association" means the Canto de las Lupine Community Association, a California nonprofit mutual benefit corporation, its successors and assigns. The Association is an "association" as defined in California Civil Code Section 1351(a).

Section 1.05. "Association Rules" means the rules, regulations and policies adopted by the Board of Directors, pursuant to Section 3.07, below, as the same may be in effect from time to

time. From and after the time when the Association is given control over the Design Committee, the Design Guidelines will constitute part of the Association Rules.

Section 1.06. "Board of Directors" or "Board" means the Board of Directors of the Association.

Section 1.07. "Bylaws" means the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 1.08. "Common Area" means all real property and Improvements thereon owned or controlled by the Association for the common use and enjoyment of the Owners. The Common Area to be owned or controlled by the Association is described as follows:

(a) Roadways. All roads within Canto de las Lupine, including the fire access road and Canto de las Lupine Drive, as shown on the Subdivision Map and all fee interests and easements that comprise and constitute said roads.

(b) Landscaping and Improvements. All landscaping and improvements within the roads within Canto de las Lupine and all other areas within Canto de las Lupine designated as common areas on the Subdivision Map and all fee interests and easements that comprise and constitute such landscaping, improvements and other areas.

(c) Subsequent Phase Common Areas. Any portion of the Annexable Property described as Common Area in a Declaration of Annexation.

Unless the context clearly indicates a contrary intent, any reference to the "Common Areas" shall also include any Common Facilities located thereon.

Section 1.09. "Common Expense" means any use of Common Funds authorized by Article IV, below, and Article XII of the Bylaws and includes, without limitation: (a) all expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Area and Common Facilities; (b) all expenses and charges incurred by or on behalf of the Association required by or in order to comply with the Fuel Management Plan; (c) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors to the extent permitted or required by Article X, below; (d) any amounts reasonably necessary for reserves for maintenance, repair and replacement of the Common Areas and Common Facilities, and for nonpayment of any Assessments; and (e) costs and expenses incurred by the Association in the performance of its duties and responsibilities under the Governing Documents, including, without limitation, the provision of services to the Owners in common.

Section 1.10. "Common Facilities" means the private roadways, guard house, entryway signs, improvements and gates, pedestrian/bicycle trails, trees, hedges, plantings, lawns, shrubs, landscaping, fences, utilities, drainage systems, facilities and devices, storm water retention/detention facilities, water quality enhancement facilities, landscape and vegetative buffer

areas within Landscape Easements, berms, pipes, lines, lighting fixtures, buildings, structures and other facilities constructed or installed, or to be constructed or installed, or currently located within any portion of the Common Areas of the Canto de las Lupine development.

Section 1.11. "County" means the County of Shasta, State of California, and its various departments, divisions, employees and representatives. If any portion of the Canto de las Lupine development becomes is or becomes part of an incorporated city, the term "County" shall be deemed to include the City in which that portion of the Canto de las Lupine development is located.

Section 1.12. "Declarant" means Canto de las Lupine, a California limited liability company. The term "Declarant" shall also mean any successor or assign of Declarant, who is designated as a Declarant in accordance with Section 16.03, below. There may be more than one Declarant at any given time. In the event that other persons or entities are designated as Declarants in accordance with Section 16.03, each such Declarant shall be a Declarant only with respect to those portions of the Canto de las Lupine common interest development owned by that Declarant. A Declarant shall cease being a Declarant when it no longer owns any portion of Canto de las Lupine.

Section 1.13. "Declaration" means this "Declaration of Covenants, Conditions and Restrictions for Canto de las Lupine", as it may hereafter be further amended from time to time. If any Supplemental Declarations are approved and recorded in accordance with Section 15.05, below, then following such recordation any reference to this Declaration shall mean this Declaration as amended and supplemented by the Supplemental Declaration(s).

Section 1.14. "Declaration of Annexation" means a declaration annexing a portion of the Property to Canto de las Lupine and subjecting the property described therein to this Declaration, all as more particularly described in Section 15.06, below.

Section 1.15. "Design Guidelines" is defined in Section 5.05, below.

Section 1.16. "Design Committee" means the committee created in accordance with Article V, below.

Section 1.17. "Fuel Management Plan" means the Wildland Fuel/Vegetation Management Plan for Canto de las Lupine approved by the County in connection with the Subdivision Map for Canto de las Lupine.

Section 1.18. "Governing Documents" is a collective term that means and refers to this Declaration, as amended or supplemented by any Declaration of Annexation or Supplemental Declaration subsequently recorded pursuant to Article XV, below, the Articles and Bylaws of the Association, and the Association Rules.

Section 1.19. "Lot" means any lot or parcel of real property designated by a number on the Subdivision Map for any portion of Canto de las Lupine, excluding the Common Area. When appropriate within the context of this Declaration, the term "Lot" shall also include the Residence

and other Improvements constructed or to be constructed on a Lot. The term "Lot" shall also mean and refer to any Lot described as such in any Declaration of Annexation.

Section 1.20. "Improvement" is defined in Section 5.01(b), below.

Section 1.21. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting of the Members or by written ballot when the number of Members attending the meeting in person or by proxy or casting written ballots equals or exceeds the quorum requirement for member action, as specified by the Bylaws or otherwise by statute.

Section 1.22. "Member" means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to Section 13.06, below.

Section 1.23. "Canto de las Lupine" means all parcels and lots of real property described in Recital "A" hereof, including the Common Areas as defined above, together with all buildings, structures, utilities, Common Facilities, and other Improvements now located or hereafter constructed or installed on any such parcels, lots, or Common Areas, and all appurtenances thereto. The term "Canto de las Lupine" shall also include any additional real property that is hereafter added to Canto de las Lupine pursuant to a duly approved and recorded property line adjustment, parcel map or subdivision map or annexation pursuant to Article XV, below.

Section 1.24. "Mortgage" means any security device encumbering all or any portion of Canto de las Lupine, including any deed of trust. "Mortgagee" shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

Section 1.25. "Owner" means any person, firm, corporation or other entity which owns a fee simple interest in any Lot. The term "Owner" shall include the Declarant for so long as the Declarant owns any Lot within Canto de las Lupine, and, except where the context otherwise requires shall include, the residents, family, guests, tenants, invitees and contract purchasers of an Owner.

Section 1.26. "Owner of Record" and "Member of the Association" include an Owner and mean any person, firm, corporation or other entity in which title to a Lot is vested as shown by the records of the Office of the Shasta County Recorder. If a Lot is transferred or conveyed to a trust, the Owner is the trustee or the co-trustee of such trust.

Section 1.27. "Phase" means any portion of Canto de las Lupine which is the subject of a separate Public Report issued by the California Department of Real Estate.

Section 1.28. "Property" means all of the real property that is part of Canto de las Lupine, or may be annexed to and become a part of the Canto de las Lupine common interest development in accordance with Article XV., below or otherwise. Specifically, the Property includes Canto de las Lupine, as described in Recital "A" and the Annexable Property described in Exhibit "A".

Section 1.29. "Record", "Recordation" and "Recording" means, with respect to any document, the recordation or filing of such document in the Office of the Shasta County Recorder.

Section 1.30. "Regular Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.02, below.

Section 1.31. "Residence" means a private, single-family dwelling constructed or to be constructed on any Lot.

Section 1.32. "Shared Driveway" shall mean and refer to a portion of one or more Lots shown on the Subdivision Map on which there is a private easement for access and maintenance, if some portion of the easement area is used as a primary driveway for two (2) or more Residences.

Section 1.33. "Single Family Residential Use" means occupation and use of a Residence for single family dwelling purposes in conformity with this Declaration and the requirements imposed by applicable zoning or other applicable laws or governmental regulations limiting the number of persons who may occupy single family residential dwellings in the County. The definition of a Single Family Residence is not intended to prohibit the construction of free-standing guest quarters or "grannie units" so long as the same are not used or occupied as rental units for persons who are neither family members nor domestic employees for the Owners of the principal residence on the Lot.

Section 1.34. "Special Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.03, below.

Section 1.35. "Special Individual Assessment" means an Assessment levied against an Owner in accordance with Section 4.04, below.

Section 1.36. "Subdivision Map" means the subdivision map of the "Canto de las Lupine Planned Development Subdivision", Tract 1880, filed for record on May 26, 2005, in Book 23 of Maps at Page 75 of the Records of the County of Shasta, State of California.

Section 1.37. "Supplemental Declaration" means a supplemental declaration of covenants, conditions and restrictions Recorded with respect to portions of the Property at the time such property is annexed to Canto de las Lupine pursuant to Section 15.07, below.

Section 1.38. "Wetland Area" means each swale, pond, pool, stream, creek, ditch, meadow or other water or water course feature designated as such for the purpose of its protection as a wetland habitat area on the wetlands delineation map for Canto de las Lupine maintained by the Association at its offices and available for inspection by Members and their contractors and agents and representatives at any time upon request.

ARTICLE II
Property Rights and Obligations of Owners

Section 2.01. Declaration Regarding Property. The Declaration and any Declarations of Annexation and any Supplemental Declarations subsequently Recorded pursuant to Article XV, below, are declared to be in furtherance of a general plan for the subdivision, improvement and sale of the Canto de las Lupine common interest development and are established for the purpose of enhancing, perfecting and maintaining the value, desirability and attractiveness of the Lots and Common Areas within Canto de las Lupine. This Declaration shall run with all Lots and Common Areas within Canto de las Lupine. Accordingly, each conveyance, transfer, sale, assignment, lease or sublease made by Declarant of any Lot or the Common Area or any part thereof shall be deemed to incorporate by reference all of the provisions of this Declaration. All present and future Owners, tenants and occupants of Lots or Residents within Canto de las Lupine shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same shall be amended from time to time unless a particular provision of the Governing Documents is specifically restricted to one or more classes of persons (i.e., Owners, tenants, invitees, etc.). The acceptance of a deed to any Lot, the execution of a lease, sublease or contract of sale with respect to any Lot or the entering into occupancy of any Residence shall make the provisions of this Declaration binding upon said persons and they shall thereafter be obligated to observe and comply with all Governing Documents.

Section 2.02. Authorized Boundary Line Adjustments.

(a) By the Association. Subject to the restrictions stated in this subparagraph (a), the Association's Board of Directors shall have the power and authority (subject only to receipt of all required County or other governmental approvals) to convey interests in portions of the Common Area and to make minor adjustments in the boundary lines between Lots or between Lots and any Common Areas when the Board, in its reasonable discretion, finds that any such conveyance or boundary line adjustment is necessary to: (i) conform the boundaries of a Lot or Common Areas to the natural contour of the land for purposes of permitting or promoting an efficient division of maintenance responsibilities between the Owners and the Association; or (ii) to account for on-site conditions or unique topographic features discovered during the course of development. Such conveyances of interests in the Common Area and boundary line adjustments may be made with any Owner of adjacent property (including Declarant). The party receiving the conveyance shall take the interest so conveyed free of any requirement that such interests be devoted to use as Common Area. Any conveyance pursuant to this subparagraph shall conform to a final map or a parcel map approved by the County, or comply with the County's lot line adjustment procedures, and require the consent of all Owners of the property interests which are directly involved in the adjustment.

Upon such a conveyance, the interest conveyed may be used for any purpose not prohibited by the Declaration and which is otherwise permitted by law; provided that discussion of the intended use or uses thereof occurred in a meeting of the Board of Directors and reference to such discussion is made in the minutes of such meeting.

(b) Boundary Line Adjustments By the Declarant. At any time within ten (10) years from the date that the first Lot in Canto de las Lupine (or any subsequent Phase) is conveyed to an Owner

other than Declarant, the boundaries of any Lot or Common Area in Canto de las Lupine (or that subsequent Phase) may be altered by a lot line adjustment or other change reflected on a subsequently Recorded record of survey, property line adjustment or subdivision map, provided that the altered boundaries are approved by Declarant and all Owners of the lands which are directly involved in the boundary adjustment (the Board, with respect to real property owned by the Association). Any such alteration shall be effective upon Recordation of the record of survey, property line adjustment or subdivision map. Upon such Recordation, the boundaries of the altered Lot or Common Area shall be altered for purposes of this Declaration to conform to the boundaries as shown on the record of survey, property line adjustment or subdivision map.

Section 2.03. Property Rights in Common Area.

(a) Fee Title in Association. Declarant shall convey fee simple title to the Common Area located in each Phase of Canto de las Lupine to the Association, free of all encumbrances and liens, with the exception of current real property taxes (which shall be prorated as of the date of such conveyance) and any easements, conditions and reservations then of record, including those set forth in this Declaration. Any such conveyance of Common Area shall be made prior to, or concurrently with, the first transfer or conveyance by Declarant to a purchaser of a Lot in the Phase which includes the Common Area. The Association shall be deemed to have accepted the Common Area conveyed to it when (i) a grant deed conveying the title to the Common Area has been recorded in the Office of the County Recorder, and (ii) Assessments for the Phase of Canto de las Lupine in which the Common Area is located have commenced.

(b) Rights of Owners in Common Areas. The interest of each Lot Owner in and to the use and enjoyment of the Common Area and the Common Facilities shall be appurtenant to the Lot owned by the Owner and shall not be sold, conveyed or otherwise transferred by the Owner separately from the ownership interest in the Lot. Any sale, transfer or conveyance of such Lot shall transfer the appurtenant right to use and enjoy the Common Area and Common Facilities. There shall be no judicial partition of the Common Area or any part thereof, and each Owner, whether by deed, gift, devise, or operation of law for his or her own benefit and for the benefit of all other Owners specifically waives and abandons all rights, interest and causes of action for a judicial partition of any ownership interest in the Common Area and does further covenant that no action for judicial partition shall be instituted, prosecuted or reduced to judgment. The rights of all Owners in the Common Area shall be further subject to the requirements and restrictions set forth in Section 2.04, below, ("Owners' Nonexclusive Easements of Enjoyment").

Section 2.04. Owners' Nonexclusive Easements of Enjoyment. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Area, including ingress and egress to and from his or her Lot. This nonexclusive easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) Right Of Association to Manage Common Area. The Association shall have the right to manage and otherwise control the Common Area and Common Facilities, including any parking and storage spaces within the Common Area.

(b) Right of Association to Adopt Rules. The Association is empowered to adopt Association Rules as provided in Section 3.07, below, regulating the use and enjoyment of Canto de las Lupine for the benefit and well-being of the Owners in common, and, in the event of the breach of such rules or any provision of any Governing Document by any Owner or tenant, to initiate disciplinary action against the violating Owner or tenant in accordance with Section 13.06, below. Such action may include the levying of fines and/or the temporary suspension of voting rights. Without limiting the foregoing authority, such rules may include rules regarding qualification as a candidate for election to the Board.

(c) Right of Association to Borrow. The Association is empowered to borrow money for the purpose of improving the Common Area and Common Facilities and in aid thereof, to Mortgage said property; provided, however, that the rights of any Mortgagee in said properties shall be subordinate to the rights of the Owners hereunder.

(d) Dedication. Subject to any applicable provision of the Bylaws, the Association may (i) dedicate any of the Common Area to an appropriate public authority for public use; or (ii) grant and convey easements and licenses for use and rights of way in, on, over and under any Common Area; provided, however, that any dedication of Common Area which would result in public access to any Common Area must first be approved in writing by two thirds of the Owners.

(e) Common Area Easements. All easements affecting the Common Area which are described in Article IX, below, or which are shown on any subdivision map for Canto de las Lupine.

(f) Common Area Boundary Adjustments. The rights of the Association and the Declarant to adjust Common Area boundaries and to create exclusive use common areas pursuant to, and subject to the limitations imposed by, Section 2.02, above.

Section 2.05. Delegation of Use. Any Owner may delegate the Owner's rights to use and enjoy the Common Area and Common Facilities to the Owner's family members or tenants, lessees or contract purchasers who reside in the Owner's Residence subject to the following restrictions and conditions:

(a) Lease Term and Use. Any rental or lease of a Residence within Canto de las Lupine must: (i) be a lease of the entire Residence; and (ii) to a single family for Single Family Residential Use.

(b) Obligation to Identify Tenants. Within 30 days of the commencement of a lease of an Owner's Residence, the Owner shall notify the Association of the existence of such lease, the expected term of the lease and the identity of the tenants.

(c) All Leases Subject to Governing Documents. Any rental or lease of a Residence shall be subject to the provisions of the Governing Documents all of which are hereby deemed incorporated by reference in the lease or rental agreement.

(d) Obligation to Provide Governing Documents. Each Owner-lessor shall provide any tenant with either a current copy of all Governing Documents, or a summary (prepared by the Association) of those Governing Document provisions which are of principal importance to tenants and the rental or lease of Residences. Each Owner-lessor shall be responsible for compliance by the tenant with all of the provisions of the Governing Documents during the tenant's occupancy and use of the Residence.

(e) No Avoidance of Obligations. No lease or rental of a Residence or other delegation of the use and enjoyment of a Residence or Lot shall relieve an Owner from liability to the Association or to other Owners for payment of assessments or performance of the covenants, conditions and restrictions contained in this Declaration.

(f) Rights of Enforcement. The Association and each Owner shall have a right of action directly against any tenant of an Owner, as well as against the Owner-lessor, for nonperformance of any of the provisions of this Declaration or failure by the tenant to comply with any Association Rules pertaining to the occupancy, use, enjoyment and maintenance of Lots, Residences and Common Areas to the same extent that such right of action exists against any Owner who fails to comply with the Governing Documents. See Section 13.06, below.

Section 2.06. Obligations of Owners. Owners of Lots within Canto de las Lupine shall be subject to the following duties and obligations:

(a) Owner's Duty to Notify Association of Tenants and Contract Purchasers. Each Owner shall notify the secretary of the Association or the Association's property manager, if any, of the names of any contract purchaser or tenant or lessee of the Owner's Lot.

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

(c) Notification Regarding Governing Documents.

(i) As more particularly provided in California Civil Code Section 1368, as soon as practicable before transfer of title or the execution of a real property sales contract with respect to any Lot, the Owner thereof must give the prospective purchaser: (A) a copy of the Governing Documents; (B) a copy of the most recent documents distributed by the Association pursuant to California Civil Code Section 1365; (C) a true statement in writing from an authorized representative of the Association as to: (1) the amount of any unpaid Assessments, together with information relating to late charges, attorneys' fees, interest, and costs of collection which, as of the date the statement is issued, are or may become a lien on the Lot being sold ("delinquency statement"); and (2) the amount of the Association's current Regular and Special Assessments and fees; and (D) a statement disclosing any change in the Association's current Regular and Special

Assessments and fees which have been approved by the Board but have not become due and payable as of the date the information is provided.

(ii) Within 10 days of the mailing or delivery of a request for the information described in subparagraph (c)(i) of this Section, the Association shall provide the Owner with copies of the requested items. The Association shall be entitled to impose a fee for providing the requested items equal to (but not more than) the reasonable cost of preparing and reproducing the requested items.

(iii) The provisions of this subparagraph (c), except for those provisions relating to the furnishing of a delinquency statement, shall not apply to any Owner who is subject to the requirements of California Business and Professions Code Section 11018.1 which requires certain subdividers to obtain and provide purchasers with a Department of Real Estate Public Report.

(d) Compliance with Governing Documents and Rules. Each Owner and resident of a Lot shall observe, comply with and abide by any and all applicable provisions of the Governing Documents and any and all rules and regulations set forth in, or promulgated by the Association pursuant to, any Governing Document for the purpose of protecting the interests of all Owners and residents or protecting the Common Area and Common Facilities.

(e) Payment of Assessments; Discharge of Assessment Liens. Each Owner shall pay, when due, each Regular, Special and Special Individual Assessment levied against the Owner and his or her Lot and shall promptly discharge any Assessment lien that may hereafter become a charge against his or her Lot.

(f) Joint Ownership of Lots. In the event of joint ownership of any Lot, the obligations and liabilities of the multiple Owners under the Governing Documents shall be joint and several. Without limiting the foregoing, this subparagraph (f) shall apply to all obligations, duties and responsibilities of Owners as set forth in this Declaration, including the obligation to pay on or before the due date any Assessments duly imposed against the Owner and the Owner's Lot.

(g) Termination of Obligations. Upon the conveyance, sale, assignment or other transfer of a Lot to a new Owner, the transferor-Owner shall not be liable for any Assessments levied with respect to such Lot which become due after the date of Recording of the deed evidencing the transfer and, upon such Recording, all Association membership rights possessed by the transferor by virtue of the ownership of the Lot shall automatically cease.

(h) Prohibition on Avoidance of Obligations. No Owner, by non-use of the Common Area or Common Facilities, abandonment of the Owner's Lot or otherwise may avoid the burdens and obligations imposed on such Owner by the Governing Documents, including, without limitation, the payment of Assessments levied against the Owner and his or her Lot pursuant to this Declaration.

(i) Payment of Government Fees, Etc. Each Owner shall pay, when due, all fees, assessments, taxes and other charges made by any federal, state or local governmental agency,

district or subdivision on or with respect to his or her Lot or any Improvement, including any such charges for local or regional improvements or projects.

ARTICLE III

The Canto de las Lupine Community Association

Section 3.01. Formation. The Canto de las Lupine Community Association is a California nonprofit mutual benefit corporation and an "association" as defined in California Civil Code Section 1351(a). On or before the first close of escrow for the sale of a Lot in each Phase of Canto de las Lupine to an Owner, the Declarant shall convey the Common Areas located in that Phase to the Association as provided in Section 2.03(a) hereof, and thereupon the Association shall be charged with the duties and invested with the powers set forth in the Governing Documents, as to all Lots, Common Areas and other parcels within the Phase, including, but not limited to, the management, control, maintenance and repair of the Common Areas and Common Facilities.

Section 3.02. Association Action; Board of Directors and Officers. With the exception of those matters requiring approval of Members under the Governing Documents or California law, the business and affairs of the Association shall be conducted by the Board of Directors of the Association and by such officers, agents or contractors as the Board may elect, appoint or hire. Except as otherwise provided in the Governing Documents or California law, all matters requiring the approval of Members shall be deemed approved if approved by a Majority of a Quorum of the Members.

Section 3.03. Membership.

(a) Qualifications. There is one membership in the Association appurtenant to each Lot within the Canto de las Lupine common interest development and membership may not be severed from Lot ownership. When a Lot is owned by more than one person, the co-Owners must designate one co-Owner as the member of record and advise the Association of the Owner so designated. The co-Owner designated as the Member of record must own at least a 25 percent interest in the Lot or in the entity that is the owner of record of the Lot. Other co-Owners of a Lot who are not the designated Member shall nevertheless enjoy the rights and easements of use and enjoyment of the Common Areas described in Section 2.04, above, subject only to the limitations described in said Section or in rules promulgated pursuant thereto. Persons or entities who hold an interest in a Lot merely as security for performance of an obligation are not Members.

(b) Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale of the Lot to which it is appurtenant, and then, only to the purchaser. In the case of a sale, the membership appurtenant to the transferred Lot shall pass automatically to the purchaser upon the Recordation of a deed evidencing the transfer of title. In the case of an encumbrance recorded with respect to any Lot, the Mortgagee shall not possess any membership rights until the Mortgagee becomes an Owner by foreclosure or acceptance of a deed in lieu thereof. Tenants who are delegated rights of use pursuant to Section 2.05, above, do not thereby become Members, although the tenant and his or her family

and guests shall at all times be subject to Canto de las Lupine use restrictions and enforcement/disciplinary provisions of the Governing Documents. When a Lot is sold, the membership appurtenant to the Lot automatically transfers to the new Owner, without necessity of any action on the part of the transferor(s). The Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 3.04. Membership Voting Rights.

(a) Commencement of Voting Rights. Voting rights attributable to the ownership of Lots shall vest at such time as Assessments against those Lots are first levied by the Association.

(b) Classes of Membership. The Association shall have two classes of voting membership: Class A Members shall initially include, and be limited to, all Owners except the Declarant. The Class B Member shall be the Declarant. The voting rights and other privileges of both classes of membership and the conversion of the Declarant's Class B membership into Class A membership shall be as more particularly provided in Article IV of the Bylaws.

(c) Suspension of Voting Rights. Voting rights may be temporarily suspended under those circumstances described in Section 13.06, below.

(d) Intent of Provisions Imposing Limitations on Declarant Voting Rights. With the exception of any membership vote pursuant to Section 3.09, below (relating to the enforcement of bonded obligations), no provision of any Governing Document requiring approval of a prescribed majority of the voting power of the Association other than the Declarant is intended to preclude the Declarant from casting votes attributable to any Lots owned by the Declarant. Instead, what is required is the approval of a bare majority of the Class B voting power as well as the approval of the prescribed majority of the Class A voting power. Once the Class B membership has been converted to Class A membership, the intent is to require the approval of a bare majority of the total voting power of the Association as well as the approval of the prescribed majority of the total voting power of the Association other than the Declarant.

Section 3.05. Assessment. The Association shall have the power to establish, fix and levy Assessments against the Owners of Lots within Canto de las Lupine and to enforce payment of such Assessments, as more particularly provided in Article IV, below.

Section 3.06. Powers and Authority of the Association.

(a) Powers, Generally. The Association shall have the responsibility of owning, managing and/or maintaining the Common Areas and Common Facilities within the Canto de las Lupine common interest development and discharging the other duties and responsibilities imposed on the Association by the Governing Documents. In the discharge of such responsibilities and duties, the Association shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in the ownership and management of its properties and the discharge of its responsibilities hereunder for the benefit of its Members, subject

only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents. The Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. The specific powers of the Association and the limitations thereon are set forth in Article IX of the Bylaws.

(b) Association's Limited Right of Entry.

(i) Right of Entry, Generally. Without limiting the foregoing description of powers, but in addition thereto, the Association and its agents shall have the right and power to enter any Lot to perform the Association's obligations under this Declaration, including, without limitation: (A) obligations to enforce the architectural, minimum construction standards and land use restrictions of Articles V, VI and VIII, below; (B) any obligations with respect to construction, maintenance and repair of Common Areas and Wetland Areas; or (C) to undertake property maintenance work that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, any portion of Canto de las Lupine or the Owners in common. Any reference in this Section 3.06(b) to the Association shall also include the Design Committee constituted in accordance with Section 5.02, below.

(ii) Limitations on Exercise of Right. The Association's right of entry pursuant to this subparagraph (b) shall be subject to the following:

(A) The right of entry may be exercised immediately and without prior notice to the Owner or resident in case of an emergency originating in or threatening the Lot where entry is required or any adjoining Lots or Common Area. The Association's work may be performed under such circumstances whether or not the Owner or his or her lessee is present.

(B) In all non-emergency situations involving routine repair and/or maintenance activities of the Association hereunder, the Association, or its agents, shall furnish the Owner or his or her lessee with at least 24 hours prior written notice of its intent to enter the Lot, specifying the purpose and scheduled time of such entry, and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing on the Lot.

(C) In all non-emergency situations involving access by the Association for purposes of enforcing the Governing Documents against an Owner in default, the Association's entry shall be subject to observance of the notice and hearing requirements imposed by Section 13.06, below.

(D) In no event shall the Association's right of entry hereunder be construed to permit the Association or its agents to enter the interior of any Residence without the Owner's express permission.

(c) Patrol Services. The Association may, but shall not be obligated to, provide patrol services, with the types, extent, nature, and hours of patrol services to be determined from time to time by the Board. Any services provided or contracted by the Association pursuant to this subparagraph are not intended to replace, or to supplement, in any manner, governmental law enforcement, fire, or safety services and no references herein to "security", "safety", or "patrol" shall be construed as a representation that the development provides enhanced or special security features.

Section 3.07. Association Rules.

(a) Rule Making Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners ("Association Rules"). The Association Rules may concern, but need not be limited to: (i) matters pertaining to use of the Common Area and Common Facilities; (ii) architectural control and the Design Guidelines of the Design Committee under Section 5.05, below; (iii) regulation of pet ownership, parking, signs, collection and disposal of refuse and other matters subject to regulation and restriction under Article VIII, below; (iv) collection of delinquent Assessments; (v) minimum standards of maintenance of landscaping or other Improvements on any Lot; (vi) the conduct of disciplinary proceedings in accordance with Sections 13.06 and 13.08, below; and (vii) any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

Notwithstanding the foregoing grant of authority, the Association Rules shall not be inconsistent with or materially alter any provision of the Governing Documents or the rights, preferences and privileges of the Owners thereunder. In the event of any material conflict between any Association Rule and the provisions of any other Governing Document, the conflicting provisions contained in the other Governing Document shall prevail.

(b) Distribution of Rules. A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. A copy of the Association Rules shall also be available and open for inspection by any Owner during normal business hours at the principal office of the Association.

(c) Adoption and Amendment of Rules. Association Rules may be adopted or amended from time to time by majority vote of the Board, provided, however, that no Association Rule or amendment thereto shall be adopted by the Board until at least 30 days after the proposed rule or rule amendment has been: (i) published in the Association newsletter, if any, or otherwise communicated to the Owners in writing; and (ii) posted in the Association's principal office. These posting and Owner communication requirements shall not apply to rules adopted to address emergency situations involving the health or safety of residences or imminent threat of damage to property or rules and policies pertaining to Association personnel or the conduct of meetings of the Board.

When notice of a proposed rule or policy is required hereunder, the notice shall describe the proposed rule or amendment and shall set forth the date, time and location of the Board meeting at which action on the proposal is scheduled to be taken. Any duly adopted rule or amendment to the Association Rules shall become effective immediately following the date of adoption thereof by the

Board, or at such later date as the Board may deem appropriate. Any duly adopted rule or rule amendment shall be distributed to the Owners by mail.

(d) Breach of Rules or Restrictions. Any breach of the Association Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in Article XIII, below.

Section 3.08. Limitation on Liability of the Association's Directors and Officers.

(a) Claims Regarding Breach of Duty. No director or officer of the Association (collectively and individually referred to as the "Released Party") shall be personally liable to any of the Members, or to any other person, for any error or omission in the discharge of his or her duties and responsibilities or for his or her failure to provide any service required under the Governing Documents; provided that such Released Party has, upon the basis of such information as he or she possessed, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

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

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

- (i) The director or officer owns no more than two Lots;
- (ii) The act or omission was performed within the scope of the volunteer director's or officer's Association duties;
- (iii) The act or omission was performed in good faith;
- (iv) The act or omission was not willful, wanton, or grossly negligent;
- (v) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made Commercial General Liability Insurance with coverage of at least One Million Dollars (\$1,000,000.00); and
- (vi) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made Directors and Officers Liability Insurance with coverage of at least One Million Dollars (\$1,000,000.00).

The payment of actual expenses incurred by a Board member or officer in the execution of such person's Association duties shall not affect such person's status as a volunteer Board member or officer for the purposes of this Section. The provisions of this subparagraph (b) are intended to reflect the protections accorded to volunteer directors and officers of community associations pursuant to California Civil Code Section 1365.7. In the event that Civil Code Section is amended or superseded by another, similar provision of the California statutes, this subparagraph (b) shall be deemed amended, without the necessity of further Member approval, to correspond to the amended or successor Civil Code provision.

Section 3.09. Enforcement of Bonded Obligations. If any of the Common Area Improvements within Canto de las Lupine have not been completed when the California Real Estate Commissioner issues a final subdivision public report for Canto de las Lupine (or any subsequent Phase), and if the Association is the obligee under a bond or other arrangement ("bond") to secure performance of a commitment of the Declarant to complete such Common Area Improvements, then the Board shall consider and vote on the question of action by the Association to enforce the obligations under the bond with respect to any Improvements for which a notice of completion has not been filed within 60 days after the completion date specified for that Improvement in the "planned construction statement" appended to the bond. However, if the Association has given an extension in writing for the completion of any Common Area Improvement, the Board shall consider and vote on the action to enforce the obligations under the bond only if a notice of completion has not been filed within 30 days after the expiration of the extension.

If the Board fails to consider and vote on the action to enforce the obligations under the bond or decides not to initiate action to enforce the obligations under the bond, then on the petition in writing to the Board signed by Members representing not less than 5 percent of the total voting power of the Members, other than the Declarant, the Board shall call a special membership meeting for the purpose of voting to override the decision of the Board not to initiate action or to compel the Board to take action to enforce the obligations under the bond.

The meeting shall be called by the Board by fixing a date not less than 35 days nor more than 45 days after receipt by the Board of said petition. Notice of the meeting shall be given to all Owners entitled to vote in the manner provided in Article VIII of the Bylaws for notices of special membership meetings. At the meeting, the vote in person or by proxy of a majority of the Owners entitled to vote (other than Declarant) in favor of taking action to enforce the obligations under the bond shall be deemed to be the decision of the Association and the Board shall then implement the Owners' decision by initiating and pursuing appropriate action in the name of the Association.

Upon satisfaction of the Declarant's obligation to complete the Common Area Improvements, the Association shall acknowledge in writing that it approves the release of the bond and shall execute any other documents as may be reasonably necessary to effect the release of the bond. The Association shall not condition its approval on the satisfaction of any condition other than completion of the Common Area Improvements. If the Association breaches any of the foregoing obligations, it shall be liable to the Declarant for any damage incurred thereby, including reasonable attorney's fees. Any dispute between the Declarant and the Association regarding the completion of Common Area Improvements shall be submitted to binding arbitration under the commercial rules

of the American Arbitration Association and the prevailing party shall be entitled to recover costs, including reasonable attorney's fees.

ARTICLE IV

Assessments

Section 4.01. Assessments, Generally.

(a) Covenant To Pay Assessments. Declarant for each Lot owned by Declarant within Canto de las Lupine, and each Owner of a Lot by acceptance of a deed therefor (whether or not it shall be so expressed in such deed), covenants and agrees to pay to the Association: (i) Regular Assessments; (ii) Special Assessments; and (iii) Special Individual Assessments. Each such Assessment shall be established and collected as hereinafter provided.

(b) Extent of Owner's Personal Obligation for Assessments. All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a debt and a personal obligation of the person who is the Owner of the Lot at the time the Assessment is levied. Each Owner who acquires title to a Lot (whether by conventional conveyance, at a judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Lot which become due and payable after the date that the person acquires title. Accordingly, when a person acquires title to a Lot, he or she shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability. However, if the acquired Lot is conveyed subject to a valid lien for delinquent Assessments (and related costs of collection), the Association may continue to exercise its foreclosure remedies against the Lot, regardless of the change of ownership, and/or the Association may pursue its collection remedies against the prior Owner, individually.

(c) Creation of Assessment Lien. All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which such Assessment is made. Any lien for unpaid Assessments created pursuant to the provisions of this Article may be subject to foreclosure to the extent and as provided in Section 4.10(b), below.

(d) No Avoidance of Assessment Obligations. No Owner may exempt himself or herself or the Owner's Lot from liability or charge for the Owner's share of any Assessment made against the Owner or his or her share of any Regular or Special Assessment made against the Owner's Lot, by waiving or relinquishing, or offering to waive or relinquish, the Owner's right to use and enjoy all or any portion of the Common Area or Common Facilities or by the abandonment or non-use of the Owner's Lot.

Section 4.02. Regular Assessments.

(a) Preparation of Annual Budget; Establishment of Regular Assessments. Not less than 45 days nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall

estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Areas and Common Facilities or portions of the Lots which the Association is obligated to maintain) by preparing and distributing to all Members a budget satisfying the requirements of Section 12.05 of the Bylaws. Subject to the Member approval requirements for certain Regular Assessment increases (see subparagraph (b) and Section 4.08, below) the total estimated Common Expenses shall become the annual Regular Assessment.

For the first fiscal year of the Association, the budget shall be substantially based upon the operating budget accepted by the Department of Real Estate of the State of California, except as provided in subparagraph (b), below. After a new Phase, if any, has been annexed, the Board shall approve a budget, which is substantially based upon the operating budget accepted by the Department of Real Estate of the State of California in connection with the Public Report for that Phase, for the remainder of the current fiscal year for use upon the commencement of Regular Assessments against Lots in the new Phase (see subparagraph (c) of this Section 4.02). Upon commencement of Regular Assessments within the Phase, the Regular Assessments shall be adjusted in the annual budgeting process, subject to the Member approval requirements of subparagraph (b), below, and taking into account the amount of contributions to be made to the Association pursuant to any Maintenance Agreement (see Section 7.01(e), below) or California Department of Real Estate approved Subsidy Agreement.

Any difference between the amounts actually expended for the maintenance and services described as Common Expenses, and the amounts set forth in the Association's budget shall be carried over to the following fiscal year and shall either increase or decrease the amounts allocated to the Lots pursuant to subparagraph (d), below, as appropriate, for the following year.

If the Board fails to distribute a budget satisfying the requirements of Section 12.05, of the Bylaws for any fiscal year within the time period specified in the first sentence of this Section, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the approval of the Members in accordance with Section 4.08, below.

(b) Establishment of Regular Assessment by Board Membership Approval Requirements. The total annual expenses estimated in the Association's budget (less projected income from sources other than Assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year; provided, however, that, except as provided in Section 4.05, below (Emergency Assessments), the Board of Directors may not impose a Regular Assessment that is more than 20 percent greater than the Regular Assessment for the Association's immediately preceding fiscal year without the Members' prior approval in accordance with Section 4.08, below.

Notwithstanding the foregoing limitations on Assessment increases, if the Board determines that the important and essential functions of the Association may be properly funded by an annual Regular Assessment that is less than the maximum Regular Assessment which the Board has authority to impose without Member approval, the Board may levy such lesser Regular Assessment. If the Board levies a Regular Assessment in an amount less than the maximum that the Board has

authority to impose for any fiscal year and thereafter during such fiscal year the Board determines that the important and essential functions of the Association cannot be funded by the lesser Regular Assessment previously levied, the Board may levy one or more supplemental Regular Assessments, not to exceed 120 percent of the Regular Assessment for the immediately preceding fiscal year.

(c) Commencement of Regular Assessments. Regular Assessments shall commence with respect to all Lots within any Phase of Canto de las Lupine on the first day of the month following the month in which the first Lot in that Phase is conveyed to an Owner other than the Declarant.

(d) Allocation of Regular Assessment.

(i) General Assessment Component. The Common Expenses of the Association (the "General Assessment Component") shall be allocated among and charged to all the Owners according to the ratio of the number of Lots within Canto de las Lupine owned by the assessed Owner at the time the assessment is made to the total number of Lots subject to assessment at the time the assessment is made so that each Lot at the time the assessment is made bears an equal share of the aggregate General Assessment Component. The General Assessment Component shall take into account the amount of contributions to be made pursuant to any Maintenance Agreement (Section 7.01(e)) or Subsidy Agreement approved by the Department of Real Estate to defray Common Expenses included in the General Assessment Component.

(ii) Annexation. After annexation of any subsequent Phase, the allocation and assessment of the Common Expenses identified in the Association's budget shall be reallocated among all Lots within Canto de las Lupine, including those in the annexed Phase in accordance with the allocation formulas set forth above.

(iii) Partial Exemption for Uncompleted Common Facilities. All Owners, including Declarant, shall be exempt from the payment of that portion of any Regular Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of any Common Facility that is not completed at the time Assessments commence. The Assessment exemption provided by this subparagraph shall be in effect only until the earliest of the following events: (A) a notice of completion of the Common Facility has been Recorded; or (B) the Common Facility has been placed in use.

(e) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member of the Association. The Assessment roll (which may be maintained in computerized form or in any other similar form or data base capable of being converted to written form) shall show, for each Lot, the name and address of the Owner of Record, all Regular, Special and Special Individual Assessments levied against each Owner and his or her Lot, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by Section 2.06(c)(i)(C), above, shall be conclusive upon the Association and the Owner of such Lot as to the amount of such indebtedness appearing

on the Association's Assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

(f) Mailing Notice of Assessment. No less than 45 days prior to the beginning of the next fiscal year, the Board of Directors shall mail to each Owner (including Declarant with respect to any unsold or retained Lots), at the street address of the Owner's Lot, or at such other address as the Owner may from time to time designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year.

(g) Failure to Make Estimate. If, for any reason, the Board of Directors fails to make an estimate of the Common Expenses for any fiscal year, then the Regular Assessment made for the preceding fiscal year, together with any Special Assessment made pursuant to Section 4.03(a)(i), below, for that year, shall be assessed against each Owner and his or her Lot on account of the then current fiscal year, and installment payments (as hereinafter provided) based upon such automatic Assessment shall be payable on the regular payment dates established by the Board. Under such circumstances (i.e., failure to make a timely distribution of the annual budget) the Regular Assessment cannot be further increased without approval of the Members in accordance with Section 4.08, below.

(h) Installment Payment. The Regular Assessment made against each Owner shall be due and payable in advance to the Association in equal monthly installments on the first day of each month or on such other date or dates as may be established from time to time by the Association's Board of Directors. Installments of Regular Assessments shall be delinquent if not paid within 15 days of the due date as established by the Board.

Section 4.03. Special Assessments.

(a) Purposes for Which Special Assessments May Be Levied. Subject to the Member approval requirements set forth in subparagraph (b) below, the Board of Directors shall have the authority to levy Special Assessments against the Owners and their Lots for the following purposes:

(i) Regular Assessment Insufficient in Amount. If, at any time, the Regular Assessment for any fiscal year is insufficient in amount due to extraordinary expenses not contemplated in the budget prepared for said fiscal year, then the Board of Directors shall levy and collect a Special Assessment, applicable to the remainder of such year only, for the purpose of defraying, in whole or in part, any deficit which the Association may incur in the performance of its duties and the discharge of its obligations hereunder.

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

of reasonable reserves) and to maintain adequate insurance on the Common Area and existing Common Facilities in accordance with Article X, below.

(b) Special Assessments Requiring Membership Approval. The following Special Assessments require prior membership approval in accordance with Section 4.08, below: (i) any Special Assessments which, in the aggregate, exceed 5 percent of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied; and (ii) any Special Assessments imposed pursuant to subparagraph (a)(i) of this Section when the Board has failed to distribute a budget to the Members within the time specified in Section 4.02(a), above. The foregoing Member approval requirements shall not apply, however, to any Special Assessment imposed to address any "emergency situation" as defined in Section.4.05, below.

(c) Allocation and Payment of Special Assessments. When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against and charged to each Owner and his or her Lot (including the Declarant as to any unsold or retained Lots) in the same manner prescribed for the allocation of Regular Assessments pursuant to Section 4.02(d). The Special Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner. Special Assessments for purposes described in subparagraph (a)(i) of this Section shall be due as a separate debt of the Owner and a lien against his or her Lot, and shall be payable to the Association in equal monthly installments during the remainder of the then current fiscal year. Special Assessments for purposes described in subparagraph (a)(ii) shall be due as a separate debt of the Owner and a lien against his or her Lot, and shall be payable in full to the Association within 30 days after the mailing of such notice or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment.

Section 4.04. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments. In addition to the Special Assessments levied against all Owners in accordance with Section 4.03, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (iii) below; provided, however, that no Special Individual Assessments may be imposed against an Owner pursuant to this Section until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Section 13.06, below, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

(i) Damage to Common Area or Common Facilities. In the event that any damage to, or destruction of, any portion of the Common Area or the Common Facilities is caused by the willful misconduct or negligent act or omission of any Owner, any member of his or her family, or any of his or her tenants, guests, servants, employees, licensees or invitees, the Board shall cause the same to be repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses to: (A) accomplish the payment of delinquent Assessments; (B) perform any improvement, repair or maintenance work on the Owner's Lot which the Owner has failed to undertake or complete in a timely fashion and which, if undone, will pose a safety hazard, nuisance or unreasonable interference with the quiet enjoyment of neighboring residents; or (C) otherwise bring the Owner and/or his or her Lot into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties duly imposed hereunder, title company fees, accounting fees, court costs and reasonable attorneys' fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(iii) Required Maintenance on Lots. If any Lot is maintained so as to become a nuisance, fire or safety hazard for any reason, including without limitation, the accumulation of trash, junk automobiles, or improper weed or vegetation control, the Association shall have the right to enter said Lot, correct the condition and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner.

(iv) Entry onto Lots. Any entry on any Lot of any Owner by the Association shall be effected in accordance with Section 3.06(b), above.

(b) Levy of Special Individual Assessment and Payment. Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed, in subparagraph (a) of this Section, such Special Individual Assessment shall be Recorded on the Association's Assessment roll and notice thereof shall be mailed to the affected Owner. The Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within 30 days after the mailing of notice of the Assessment or such longer period as may be approved by the Board depending upon the circumstances of the violation. As more particularly provided in Section 4.10(b)(ii), below, only certain Special Individual Assessments may be collected through the use of lien and foreclosure remedies.

Section 4.05. Assessments to Address Emergency Situations. The requirement of Member approval of (a) Regular Assessment increases in excess of 20 percent of the previous year's Regular Assessment; or (b) Special Assessments which, in the aggregate, exceed 5 percent of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied, shall not apply to Assessments necessary to address emergency situations. For purposes of this Section, an emergency situation is any of the following:

- (a) An extraordinary expense required by an order of a court.
- (b) An extraordinary expense necessary to repair or maintain the Common Areas or Common Facilities where a threat to personal safety is discovered.
- (c) An extraordinary expense necessary to repair or maintain the Common Areas or Common Facilities that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to Section 4.02(a), above; provided, however, that prior to the

imposition or collection of an assessment under this subparagraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of assessment.

Section 4.06. Purpose and Reasonableness of Assessments. Each Assessment made in accordance with the provisions of this Declaration is hereby declared and agreed to be for use exclusively: (a) to promote the recreation, health, safety and welfare of individuals residing within Canto de las Lupine; (b) to promote the enjoyment and use of Canto de las Lupine by the Owners and their families, tenants, invitees, licensees, guests and employees; and (c) to provide for the repair, maintenance, replacement and protection of the Common Area and Common Facilities. Each and every Assessment levied hereunder is further declared and agreed to be a reasonable Assessment, and to constitute a separate, distinct and personal obligation of the Owner of the Lot against which the Assessment is imposed that shall be binding on the Owner's heirs, successors and assigns; provided, however, that the personal obligation of each Owner for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

Section 4.07. Exemption of Certain of Canto de las Lupine From Assessments. The following real property subject to this Declaration shall, unless devoted to the use as a residential dwelling, be exempt from the Assessments and the lien thereof provided herein: (a) any portion of Canto de las Lupine dedicated and accepted by a local public authority; (b) the Common Area and Common Facilities; and (c) any Lot owned by the Association.

Section 4.08. Notice and Procedure for Member Approval Pursuant to Sections 4.02 and 4.03. In the event that Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 4.02 and 4.03, above, the affirmative vote required to approve the increase shall be a Majority of a Quorum of the Members who are or may be liable for payment of the Assessment, as provided below ("eligible Members"). The quorum required for such membership action shall be a majority of the eligible Members, and the required affirmative vote shall be at least a Majority of a Quorum of the total membership of the Association. The minimum quorum percentage for any vote pursuant to this Section shall be the attendance, in person or by proxy, of eligible Members voting by written ballot comprising at least 50 percent of the total voting power of the eligible Members.

Section 4.09. Maintenance of Assessment Funds.

(1) Bank Accounts. All sums received or collected by the Association from Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more insured checking, savings or money market accounts in a bank or savings and loan association selected by the Board of Directors. At a minimum, the Association shall establish a "Current Operating Account" and one or more "Reserve Accounts." Notwithstanding the foregoing deposit restrictions, the Board shall be entitled to make prudent investments of reserve funds in insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees. The Board and such officers or agents of the Association as the Board shall designate shall have exclusive control of such account(s) and investments and shall be

responsible to the Owners for the maintenance at all times of accurate records thereof. The withdrawal of funds from Association accounts shall be subject to the minimum signature requirements imposed by California Civil Code Section 1365.5 and Article XII of the Bylaws. Any interest received on deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Association as provided herein.

(2) Expenditure of Assessment Funds.

(i) Expenditures, Generally. Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments. If the proceeds of any Special Assessment exceed the requirement of which such Assessment was levied, such surplus may, in the Board's discretion, be: (1) returned proportionately to the contributors thereof, (2) reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, under funded; or (3) credited proportionately on account of the Owners' future Regular Assessment obligations.

(ii) Limitations on Withdrawals from Reserve Accounts.

(A) Limitation on Use of Reserve Funds. The Association shall pay out of its reserve accounts only those costs that are attributable to the maintenance, repair and replacement of capital Improvements for which reserves have been collected and held and such other amounts which are expressly authorized by the law. The Board shall not expend funds collected for the reserve account for any purpose other than the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the Reserve Account was established.

(B) Temporary Transfers of Reserve Funds. Notwithstanding the limitations imposed in subparagraph (b)(ii)(A) of this Section, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund.

The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of Canto de las Lupine, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this subparagraph (B). This Special Assessment is subject to the limitation imposed by California Civil Code Section 1366 and Section 4.03(b), above, requiring Member approval of certain Special

Assessments. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of that decision in the next available mailing to all Members pursuant to California Corporations Code Section 5016. This notice shall also advise the Members of the availability of an accounting of those expenses. The Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be available for Member inspection at the Association's principal office, in accordance with the inspection provisions of the Bylaws.

(3) Separate Accounts; Commingling of Funds. Except as provided in subparagraph (a), above, with respect to the establishment and maintenance of separate operating and reserve accounts, in order to avoid the necessity of maintaining numerous Association bank accounts, the proceeds of all Assessments may be commingled in one or more accounts, rather than being deposited in separate accounts, so long as the separate accounting records described herein are maintained; provided however, that in no event shall general operating funds be commingled with reserve funds. For purposes of accounting, but without requiring any physical segregation of assets, the Association shall keep a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made therefrom; provided, however, that receipts and disbursements of Special Assessments made pursuant to Section 4.03(a)(i), above, shall be accounted for together with the receipts and disbursements of Regular Assessments.

Unless the Association is exempt from federal or state taxes, all sums allocated to capital replacement funds shall be accounted for as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in any other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board that will prevent such funds from being taxed as income of the Association.

Section 4.10. Collection of Assessments; Enforcement of Liens.

(1) Interest and Late Charges on Delinquent Assessments. If any installment payment of a Regular Assessment or lump sum or installment payment of any Special Assessment or Special Individual Assessment assessed to any Owner is not paid within 15 days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code Sections 1366 and 1366.1 or comparable successor statutes.

(2) Collection of Delinquent Assessments.

(i) Pre-Enforcement Notice. . When an Owner is delinquent in the payment of assessments, as the first step in the collection process, the Association will, by certified mail, mail

to the Owner a notice (the "Pre-Enforcement Notice") advising the Owner that the Owner is late in the payment of assessments and requesting immediate payment. The Pre-Enforcement Notice shall include (i) a general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount that is claimed to be owed; (ii) a statement that the Owner has the right to inspect the Association's records pursuant to Section 8333 of the California Corporations Code; (iii) the statement required by California Civil Code Section 1367.1; (iv) an itemized statement of the charges owed by the Owner, including the amount of the delinquent assessments, the fees and reasonable costs of collection, reasonable attorneys' fees, late charges and interest; (v) a statement that the Owner shall not be liable to pay the charges, interest and costs of collection if it is determined that the assessments were paid on time to the Association; and (vi) a statement that the Owner has the right to meet with the Board as provided in California Civil Code Section 1367.1(c).

(ii) Owner's Rights Following Receipt of Pre-Enforcement Notice. Following receipt of a Pre-Enforcement Notice, the Owner may:

(A) Dispute the amount shown as due in the Pre-Enforcement Notice by submitting to the Board a written explanation of the reasons for the dispute. The Board shall respond, in writing, to the Owner within fifteen (15) days of the Board's receipt of the Owner's written explanation.

(B) Within fifteen (15) days of the date of the mailing of the Pre-Enforcement Notice, request a meeting with the Board to discuss a payment plan for the delinquent assessments. The meeting shall take place within forty-five (45) days from the date of mailing of the Owner's request and shall be held in executive session. When an Owner has made a timely request for a meeting to discuss a payment plan, the Association will provide the Owner with the Association's standards for payment plans, if and to the extent such standards are adopted by the Board. The Board may designate a committee of one or more members to meet with the Owner if there is no regularly scheduled Board meeting that is scheduled to occur within forty-five (45) days of the Owner's request.

(iii) Creation and Imposition of a Lien for Delinquent Assessments. As more particularly provided in California Civil Code Section 1367.1 or comparable successor statute, the amount of any delinquent Regular or Special, or Special Individual Assessment, together with any late charges, interest and costs (including reasonable attorneys' fees) attributable thereto or incurred in the collection thereof, shall become a lien upon the Lot of the Owner so assessed only when the Association Records a Notice of Delinquent Assessment executed by an authorized representative of the Association, setting forth: (A) the amount of the Delinquent Assessment(s) and other sums duly imposed pursuant to this Article and California Civil Code Section 1366; (B) the legal description of the Owner's Lot against which the Assessments and other sums are levied; (C) the name of the Owner of Record of such Lot; (D) the name and address of the Association; and (E) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Association to enforce the lien by sale. Upon payment in full of the sums specified in the Notice of Delinquent Assessment, the Association shall Record a further notice stating the satisfaction and release of the lien thereof and a reasonable charge can be imposed for the

preparation and recordation of that release. As more particularly provided in California Civil Code Sections 1367.1 (d) and (f) and subparagraph (b)(ii), below, lien and foreclosure remedies may only be utilized to collect delinquent Special Individual Assessments in limited circumstances. The Notice of Delinquent Assessment may be recorded at any time after the expiration of the thirty (30) day period following the mailing of the Pre-Enforcement Notice.

(iv) Remedies Available to the Association to Collect Assessments. The Association may bring legal action against the Owner personally obligated to pay the delinquent Assessment, foreclose its lien against the Owner's Lot or accept a deed in lieu of foreclosure. Foreclosure by the Association of its lien may be by judicial foreclosure or by nonjudicial foreclosure by the trustee designated in the Notice of Delinquent Assessment or by a trustee substituted pursuant to California Civil Code Section 2934a. Any sale of a Lot by a trustee acting pursuant to this Section shall be conducted in accordance with California Civil Code Sections 2924, 2924b and 2924c applicable to the exercise of powers of sale in mortgages or deeds of trust.

So long as the Declarant is subject to an outstanding Department of Real Estate Public Report, a Special Individual Assessment or other monetary penalty imposed by the Association as a disciplinary measure for failure of a Member to comply with the Governing Documents or as a means of reimbursing the Association for costs incurred to repair damage to the Common Areas or Common Facilities or to bring a Member into compliance with the Governing Documents may not be collected through the imposition of a lien that can be collected through the use of foreclosure remedies, although other collection remedies permitted by law may be pursued.

Once the Association is no longer subject to the regulatory jurisdiction of the Department of Real Estate, Special Individual Assessments may only be collected through the use of lien and foreclosure remedies if the Assessment is imposed to reimburse the Association for costs incurred by the Association in the repair of damage to Common Areas and Common Facilities, to recover actual expenses incurred by the Association to gain the Member's compliance with the Governing Documents, or to recover Delinquent assessments and other costs and charges for which a lien may be recorded pursuant to Civil Code Section 1367.1. Special Individual Assessments imposed as a monetary penalty and as a disciplinary measure for failure of a Member to comply with the Governing Documents may not be recovered through the use of lien and foreclosure remedies, but may be collected by other legal process.

(v) Nonjudicial Foreclosure. Nonjudicial foreclosure may be commenced by the Association by Recording a Notice of Default. The Notice of Default may be recorded no sooner than thirty (30) days following the mailing of the Pre-Enforcement Notice and contain (A) the notice prescribed by Civil Code Section 2924c(b)(1), including the amount due, the reinstatement period and the statutory warnings, (B) the name of the trustee, (C) a description of the Lot upon which the delinquent Assessment is a lien, and (D) the name of the Owner of Record or reputed Owner thereof. The Notice of Default shall declare that a payment of Assessments is in default and state the election of the Association to sell the Lot or other property to which the amounts relate. The Notice of Default shall otherwise conform with the requirements for a notice of default under California Civil Code Section 2924c, or comparable successor statute.

The Association shall have the rights conferred by California Civil Code Section 2934a to assign its rights and obligations as trustee in any nonjudicial foreclosure proceedings to the same extent as a trustee designated under a deed of trust and for purposes of said Section 2934a, the Association shall be deemed to be the sole beneficiary of the Delinquent Assessment obligation. Furthermore, in lieu of an assignment of trusteeship, the Association shall be entitled to employ the services of a title insurance company or other responsible person authorized to serve as a trustee in nonjudicial foreclosure proceedings to act as an agent on behalf of the Association in commencing and prosecuting any nonjudicial foreclosure hereunder.

After the expiration of three (3) months from the date of the recording of the Notice of Default, the trustee may give a Notice of Sale. The Notice of Sale shall contain a statement of the amount due together with reasonably estimated costs and expenses, the time of sale and the specific street address at which the sale will be held and otherwise conform with the requirements of the California Civil Code, including Sections 2924 and 2924f or any successor statute. It shall be published, recorded, posted and mailed in accordance with the requirements of California Civil Code Sections 2924b and 2924f.

(vi) Actions for Money Judgment. In the event of a default in payment of any Assessment, the Association, in its name but acting for and on behalf of all other Owners, may at any time after the expiration of the thirty (30) day period following recordation of the Notice of Delinquent Assessment, initiate legal action, in addition to any other remedy provided herein or by law, to recover a money judgment or judgments for unpaid Assessments, costs and attorneys' fees without foreclosure or waiver of the lien securing same.

(vii) Changes in Law. The provisions hereof are in large part based upon the applicable provisions of California law in effect at the time the Declaration is first recorded, including, but not limited to the sections of such law specifically referred to herein. In the event of any changes in such law which are mandatory or otherwise obligatory on either the Association or Owners or otherwise, the terms and conditions hereof shall be deemed modified to the extent required to conform to the revised law.

Section 4.11. Transfer of Lot by Sale or Foreclosure. The following rules shall govern the right of the Association to enforce its Assessment collection remedies following the sale or foreclosure of a Lot:

(1) Except as provided in subparagraph (b), below, the sale or transfer of any Lot shall not affect any Assessment lien which has been duly Recorded against the Lot prior to the sale or transfer, and the Association can continue to foreclose its lien in spite of a change in ownership of the Lot.

(2) The Association's Assessment lien shall be extinguished as to all delinquent sums, late charges, interest and costs of collection incurred prior to the sale or transfer of a Lot pursuant to a foreclosure or exercise of a power of sale by the holder of a prior encumbrance (but not pursuant to a deed-in-lieu of foreclosure). A "prior encumbrance" means any first Mortgage or other

Mortgage or lien Recorded against the Lot at any time prior to Recordation of the Association's notice of Delinquent Assessment pursuant to Section 4.10(b)(i), above.

(3) No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale, or otherwise, shall relieve the new Owner of such Lot (whether it be the former beneficiary of the first Mortgage or other prior encumbrance or a third party acquiring an interest in the Lot) from liability for any Assessments which thereafter become due with respect to the Lot or from the lien thereof.

(4) Any Assessments, late charges, interest and associated costs of collection which are lost as a result of a sale or transfer of a Lot under any of the circumstances described in subparagraph (b), above, shall be deemed to be a Common Expense collectible from the Owners of all of the Lots, including the person who acquires the Lot and his or her successors and assigns, if the Association is unsuccessful in its efforts to collect the Delinquent amounts from the defaulting Owner personally pursuant to subparagraph (e), below.

(5) No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale, or otherwise, shall affect the Association's right to maintain an action against the foreclosed previous Owner personally to collect the Delinquent Assessments, late charges, interest and associated costs of collection incurred prior to and/or in connection with the sale or transfer.

Section 4.12. Priorities. When a Notice of Delinquent Assessment has been Recorded, such notice shall constitute a lien on the Lot prior and superior to all other liens except: (a) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; and (b) the lien or charge of any first Mortgage of record (meaning any Recorded Mortgage with first priority over other Mortgages) made in good faith and for value; provided, however, that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such first Mortgage or other prior encumbrance.

Section 4.13. Unallocated Taxes. In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than being assessed to the Lots, such taxes shall be considered a Common Expense and included in the Regular Assessments imposed pursuant to Section 4.02, above, and, if necessary, a Special Assessment may be levied against the Lots in an amount equal to such taxes to be paid in two installments, thirty days prior to the due date of each tax installment.

Section 4.14. Assignment of Rents. Each Owner does hereby presently assign to the Association, absolutely and regardless of possession of the property, all rents and other monies now due or hereafter to become due under any lease or agreement or otherwise for the use or occupation of any or all parts of any Lot owned by the Owner, now existing or hereafter made for the purpose of collecting all Assessments due the Association pursuant to this Declaration which are in default. The Association hereby confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable, provided that the Association at its sole discretion, may revoke such authority at any time, upon written notice to the

Owner of a default in the payment of any Assessment due hereunder. Upon revocation of such authority the Association may, pursuant to court order or by court-appointed receiver, collect and retain such monies, whether past due and unpaid or current. The Association's rights under this Section shall be subordinate to the rights of any First Mortgagee.

Section 4.15. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article IV, the benefit of any homestead or exemption law of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed against the Owner's Lot.

ARTICLE V

Design Review and Requirements for Approval of Improvements

Section 5.01. Design Committee Approval of Improvements.

(1) Approval Generally. Except as provided in subparagraph (d), below, prior to submittal to the County for building permits and before commencement of construction or installation of any Improvement within Canto de las Lupine, the Owner planning such Improvement must submit to the Design Committee a written request for approval. The Owner's request shall include structural plans, specifications and plot plans satisfying the minimum requirements set forth in the Design Guidelines adopted pursuant to Section 5.05, below. Unless the Committee's approval of the proposal is first obtained, no work on the Improvement shall be undertaken. The Committee shall base its decision on the criteria described in Section 5.06, below.

(2) Definition of "Improvement". The term "Improvement" as used herein includes, without limitation the construction, installation, alteration or remodeling of any Residence structures, garages, out buildings, walls, fences, swimming pools, landscaping, landscape structures, skylights, patios, solar heating equipment, spas, antennas, television satellite reception equipment, utility lines or any other structure of any kind. Any clearing or grading of a Lot or alteration of natural drainage courses shall be considered a work of "Improvement" requiring approval hereunder.

Specifically excluded from the definition of "Improvement" shall be (i) any projects otherwise meeting the definition of an Improvement which are dedicated to the public or to a public or quasi-public entity or utility company and accepted for maintenance by the public, the public agency or utility company; (ii) any improvement projects located entirely within the interior of a Residence or building structure; and (iii) any improvement projects undertaken by the Declarant (see subparagraph (d), below).

(3) Modifications to Approved Plans Must Also be Approved. Once a proposed work of Improvement has been duly approved by the Design Committee, 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 Committee. If the proposed modification will have,

or is likely to have, a material affect on other aspects or components of the work, the Committee, 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.

In the event that it comes to the knowledge and attention of the Association, its Design 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 5.15, below, including, without limitation, ordering an immediate cessation and abatement of all aspects of the work of Improvement by "red tagging" the project until such time as proper Design Committee review and approval is obtained.

(4) Declarant Exemption: Authority of Other Committees with Jurisdiction in Annexed Phases. The provisions of this Article requiring site, landscape and architectural design approvals and variance procedures shall not apply to the original construction of any Improvements on a Lot or within the Common Area by Declarant, its agents, contractors or employees nor shall they apply prior to the first conveyance of a Lot in a subsequently annexed Phase to an Owner. In addition, any Supplemental Declaration applicable to an annexed Phase may provide for a separate or subordinate Design Committee with jurisdiction over Improvement projects within the Phase.

Section 5.02. Establishment of Design Committee.

(1) Number Committee Members and Appointment Authority. The Design Committee shall initially consist of three persons appointed by the Declarant. Those members of the Committee shall serve until the first anniversary of the issuance of the original Public Report for Canto de las Lupine.

After the date, which is one year from the date of issuance of the original Public Report for the first Phase of Canto de las Lupine and until the conveyance of 90 percent of all Lots or the tenth anniversary of the issuance of the Public Report for the first Phase of Canto de las Lupine, whichever first occurs, the Board shall have the power to appoint one member of the Committee and the Declarant shall appoint the other two members of the Committee. Members of the Committee appointed by the Board must be members of the Association.

Once the Declarant's right to appoint members of the Design Committee has expired, the Committee shall become a committee of the Association. When the Committee is a true committee of the Association, the Association Board, in its discretion, may expand the Committee from three to five members and implement a system of staggered terms in order to provide assurance of continuity and experience in the administration of the Committee's duties and responsibilities hereunder.

In the event of the death or resignation of any member of the Committee, the successor shall be appointed by the person, entity or group that appointed such member to the Committee.

(2) Terms of Office of Committee Member. With the exception of those Design Committee members appointed by Declarant and unless the Association implements a system of

staggered terms for Committee members, all members of the Design Committee shall serve for one year terms, subject to the right of the Board to reappoint incumbent Committee members to consecutive terms of office. During the period when the Declarant has the authority to appoint a majority of the members of the Committee, the Declarant shall appoint one Committee person as chairperson. Thereafter, the Committee members shall appoint one Committee member as chairperson. All members shall serve until the expiration of the term for which they were appointed or until they resign or are replaced.

(3) No Compensation for Services; Reimbursement of Expenses. Neither the members of the Design Committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto. The Committee members shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred by them in the performance of any Design Committee functions. Requests for reimbursement shall be supported by adequate documentation and shall be submitted to, and approved by, the Board of Directors. Nothing herein shall limit the right of the Association or the Declarant from retaining the services of a person or persons as employees or independent contractors (including an architect) with responsibility for assisting the Committee in such matters as: (i) the day-to-day administration of the process of design review and approval, (ii) the intake and review of plans and specifications, (iii) communications with plan applicants, (iv) making recommendations to the Committee with respect to the approval, denial or modification of submitted plans and specifications, and (v) communications with Owners and contractors during the course of construction.

Section 5.03. Duties. It shall be the duty of the Design Committee to consider and act upon the proposals and plans for Improvements submitted to it pursuant to this Declaration, to adopt Design Guidelines pursuant to Section 5.05, below, to determine compliance of the plans to Design Guidelines and other applicable requirements, to perform other duties delegated to it by the Board of Directors and to carry out all other duties imposed upon it by this Declaration.

Section 5.04. Meetings. The Design Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of the Committee members shall constitute an act by the Committee and the Committee shall keep and maintain a written record of all actions taken.

Section 5.05. Design Guidelines. The Design Committee may, from time to time, adopt, amend and repeal rules and regulations to be known as "Design Guidelines"; provided, however, that from and after the time when the Association Board has the sole authority to appoint members of the Design Committee (see Section 5.02(a), above), the Design Guidelines shall constitute a portion of the Association Rules and may only be amended or supplemented with approval of the Board of Directors of the Association (upon recommendation of the Design Committee). The Design Guidelines shall interpret and implement the provisions of this Article and Article VI (minimum construction standards) by setting forth:

(1) Procedures for the Submission and Review of Proposed Improvements. The procedures for Design Committee review and approval of Owner submittals of proposed

Improvement projects (including, without limitation, minimum requirements for submitting a complete application for project approval);

(2) Design Guidelines for Particular Improvement Projects. Guidelines for the construction of Improvements, including, without limitation, architectural design, placement on Lots (consistent with Sections 6.01 and 6.04, below, relating to site and building envelopes), color schemes, exterior finishes and materials and similar features which are recommended or required for use on any Improvements or categories of Improvements within Canto de las Lupine. Without limitation, these guidelines may include charts of approved colors, typical plans and specifications for commonly recurring projects and the manner in which the height or number of stories of a Residence are to be determined (particularly in the case of Residences built on sloping Lots);

(3) Provision for the Summary Approval of Minor Projects. The Design Guidelines can identify categories of Improvement projects or components of the plan review and approval process which can be administered by the Association staff or other designee of the Committee without the need for direct involvement by the Committee in order to expedite the processing of applications for approval. In the event that the Committee determines that certain project approvals or plan processing requirements can appropriately be administered by the Association staff or other Committee designee, such delegation and the scope thereof shall be specified in the Rules.

(4) Criteria and Procedures for Considering Variance Requests. The criteria and procedures for requesting variances from any property use restrictions or minimum construction standards that would otherwise apply to the proposed Improvement under the Governing Documents (see Section 5.16, below);

(5) Standards for the Maintenance of Construction Sites. Minimum requirements for the maintenance, supervision and restoration of construction sites by Owners and their contractors. Without limiting the foregoing, the Design Guidelines may specifically regulate the activities of contractors and subcontractors (including, without limitation, hours of permitted construction activity), who shall be deemed to be the Owner's agents for purposes of rules enforcement and compliance matters;

(6) Standards for the Maintenance of Common Areas. Minimum requirements for the maintenance, supervision and restoration of the roads and other Common Areas by Owners and their contractors, including the collection of deposits from Owners and/or contractors in connection with construction projects within Canto de las Lupine as security for damage, including accelerated deterioration, to such roads and other areas caused by such contractors. Such deposits can be designated as nonrefundable or they can, in the Board's discretion, be applied to correct or repair specific damage caused by the construction activity.

(7) Landscape Requirements. Minimum requirements for the landscaping of areas of the Lot that are disturbed by construction activity, which require particular landscape Improvements or which encourage minimal use of landscape irrigation in order to control drainage, limit runoff, avoid erosion and/or risk to native trees, to otherwise enhance the appearance of the Lot.

(8) Inspection and/or Plan Processing Fees; Deposits or Bonds. Any requirements for the payment of fees to defray the costs incurred by the Committee to review and process plans (including reasonable fees charged by an architect employed or retained by or on behalf of the Committee pursuant to Section 5.02(c), above) or to inspect ongoing construction activity; and deposits, completion bonds or other suitable financial security to assure the Owner's /contractor's proper and timely performance in accordance with the approved plans and specifications. The Design Guidelines may also address the application, use and/or refund of such fees, deposits, bonds or other security. In any event, no work of the Declarant shall be subject to any Design Guideline implemented by the Committee pursuant to this subparagraph (h);

(9) Requirements for the Completion of Particular Projects. Uniform and reasonable time limitations for completion of approved Improvement projects or other duly noted compliance matters. Said rules may also include procedures to request an extension of the usual completion time in order to avoid hardship or to accommodate other factors beyond the Owner's reasonable control which have interrupted the progress of the Improvement project;

It is possible that different Design Guidelines may be adopted and applied with respect to Improvement projects within a particular Phase, and that even within Canto de las Lupine or any subsequent Phase, Design Guidelines may impose different conditions upon various Lots in light of the Lot's topography, visibility or other factors. Design Guidelines shall be effective when they are adopted by the Committee; provided, however, that if Design Guidelines are proposed for a Phase which architectural review will be performed by a Design Committee other than the Committee organized pursuant to Section 5.02, above, the Design Guidelines shall also be approved by the Declarant.

Notwithstanding the foregoing, the Design Guidelines shall implement the provisions of this Declaration in a reasonable, uniform and nondiscriminatory manner and no Design Guideline shall be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Design Guidelines and this Declaration, the provisions of the Declaration shall prevail.

Section 5.06. Basis for Approval of Improvements. When a proposed Improvement is submitted to the Design Committee for review, the Committee shall grant the requested approval only if the Committee, in its sole discretion, makes the following findings regarding the proposed project:

(1) The Owner's plans and specifications conform to this Declaration and to the Design Guidelines in effect at the time such plans are submitted to the Committee or that the plans and specifications conform subject only to such variances as have been duly approved pursuant to Section 5.16, below;

(2) The Improvement will be in harmony with the external design of other structures and/or landscaping within Canto de las Lupine (particularly in relation to other structures and improvements proposed or existing on the Lot that is the subject of the application);

(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 Improvement(s), if approved, will otherwise be consistent with the architectural and aesthetic standards prevailing within Canto de las Lupine and with the overall plan and scheme of development within Canto de las Lupine.

While it is recognized that the Design Committee determination will, of necessity, be subjective to some degree, the members of the Committee shall act reasonably and in good faith and shall consider such factors as the quality of workmanship and materials proposed for the Improvement project, the harmony of its exterior design, finished materials and color with that of other existing structures, and the proposed location of the Improvement in relation to the existing topography, finished grade elevations, roads, Common Areas and other existing structures. The Committee shall also 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/component has previously been approved for use at another location if factors such as drainage, topography, noise, or visibility from roads, Common Areas or other Lots or prior adverse experience with the product, the design or with similar Improvements provide a reasonable basis for denial of approval for the Improvement or use of a particular component thereof on the Lot involved in the Owner's submittal. Conversely, as a result of similar considerations it is possible that the Committee may approve an Improvement or component thereof, even though a similar Improvement or component was denied approval when submitted or proposed for use, construction or installation at another Lot within Canto de las Lupine.

In approving a request for construction of an Improvement, the Design Committee 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.

Section 5.07. Requirement of a Pre-Design Meeting. Prior to preparing and submitting to the Committee any plans and specifications relating to: (i) construction of a Residence or other building on a Lot; (ii) landscaping of a Lot; (iii) grading of a Lot; or (iv) construction of a swimming pool, tennis court, or similar recreational improvement, the Owner shall first contact the Committee and arrange for a pre-design meeting. The purpose of this requirement is to permit the Owner and the members of the Committee to inspect the Lot, identify any particular features of the Lot that may influence the project, and to avoid the Owner incurring substantial expenses related with architects, engineers, or other design professionals for projects that are not likely to be approved by the Committee or which will only be approved with substantial modification in the design or placement of the proposed improvements. In addition, at the pre-design meeting relating to the construction of a Residence the Owner-applicant shall notify the Committee of the architect or draftsman the Owner desires to use and submit a resume or other evidence of such design professional's qualifications and experience (see Section 5.10, below).

Section 5.08. Delivery of Plans and Specifications. Plans and specifications shall be submitted to the Design Committee by personal delivery or first-class mail addressed to the Secretary of the Association or the Chairperson of the Design Committee at the Association's principal office.

If plans and specifications relating to the improvement projects described in Section 5.07, above, are presented prior to a pre-design meeting, the Committee may nevertheless require the Owner and his contractor, architect or other agents to participate in a pre-design meeting and, under such circumstances, the Owner understands that changes in the submitted plans and specifications may be required as a condition of proceeding further in the design review process.

Section 5.09. Time Limits for Approval or Rejection. Within 30 days after submission of plans and specifications satisfying the requirements of the Design Guidelines, the Design Committee shall return one set of such plans to the applicant, with either written notice of approval or disapproval or with written suggestions of changes required for approval. If written suggestions of changes required for approval accompany the returned set of plans, the applicant may implement such changes to the plans and within 30 days (or such longer period as may be agreed between the Committee and the Owner applicant) resubmit plans incorporating such changes for approval to the Committee. Under such circumstances, the Committee shall not unreasonably withhold its approval so long as the Owner has complied in all material respects with the requested changes. If no written notice of approval or disapproval is received by the applicant within 30 days after the Owner's plans and specifications (or revisions thereto) are submitted to the Committee, the plans shall be deemed to have been approved as submitted.

Section 5.10. Employment of Architect, Draftsperson or Engineer. Residences constructed within Canto de las Lupine must be designed by a licensed architect or qualified draftsperson who is approved, prior to the submission of plans and specifications, by the Design Committee. In addition, if at any time the Design Committee determines that it would be in the best interests of the Association and its Members for an applicant to employ an engineer to design or review any proposed Improvements or component thereof, the Committee shall advise the applicant in writing of its determination whereupon all plans and specifications so designated by the Design Committee must thereafter bear appropriate evidence of such preparation or review.

Section 5.11. Proceeding With Work. Upon receipt of approval from the Design Committee, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction and erection of the Improvement pursuant to said approval, said commencement to be, in all cases, within six months from the date of such approval. If the Owner shall fail to comply with this Section, any approval given pursuant to this Article, shall be deemed revoked unless the Design Committee, upon written request of the Owner made prior to the expiration of the initial six-month period, extends the time for commencement or completion. No such extension shall be granted except upon a finding by the Design Committee that there has been no change in the circumstances upon which the original approval was granted and that the Owner has a bona fide intention and ability to complete the project within the time specified in the extension request.

Section 5.12. Failure to Complete Work. Unless the Owner has been granted an extension of time to complete the project by the Design Committee, construction, reconstruction, refinishing or alteration of any such Improvement must be complete within one year 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. In the case of building Improvements the requirements of this Section shall be deemed to have been met if, within the one-year construction period, the Owner has completed construction of the building's foundation and all exterior surfaces (including the roof, exterior walls, windows and doors). If the Owner fails to comply with this Section, the Design Committee shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of Section 5.15(c), below, as though the failure to complete the Improvement was a noncompliance with approved plans.

Section 5.13. Inspection of Work by Design Committee. During the course of construction, representatives of the Design Committee 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; provided, however, that if the Lot is improved by an occupied Residence at the time of the project, the Committee and its representatives shall proceed in accordance with Section 3.06(b), above, (relating to the exercise of rights of entry). The Design Guidelines may include provisions relating to the process of inspection and the remedies available to the Committee and the Association in the event that Improvements are not constructed in accordance with approved plans and specifications.

Section 5.14. Landscaping.

(1) Approval of Landscaping Required. As specified in Section 5.01(b), above, landscaping of Lots is a work of Improvement requiring Design Committee approval hereunder and, with the exception of the Declarant, all Owners must install landscaping within the times specified in this Section and consistent with the standards imposed by Section 6.09, below. Landscaping includes all landscaping in front of, along the sides of and behind a Residence.

(2) Time for Completion of Landscape Improvements. All approved landscaping must to be completed by the time the County issues a Certificate of Occupancy for the Residence constructed on the Lot or the Committee can require that the Owner post a bond or cash deposit to assure the faithful and timely installation of the landscape improvements, the amount of said deposit or bond being fixed by the Committee in its sole discretion. The intent of this Section is to require that landscaping to be installed, in accordance with approved plans and specifications, prior to Occupancy of a Residence unless hardship or Acts of God prevent timely completion of landscaping. Accordingly, if a bond or cash deposit is posted, the Committee may nevertheless impose a deadline for completion of the landscape improvements and initiate appropriate enforcement actions if the Owner fails to complete the landscape work as agreed. Without limiting the foregoing, remedial action by the Association or the Committee may include exercise of the Association's rights of entry (see Section 3.06(b), above), installation of landscaping as approved by the Committee and recovering the cost of such work from the defaulting Owner as a Special Individual Assessment.

Section 5.15. Enforcement.

(1) Orders of Abatement ("Red Tag"). In addition to other enforcement remedies set forth in this Declaration, the Design Committee 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 by the Committee or if it does not conform to the plans and specifications submitted to and approved by the Committee. If an Improvement project is red tagged, the Owner and his or her contractor shall cease all construction activity until such time as the issue giving rise to the red tag order is resolved. The red tag notice shall clearly state the reasons why the abatement has been ordered.

(2) Failure to Enforce/No Waiver. The approval by the Design Committee of any plans, drawings or specifications for any work of Improvement done or proposed, or for any other matter requiring the approval of the Design Committee under this Declaration, or any waiver thereof, shall not to 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 to be taken into consideration by the Committee in reviewing a particular submittal. No work for which approval is required shall to 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.

(3) Remedies if Noncompliance Continues. If the Owner fails to remedy any noticed noncompliance within 30 days from the date of such notification, or if the Owner feels that the project has been red tagged without justification, the Committee shall notify the Board in writing of such failure. The Board shall then set a date on which a hearing before the Board shall be held regarding the alleged noncompliance. The hearing shall be conducted in accordance with the notice and hearing procedures of Section 13.06, below. The Board shall then require the Owner to remedy or remove the same within a period of not more than forty-five (45) days from the date of the Board's determination. If the Owner does not comply with the Board's ruling within such period or within any extension of such period as the Board, in its discretion, may grant, the Board may either remove the non-complying Improvement, take action to correct the non-complying features of the Improvement or pursue other available remedies at law or in equity to gain the Owner's compliance. The costs of such action shall be assessed against the Owner as a Special Individual Assessment.

Section 5.16. Variances. The Design Committee, in its sole discretion, shall be entitled to allow reasonable variances in any procedures specified in this Article, the minimum construction standards specified in Article VI, (including, without limitation, the location of building envelopes pursuant to Section 6.01, below) or in any land use restrictions specified in Article VIII, below, to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships to the Owner seeking the variance. The Design Committee must make a good faith written determination that the variance is consistent with one or more of the following criteria: (i) 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 the deviation; or (ii) that the variance relates to a land use restriction or minimum construction standard otherwise applicable hereunder that is unnecessary or burdensome under the circumstances; or (iii) that the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance with respect, to any other Lot or the Common Area.

In no event may a variance be granted pursuant to this Section 5.16 with respect to any construction, building, landscape, grading drainage or other feature of an Improvement project which is required by (a) applicable laws, ordinances, regulations or codes of any governmental agency; or (b) which are imposed by any provision of this Declaration which reflects a specific Subdivision Map condition or development requirement imposed on the Canto de las Lupine common interest development by the County, without the prior approval of the County or other governmental Agency with jurisdiction. See Section 5.19, below. Notwithstanding the foregoing, many of the restrictions, limitations, standards and other requirements set forth in this Declaration are, or are based upon, requirements of the County and should the County modify or change any of its requirements applicable to Canto de las Lupine, the Design Committee may consider such modifications and changes in the granting of variances and base a variance thereon.

Section 5.17. Compliance Certificate. Within 30 days after written demand is delivered to the Design Committee by any Owner, and upon payment to the Association of a reasonable fee (as established from time to time by the Board), the Design Committee shall execute and deliver to the requesting Owner a Compliance Certificate, executed by any two members of the Committee (acting with proper authorization), certifying (with respect to any Lot owned by the applicant Owner) that as of the date thereof, either: (a) all Improvements made and other work completed by said Owner comply with this Declaration; or (b) such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying 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 said Lot through the Owner, shall be entitled to rely on the Committee's Compliance Certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, the Committee, the Declarant, all Owners and any persons deriving any interest through them.

Section 5.18. Limitation on Liability. Neither the Declarant, the Association, the Design Committee nor 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: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective and regardless of whether the plans or specifications at issue involve changes or modifications requested by the Committee; (b) the construction or performance of any Improvement project, whether or not pursuant to approved plans, drawings specifications; (c) the development of any Lot within Canto de las Lupine; or (d) the execution and delivery of a Compliance Certificate pursuant to Section 5.17, above, whether or not the facts therein are correct; provided, however, that such member has acted in good faith on the basis of such information as he or she possessed at the time the act or omission occurred. Neither the Board, nor the Design Committee, nor the Declarant shall have any duty to investigate the adequacy of any architect's or engineer's recommendations concerning the type of construction or adequacy or advisability of any proposed grading, drainage, foundation system or other work to be performed on any Lot or to take any steps to ensure that an Owner complies with recommendations made by the Owner's architect, engineer, contractor or other construction advisors with respect to Improvement projects submitted to the Committee pursuant to this Article V.

Section 5.19. Compliance With Governmental Regulations. Review and approval by the Design Committee of any proposals, plans or other submittals pertaining to any Improvement project shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements, that are applicable to the project. Compliance with governmental requirements, restrictions and approvals shall be the sole responsibility of the Owner who desires to construct, install, or modify the Improvement.

ARTICLE VI

Minimum Construction Standards

Unless a variance is requested from, and granted by, the Design Committee in accordance with Section 5.16, above, Improvements constructed on any Lot shall conform to the following minimum construction standards:

Section 6.01. Building Location. All Residences must be located within the building envelope of a Lot, and each Residence or structural improvement shall be located at least thirty (30) feet from the front, side and rear Lot line or as required by any applicable zoning ordinance or other governmental restriction and the restrictions of this Declaration. A "building envelope" has been defined for each Lot and is shown on the Subdivision Map or in the files and records developed and maintained by the Design Committee and available for inspection at the Association offices. All portions of the Lot's Residence and other Improvements (other than driveways) must be located within the building envelope. No Improvement shall be located within thirty (30) feet of a Wetland Area.

Section 6.02. Licensed Contractor. Residential structures shall be constructed by a contractor licensed under the laws of the State of California and approved by the Committee.

Section 6.03. Minimum Square Footage Requirement. With the exception of the Declarant's sales offices (see Section 16.02(d)), each Residence constructed on any Lot shall have a minimum total floor area of the main structure, including all levels, but excluding open porches, garages, patios, exterior stairways and walkways, of not less than 2,500 square feet for a one-story home and 3,000 square feet for a two-story home, of which at least 2,000 square feet must be on the first level; provided, however, that the Design Committee shall be empowered to determine that due to the size of the Lot or other factors a larger Residence size is preferred. Because many Residences may be constructed on sloped Lots which require construction in tiers, the Design Committee shall have the discretion to determine that the requirement that the first level of the Residence contain at least 2,000 square feet has been met by the floor area on more than a single tier.

Section 6.04. Septic Site Envelope. A septic site envelope has been defined for each Lot based on site conditions existing and known at the time the septic site envelope was defined. The septic system, including leach field, for each Residence shall be located within the Lot's septic site envelope and as required by any applicable zoning ordinance or other governmental requirement and the requirements of this Declaration. The septic site envelopes are shown on the Subdivision Map. An Owner may apply to the Design Committee in order to obtain a septic site envelope adjustment,

but in no case shall the septic site envelope be adjusted such that the septic system, including leach field, is located within thirty (30) feet of a Lot boundary or property line. Each change in a septic site envelope shall also be subject to the review and approval of the County.

Section 6.05. Open Space. All portions of any Lot designated on the Subdivision Map as "Restrictive Private Open Space" shall be left substantially in their natural state. No buildings, structures or other Improvements shall be constructed in any Restrictive Private Open Space, and no portions of such areas shall be graded, cleared or otherwise disturbed. Notwithstanding the foregoing, the Owner of a Lot subject to a Restrictive Private Open Space may thin brush, poison oak and other vegetation therefrom, subject to compliance with Sections 6.19. and 6.35., below, and any other applicable requirements of this Declaration.

Section 6.06. Wetland Areas, Buffer Zones. All Wetland Areas shall be left substantially in their natural state. The protection and enhancement of Wetland Areas in accordance with applicable laws and regulations is the responsibility of each Owner and the Owner's contractors, agents and representatives. In order to protect and enhance Wetland Areas, buffer zones may be created and maintained along drainage and other courses in Canto de las Lupine. Improvements shall not encroach on the buffer zones. Lots affected by these areas will be shown on the Subdivision Map.

Section 6.07. Harmony With Surrounding Terrain and Structures. Architectural designs for side slope and ridge top crest residential structures shall be visually adaptive and generally sensitive to the hillside topography. Buildings and foundations shall step to follow natural contours to the greatest extent possible. The design of the exteriors and appurtenances of Residences shall be harmonious with the natural character of Canto de las Lupine and foothill woodland landscape. The character, scale, and quality of the design, the architectural relationship with the site and other buildings, building materials, colors, screening of exterior appurtenances, exterior lighting and similar elements shall be compatible with the character of adjacent buildings on the same Lot.

Section 6.08. Site and Drainage Review. General site considerations including site layout, open space and topography, orientation and locations of buildings, vehicular access, circulation and parking, setbacks, heights, walls, fences, and similar elements shall be designed to provide a desirable environment. In order to improve drainage water quality, a site drainage plan shall be prepared, incorporating among other things, residential shallow drywells for roof down spouts and filter strips alongside of driveways. The Design Committee shall retain a qualified engineer, who may be a member of the Committee, to review site drainage plans to review compliance with these and other drainage standards contained in this Declaration.

Section 6.09. Landscape Review. The location, type, size, color, texture and coverage of plant materials and similar elements shall provide visual relief, complement buildings and structures, and provide an attractive environment for the enjoyment of the Owners in general and the enhancement of property values in Canto de las Lupine. Generally landscaping standards for Canto de las Lupine shall include the following:

- (1) Landscape irrigation shall be minimized; drip systems will be encouraged;

- (2) The use of drought-tolerant and native plant species is preferred;
- (3) For maximum mitigating effect, landscaping for screening purposes shall be clustered in natural appearing groups in the immediate vicinity (within 10 to 30) feet of the buildings to be screened (to the extent that fuel management provisions allow);
- (4) Native, drought-tolerant, wind-resistant species which are compatible with existing site vegetation are preferred;
- (5) The use of artificial materials such as plastic plants, or flowers, astro turf, or gravel gardens will be disapproved by the Committee; and

Section 6.10. Stilt Construction. Use of hillside "stilt" designs shall be avoided. Building elevations on the downhill sides shall continue to the ground and follow natural contours.

Section 6.11. Decks. Cantilevered decks and balconies on any visible side slope portion of a Residence shall be limited in size or avoided entirely. Raised decks shall be enclosed on all sides with non-combustible materials. Wooden decks, including decking, stairs, railings, shade covers and all associated portions, are prohibited.

Section 6.12. Solar Heating Systems. Subject to limitations imposed by state or local law, the Design Committee shall be entitled to adopt, as part of the Design Guidelines, reasonable regulations regarding the installation of solar heating systems. These rules may include limitations on placement and design of such systems to the extent necessary to avoid an unsightly appearance from neighboring Lots or Common Area.

Section 6.13. Colors and Exterior Finishes. No reflective finishes (other than glass) shall be used on exterior surfaces (other than surfaces of hardware fixtures), including but without limitation, the exterior surfaces of any of the following: roofs, all projections above roofs, retaining walls, doors, trim, fences, pipes, equipment, mailboxes and newspaper tubes. No exterior finishes shall be used without approval of the Design Committee. Generally, colors shall be restricted to those found in the immediate vicinity of the Residence and colors found in nature will be favored. The Design Committee shall be authorized, as part of the Design Guidelines, to adopt a chart of approved colors and stains for exterior finishes.

Section 6.14. Prohibition on A-Frame and Geodesic Dome Structures. No Residence shall be constructed which utilizes an "A-frame" or "geodesic dome" design.

Section 6.15. Eaves and Roofing Materials. Eaves and underside areas of exposed roofs and overhangs exceeding 12 inches shall be boxed or enclosed on the underside and shall not be constructed with non-combustible materials. The roofing materials for any Residence or other Improvement shall have a Class "A" or Class "B" minimum rating and consist of one of the following: clay-fired tile, concrete tile products or slate. Other types of roofing materials may be submitted for review and approval by the Design Committee, but in no event shall composition shingles, flat roofs or rock roofs be permitted. Untreated wood shake or shingle roofing is prohibited

Section 6.16. Siding Materials. The exterior walls of any Residence, garage or other structure shall be finished with non-combustible materials including stucco, rock or brick. Masonite or other manufactured siding shall not be permitted unless the Owner can demonstrate to the satisfaction of the Design Committee that the proposed siding material will present a natural appearance and be free of "buckling" as defined in the Design Guidelines. In no event shall metallic siding be permitted.

Section 6.17. Grading and Drainage Limitations and Requirements.

(1) Restrictions on Grading Generally. All Owners are advised that (i) Lot grading is limited to construction of driveways and grading that is reasonably necessary for the construction of Residences and other improvements on Lots as authorized by the County and the Design Committee; (ii) no grading is permitted within the setback areas described in Section 6.01, above, except as required for driveways constructed in accordance with subparagraph (b), below; and (iii) concrete slab building foundation construction is not permitted, except for garages and basements, where existing slope grade is greater than 15 percent. Drainage conveyed in channels shall be designed to provide positive flow.

(2) Driveway Grading Specifications. Gravel driveways shall only be permitted during the course of construction of the principal Residence on a Lot. Construction of a gravel driveway that exceeds a 12 percent gradient or an all weather surface driveway that exceeds a 16 percent gradient (pursuant to a variance granted by the County) may impair access by emergency and construction vehicles and equipment to Residences and building sites. Driveway gradients shall not exceed 16 percent unless approved by means of a variance permit by the County and the serving fire protection district, and that the extent and potential impact of proposed grading will be reviewed by the County before the start of any construction or the issuance of any building permits. Subject to the foregoing restrictions, driveways and associated retaining walls shall be permitted in front and side setback areas of Lots in order to permit the location of garages at points other than the front facade of Residences. While some Lot grading may be required to accommodate reasonable driveway grades, to minimize grading impacts, stern wall construction and widening may be required.

(i) Single Lot Driveway Specifications. Driveways servicing a single Lot shall have a paved width of not less than ten feet, a minimum structural section of two inch (2") AC over four inch (4") AB surfacing and shall extend from the roadway edge not less than twenty feet into the Lot, or as deemed appropriate by the County Department of Public Works. On any Lot which is a flag lot, the minimum constructed driveway shall be the entire length of the "pole" portion of the Lot. Driveways shall be constructed in accordance with County Fire Safety and Flaglot Driveway Standards.

(ii) Shared Driveway Specifications. Shared Driveways servicing two or more Lots must be approved by the County Department of Public Works, and must be constructed in accordance with the following provisions:

(A) A minimum paved width of eighteen feet (18') and a structural section of two inch (2") AC over four inch (4") of Class 2 AB or equivalent surfacing;

(B) Minimum length as specified by the County Department of Public Works;

(C) Meet all applicable County and fire district design standards;

(D) The maintenance requirements of Section 7.04(b), below;

(E) Any encroachment permits required by the County; and

(F) In accordance with all easements established by Section 9.03, below.

(3) Regraded Areas. Regraded areas shall be generally limited to portions of each Lot covered by the grade beam and pier building foundations, driveways, and minor drainage provisions.

(4) Approval Requirements for Grading Projects. No Owner shall grade or fill or otherwise alter the slope or contour of any Lot, construct or alter any drainage pattern or facility, construct or alter any foundation or permanent structure (including, but not by way of limitation, swimming pools, ponds and spas), or perform any earth work without first (i) retaining a soils engineer or civil engineer, as appropriate, duly licensed by the State of California, and receiving from such engineer written recommendations, plans and specifications regarding such proposed grade fill, alteration, construction or earth work, and (ii) obtaining the written approval of the Design Committee. No Owner shall perform any such work except in accordance with the recommendations, plans and specifications of such engineer. In addition, the extent and potential impact of proposed grading will be reviewed by the County prior to the start of any construction or the issuance of any building permits. Each Owner, by acceptance of a deed to a Lot, shall be deemed to covenant and agree to comply with and conform to such recommendations, plans and specifications and shall indemnify the Association and Declarant against any losses, claims, liabilities, costs and/or attorneys' fees resulting from or related to any failure of that Owner or its engineers, contractors or agents to comply with this Section.

(5) Drainage Courses. No Owner shall improve a Lot in a manner which impedes, alters or otherwise interferes with the drainage patterns and facilities within any portion of Canto de las Lupine until Lot improvement plans, including landscaping and related drainage plans, have been submitted and approved pursuant to Article V, above, and any public authority having jurisdiction thereof. No Owner shall intrude into a buffer zone maintained along a significant drainage course or into an easement for drainage, maintenance and repair. The Lots containing drainage course buffer zones are identified as shown on the Subdivision Map. This Declaration provides notice to each Owner that portions of each Lot must be carefully graded to provide positive drainage away from the entire foundation line of the Residences. Positive drainage is achieved by shaping and cutting drainage swales or channels in the ground. These swales are engineered progressively lower than the adjoining surface ground areas on the Lot and may provide a receptacle and conduit to drain water away from foundations and into natural swales or into the storm drainage system of the Canto

de las Lupine development. Swales also help to prevent surface drainage water from flowing onto building pads situated on adjacent Lots. All drainage outlets in a natural drainage course shall incorporate water velocity attenuation devices to minimize erosion.

(6) Other Drainage Requirements. All roof drains at the front of Residences and driveways shall drain to the street. No concentrated flow from a Lot(s) to the natural slope will be permitted.

Section 6.18. Vegetation and Trees.

(1) Removal. Existing trees and native vegetation shall be retained where feasible. Except for diseased or dead landscaping or vegetation, no landscaping or vegetation may be removed without the prior approval of the Design Committee. No Owner shall remove any native tree with a trunk diameter breast height (4.5 feet above ground) of 6 inches or greater, or any multiple trunk tree with an aggregate trunk diameter of 10 inches or greater, which is located outside of a Lot's building envelope, without the prior approval of the Design Committee.

(2) Tree Replacement Obligation. In the event any tree is removed by an Owner outside the building envelope with a trunk diameter of six inches (6") dbh and greater, or any multiple trunk tree with an aggregate diameter of ten inches (10") dbh or greater, the Owner shall plant three (3) replacement trees on Canto de las Lupine of the species approved by the Design Committee. The replacement trees shall be seeding trees (bare, root and/or liner size shall be used), and shall be located as directed by the Design Committee. Any tree planted by an Owner to comply with this subparagraph must be replaced if the tree does not survive for a period of five (5) years after its planting.

(3) Protection of Native Trees During Construction. No construction activity is permitted within 50 feet of any protected tree unless the tree is first fenced at its drip line with a 4 foot high, brightly colored, synthetic mesh material (or equivalent acceptable to the County Planning Department) and posted with a one foot by two foot (1' x 2') sign attached to the fence labeled "This Tree To Be Saved". The protective fencing shall consist of four foot high, brightly colored synthetic mesh material or equivalent acceptable to the Design Committee. Any encroachment into the dripline of a tree designated to be saved must first be approved by the Design Committee.

(4) Trees and Vegetation. No clear-cutting of trees and vegetation shall be allowed in the buffer zones surrounding drainage courses. Clearing or thinning therein by the Association is permitted only for fire management purposes, the removal of diseased growth, or thinning necessary for the health and survival of the natural vegetation. Any such authorized maintenance work is subject to the provisions of Section 6.18(e), above. Irrigation under the drip lines of oak trees is prohibited.

(5) Enforcement. The Association Rules shall include procedures for the enforcement of this Section.

Section 6.19. Antennas. No outside television antenna aerial, or other such device ("Video Antenna") with a diameter or diagonal measurement greater than thirty-six inches (36") shall be erected, constructed or placed in any Common Area or any Lot. Video Antennas with a diameter or diagonal measurement of thirty-six inches (36") or less may be installed only if approved by the Design Committee in accordance with the provisions of Article V, above. Reasonable restrictions which do not significantly increase the cost of a Video Antenna or significantly decrease its efficiency or performance, including, without limitation, a requirement that antennas or reception dishes be screened from view from streets or neighboring Lots or Common Areas, may be imposed as part of the Design Guidelines.

Section 6.20. Limitation on Kitchen Facilities. No more than one kitchen facility shall be installed or maintained in any Residence without the consent of the Design Committee. Such restriction shall not preclude the installation of an additional kitchen facility in any guest house on the same Lot as a Residence.

Section 6.21. Flag Poles. Flags of a modest size may be displayed if approved by the Design Committee. Flag poles must be in proportion to the approved flag size and may not extend above the nearest roof ridge.

Section 6.22. Play Equipment. Play structures, trampolines, swing sets, slides or other similar devices are only allowed when approved in advance by the Design Committee. The Committee may grant approval if the structure or equipment is located within screened, rear-yard areas, is constructed and finished with materials that complement the Residence and equipment or structure does not exceed 8 feet in height. Play structures with brightly colored awnings will be discouraged and the equipment or structure must have a color consistent with the intent of the Design Guidelines. In considering the proposed location of play structures on a Lot the Committee shall consider the proximity to patios, decks and other outdoor entertainment and social areas on neighboring improved Lots.

Section 6.23. Basketball Standards and other Outdoor Sports Apparatus. Basketball hoops and standards will be allowed on a case-by-case basis by the Design Committee where the hoop, backboard and all related hardware are either portable or, if attached to a Residence, the backboard is made of clear plexi-glass or fiberglass. When possible, Owners should locate basketball hoops at a point on a Lot where they will not be seen from any street, Common Area, or any neighboring Lot. Tennis courts, sports courts and other outdoor play equipment shall only be permitted in accordance with the Design Guidelines. Portable basketball standards shall be retracted and stored out of view when not in active use. The Association Rules may further define what constitutes "active use" so as to permit portable standards to remain standing during reasonable breaks in play.

Section 6.24. Delivery Receptacles. No newspaper type or exterior detached mail receptacle shall be permitted on any Lot in Canto de las Lupine.

Section 6.25. Garages. Each Residence shall have at least a 3-car garage which may be either of an attached or detached design. Garage doors shall be of a roll-top design. No garage shall

face the street, unless, in the discretion of the Design Committee, the garage cannot otherwise be reasonably situated on a Lot.

Section 6.26. Septic Systems . Each Residence shall be equipped its own septic waste disposal system approved by the Design Committee. On site sewage disposal systems shall be located only within the septic site envelope for the Lot indicated on the Subdivision Map or other location approved by the County as provided in paragraph 6.04., above.

Section 6.27. No Temporary Structures. No recreational vehicle, trailer, mobile home, camper, tent, shack, used structures, structures of a temporary character, or other outbuildings shall be used on any Lot at any time as a Residence.

Section 6.28. Hours of, and other Restrictions on, Authorized Construction Activity. Noise producing construction activities are permitted only from 7:00 a.m. to 6:00 p.m., Monday through Friday, excluding federal holidays. In special circumstances, such as adverse weather conditions, with the approval of the Association Board and the County Planning Department, construction activities may be permitted at other times as well. Essentially, quiet outdoor construction activities and construction activities within an enclosed Residence (with roof and siding installed) are permitted at all times.

The area of soil and vegetation disturbance on each Lot shall be limited to that required for construction purposes. Except where required for access, there shall be no disturbance of areas of any Lot that are required to remain in a natural state. Construction traffic on Lots shall be limited to areas that are intended to be improved as driveways or parking areas.

Section 6.29. Screening and Fencing. Only screening and fencing around the Residence, swimming pools, pet runs, tennis courts and other ancillary facilities approved by the Design Committee is permitted. No other screening or fencing shall be permitted on any Lot, the boundaries of any Lot or along any of the roads within Canto de las Lupine except for that fencing along the perimeter of Canto de las Lupine. All screening and fencing must be approved by the Design Committee and must be designed to conform to the design of the proposed or existing Residence. Such screening and fencing must be architecturally designed and shall be constructed of wood, rock, masonry or wrought iron, or a combination thereof. In no event, shall any fence or screening exceed six feet in height, and chain link fences and fences constructed of metal (other than wrought iron), fabric or plastic) shall not be permitted. All screening and fencing must be maintained in a good sound structural manner, and painted or stained periodically so as not to have a shabby or unkempt appearance. Screening and fencing must be so designed as to face its most attractive side toward the street or toward any neighboring vacant Lots or Common Area. Screening or fencing of double-sided construction, with cap board and baseboard to guarantee a lasting appearance, is desired. Any front-facing wing fence on a Lot and any sideyard fence which is on a corner Lot and visible from any street shall be of the same material and color as the exterior wall surface of the Residence to which it relates.

Section 6.30. Exterior Lighting Requirements.

(1) Exterior Lighting On Lots. No Owner shall remove, damage or disable any exterior light, regardless of where located, which is connected to the Association's electric service. All lights installed on the exterior of a Residence or on a Lot shall be adequately and properly shielded from other Residences and the streets serving Canto de las Lupine, such that direct rays from the light source are directed downward and do not cross property lines. Unless approved by the Design Committee (e.g. lights on tennis courts, entryways and gates and waterfalls), Owners may not install mercury vapor, metal halide or halogen type exterior lighting (except low voltage); incandescent, high pressure sodium or low-voltage lighting is preferred. In order to preserve the rural character of the area surrounding Canto de las Lupine, security lighting installed on Lots shall be of the type triggered by movement, heat, sound or radio waves and shall not be illuminated for extended periods of time (i.e. dusk to dawn).

(2) Exterior Lighting Within Common Areas. No open space lighting or recreational lighting is permitted on any Common Area.

Section 6.31. Residential Sprinkler Systems. All Residences shall be constructed with a residential sprinkler system complying with National Fire Protection Association Standard 13D.

Section 6.32. Chimneys, Flues and Stove Pipes. All chimneys, flues and stove pipes shall have spark arrestors installed.

Section 6.33. Fuel Management Plan. All landscaping and tree and brush removal, trimming, replacement, protection, clearing and other work shall comply with the requirements of the Fuel Management Plan.

Section 6.34. Archaeological, Historical and Paleontological Resources. If, in the course of making any Improvement, any archaeological, historical or paleontological resources are uncovered, construction activities in the affected area must cease and an archaeologist shall be contacted by the Owner at the Owner's expense to review the site and advise the County of the site's significance. If the findings are deemed significant, appropriate mitigation shall be required prior to resumption of work.

Section 6.35. Common Areas. No Owner shall construct or otherwise place any Improvement in or on any Common Area.

Section 6.36. Subdivision Map Notes. All construction and other activities within Canto de las Lupine with respect to a Lot or Residence shall be performed in accordance with all applicable notes set forth on the Subdivision Map.

ARTICLE VII
Association and Owner Maintenance Responsibilities

Section 7.01. Association Maintenance Responsibilities.

(1) Maintenance of Common Areas. The Association shall be solely responsible for all maintenance, repair, upkeep and replacement within the Common Area, including all Common Area paving, landscaping, drainage conveyance systems and facilities and any erosion and sediment control facilities within the Common Area. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any Improvement upon, or shall create any excavation or fill or change the natural or existing drainage of any portion of the Common Area. In addition, no person shall remove any tree, shrub or other vegetation from, or plant any tree, shrub, or other vegetation upon the Common Area without express approval of the Association.

(2) Maintenance of Wetland Areas. The Association and its duly authorized agents and representatives may, but shall not be obligated to, maintain, manage and, if necessary, remediate the Wetland Areas. Neither the Association nor any Owner shall alter, modify or change the physical, biological and ecological characteristics of lands within the Wetland Areas except as the Association or the Owner and the County may determine to be necessary to enhance, improve and maintain jurisdictional wetlands. No Owner or invitee shall place any fill materials, lawn clippings, oil, chemicals or trash of any kind with the Wetland Areas or other portions of the Common Area. No grading, vegetation removal, domestic animal grazing, domestic landscaping material or activity or other alteration is permitted within the Wetland Areas or other portions of the Common Area. Within the Wetland Areas, trimming or other maintenance activities are only allowed when conducted by the Association or its contractors and then only for the purpose of fire protection, elimination of diseased growth or thinning as required for the health or survival of the natural vegetation.

(3) Improvement Districts. Notwithstanding subparagraphs (a) and (b), above, the Association shall not be obligated to maintain, repair or replace any landscaping, irrigation systems, drainage facilities, improvements roads, streetlights, public trails, water quality enhancement facilities contained within public easements, common and individual sewage disposal facilities, ground water monitoring program facilities, emergency access roads within Canto de las Lupine (including gates and barriers, if any) and/or geological hazards which are maintained, repaired or replaced by the County, a County Service Area or any other district or governmental entity.

(4) Compliance with Fuel Management Plan. The Association and its duly authorized agents and representatives shall be responsible for all maintenance, management and other work required by the Fuel Management Plan.

(5) Execution of Maintenance Agreements. Except as otherwise provided in this Declaration, neither Declarant nor any of its agents shall enter into any contract which would bind the Association or the Board for a period in excess of one year. Subject to this limitation on contract term, the Declarant may cause agreements, contracts, declarations or other documents ("Maintenance

Agreements") to be executed which impose on portions or all of the Property not then annexed, obligations to make contributions with respect to certain Regular Assessment Common Expenses. If any Maintenance Agreements terminate or expire or cease to apply to particular property, the Association shall have the power and the duty, at the request of the owner of any of Canto de las Lupine theretofore obligated pursuant to the Maintenance Agreement to execute in recordable form an agreement and acknowledgment that the Maintenance Agreement has terminated, expired, or ceases to apply to a particular property, as the case may be. The Association may also enter into Maintenance Agreements (for periods not to exceed one year) with the Declarant in order to achieve economies of scale or to efficiently and cost effectively share maintenance equipment, maintenance personnel or contractors and other resources. Such Maintenance Agreements between the Association may provide that services be provided to the Association and to the Common Areas in exchange for a temporary suspension or reduction of Regular Assessments.

(6) Emergency Fire Access Road. The Association shall also maintain and repair any emergency fire access road(s) shown on the Subdivision Map as specified in the County's Fire Safety Standards.

(7) Erosion Control Monitoring. The Association shall be responsible for all ongoing erosion and sediment control monitoring and maintenance activities required of the Association by the County and other governmental agencies, including the erosion and sediment control facilities within Canto de las Lupine.

Section 7.02. Owner Maintenance Responsibilities.

(1) Lots and Residences. Except as otherwise specifically provided in this Declaration, each Owner shall be responsible for the maintenance and repair of his or her Residence and Lot, and all other Improvements and landscaping located thereon, in a manner consistent with the standards established by the Governing Documents and other well-maintained residential areas in the vicinity of Canto de las Lupine. Each Owner of a Lot, other than Declarant, shall commence and complete installation of permanent landscaping within the time specified in Section 5.14 (b), above.

Without limiting the foregoing, vegetation and landscaping on any Lot shall be planted or maintained by the Owner or resident in such a manner as to reduce the risk of fire, prevent or retard shifting or erosion of soils, encourage the growth of indigenous ground cover and to cause the proper diversion of water into streets and natural drainage channels. The obligations identified in the preceding sentence shall exist regardless of whether the Owner has commenced construction of a Residence on his or her Lot. For example, Owners of unimproved Lots shall undertake reasonable weed abatement measures on portions of the Lot adjacent to roads or neighboring Lots on which Residences, and other improvements have been constructed. However, in undertaking weed abatement measures, consideration shall be given to preserving the natural beauty and aesthetics of the Lot. For example, defoliant shall not be used to clear large areas on a Lot and trees shall be pruned and/or cut only in strict compliance with Section 6.19, above.

(2) Requirement of Back-Flow Prevention Devices. Each Owner shall maintain water back flow prevention devices as required by the Centerville Community Service District.

Section 7.03. Association Recovery of Costs of Certain Repairs and Maintenance.

(1) Association Maintenance Caused by Owner Negligence. If the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder is caused through the willful or negligent acts of an Owner, his or her family, guests, tenants, or invitees, and is not covered or paid for by Association insurance policies or any liability insurance maintained by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Section 4.04, above. The Association may recover all costs and expenses incurred in taking such actions as a Special Individual Assessment.

(2) Owner Defaults in Maintenance Responsibilities. If an Owner fails to perform maintenance or repair functions on the Owner's Lot for which he or she is responsible, the Association may give written notice to the offending Owner with a request to correct the failure within 15 days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance, the Association may exercise its rights under Section 3.06(b), above, to enter the Owner's Lot and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing in accordance with Section 13.06, below.

Section 7.04. Cooperative Maintenance Obligations.

(1) Cooperation Between Association and Owners Generally. To the extent necessary or desirable to accomplish the Association's maintenance obligations hereunder, individual Owners shall cooperate with the Association, and the agents and maintenance personnel of the Association in the prosecution of their maintenance activities.

(2) Cooperation Among Owners With Shared Driveways. Any two or more Owners of Lots with a common Shared Driveway shall contribute equally to the costs of (i) repairing and maintaining any driveway constructed on the Shared Driveway in a good, safe and usable condition, in good repair, and in compliance with all applicable state, County and local ordinances, (ii) maintaining all cut and fill slopes adjacent to any driveway surface and (iii) all storm drainage Improvements within the Shared Driveway or the adjacent cut and fill slopes. Notwithstanding the preceding sentence, any repair or maintenance work which is required as a result of the willful or negligent act of any such Owner, or its invitees shall be the responsibility of the Owner to whom the willful or negligent act is attributed. The Owners covenant and agree that no maintenance or repair work shall be done, or caused to be done, without first obtaining the written consent of the other Owner(s). Such consent shall not be unreasonably withheld. If a dispute should arise between the Owners with respect to the necessity for or standard of maintenance, the contractors to be engaged to perform any repair or maintenance work, or any other matters pertaining to the use or maintenance of the Shared Driveway, the dispute shall be submitted to the Board for arbitration and the decision of the Board shall be final.

Section 7.05. Drainage Structures, Ditches and Swales.

(1) Within Common Areas. All drainage structures, culverts and canals improved by the Association for the major collection of storm runoff and any natural drainage courses within Common Areas shall be maintained regularly by the Association. Any open drainage channels or ditches shall be maintained by the Association so as to reduce potential or actual mosquito breeding habitat. Any streets, parking areas, catch basins or other pavement within the Common Area shall be maintained regularly by the Association so as to, among other things, minimize the amount of urban runoff pollutants that can be washed into any drainage course within Canto de las Lupine.

(2) On Lots. Except as provided in subparagraph (a), above, each Owner, at his or her sole cost and expense, shall keep drainage courses, ditches and swales and other storm drainage improvements on the Owner's Lot free and clear of all obstructions, and shall, in cooperation with contiguous property Owners (including the Association and the Declarant as to any contiguous parcels owned by them), maintain all such drainage ditches, swales and culverts common to their Lots in good order so as to reduce potential or actual mosquito breeding habitat.

(3) Consideration of Impacts on Neighboring Properties. No Owner or resident shall alter or obstruct a natural drainage course, or materially add to the natural water volume of said drainage course without making adequate provisions with respect to neighboring Lots and Common Areas. Any such alterations, obstructions, or additions to water volume shall be considered an Improvement project that is subject to prior review and approval by the Design Committee; provided, however, that the Committee shall be entitled to rely upon plans prepared by a California registered civil or geotechnical engineer qualified in grading or erosion control matters and in the event such plans are provided by the Owner-applicant or the Owner's agent, neither the Association nor the Committee (or its members) shall have any responsibility or liability for the adequacy or impacts of the drainage systems.

(4) General Drainage Requirements. All drainage inlets and outlets shall have maintenance plans with defined maintenance intervals. Drainage outlets are to incorporate water velocity attenuation devices acceptable to the County. All sump inlets shall have secondary overland flow routes.

ARTICLE VIII
Use of Property and Restrictions

In addition to the restrictions established by law or by Association Rules promulgated by the Board of Directors (consistent with this Declaration), the following restrictions are hereby imposed upon the use of Lots, Common Areas and other parcels within Canto de las Lupine:

Section 8.01. Use of Lots.

(1) Single Family Residential Use. Each Lot shall be conveyed as a separately designated and legally described fee simple estate, subject to this Declaration. Except as otherwise provided

in Article XVI, below, Lots within Canto de las Lupine shall be used solely for the construction of Residences whose occupancy and use shall be restricted to Single Family Residential Use. In no event shall a Residence be occupied by more individuals than permitted by applicable law, zoning or other local governmental regulation. The restriction is not intended to preclude construction of a "guest house" for the housing of occasional social guests or servants' quarters for the housing of servants or the domestic employees on the premises. The rental or lease of a Residence shall be subject to the limitations imposed by Section 2.05, above.

(2) Compliance with Minimum Construction Standards. All Residence and related structures erected on any Lot shall conform to the minimum construction standards set forth in Article VI, above, unless a variance has been granted by the Design Committee in accordance with Section 5.16, above.

(3) Prohibition of Camping on Lots. No camping, whether temporary or permanent, and no temporary structures of any kind (other than sales or construction offices permitted pursuant to Article XVI, below) shall be permitted on any Lot.

(4) Prohibition of Drilling/Mining Operations. No drilling, refining, quarrying or mining operations of any kind shall be permitted on any Lot.

(5) Limitation on Access to Perimeter Lots. There shall be no access to any Lot on the perimeter of Canto de las Lupine except from designated streets or roads within Canto de las Lupine.

(6) Temporary Structures. No structure of a temporary character, trailer, mobile home, camper, tent, shack, garage or other outbuilding shall be used on any Lot at any time as a Residence, either temporarily or permanently.

Section 8.02. Use of Common Areas. With the exception of improvements within the Common Areas constructed by the Declarant, the Common Areas shall be preserved and used as streets and roads for egress from and ingress to the Lots within Canto de las Lupine and other purposes incidental and ancillary to the use of Lots. Such use shall be limited to the private use by the Owners and their tenants, families and guests, subject to the provisions of the Governing Documents. All use of the Common Areas is subject to the Association Rules.

Section 8.03. Prohibition of Noxious Activities. No illegal, noxious or offensive activities shall be carried out or conducted upon any Lot or Common Area nor shall anything be done within Canto de las Lupine which is or could become an unreasonable annoyance or nuisance to neighboring property Owners. Without limiting the foregoing, no Owner shall permit noise, including, but not limited to barking dogs, or unreasonably noisy stereo amplifier systems, television systems, motor vehicles or power tools, to emanate from an Owner's Lot or from activities within the Common Area, which would unreasonably disturb any other Owner's or tenant's enjoyment of his or her Lot or the Common Area.

Section 8.04. Household Pets.

(1) Number and Kind. A reasonable number of common household pets may be kept on each Lot so long as the same are not kept, bred or maintained for commercial purposes, including, but not limited to, animal husbandry and livestock farming. No other animals, livestock, or poultry of any kind (including, without limitation, horses, pigs, goats, sheep and llamas) shall be kept, bred or raised on any Lot or in any Residence.

(2) Within Common Areas and on Lots. Pets shall only be allowed on the Common Area when they are leashed or otherwise under the supervision and restraint of their Owners. On Lots, pets shall be kept within the Residence or within pet runs or other enclosed areas approved by the Design Committee.

(3) Chaining and Tethering. No household pet shall be left chained or otherwise tethered in front of a Lot or in any portion of the Common Area.

(4) Pet Responsibility. Each person bringing or keeping or otherwise maintaining a pet on Canto de las Lupine shall be solely responsible for the conduct of such person's pets. The Association, its Board, officers, employees and agents shall have no liability (whether by virtue of this Declaration or otherwise) to any Owners for any damage or injury to persons or property caused by any pet. The Board shall also have the right to remove or relocate a pet run or to prohibit the maintenance of any pet which is found to be a nuisance or unreasonable safety threat to any other Owner or resident, provided the person in possession of the pet and/or pet owner is given notice and a hearing in accordance with Section 13.06, below.

(5) Additional Pet Rules. The Board of Directors shall have the right to establish and enforce additional rules and regulations defining in a uniform and nondiscriminatory manner, what constitutes a "reasonable number" of pets depending on their size, disposition and/or maintenance requirements and imposing standards for the reasonable control and keeping of household pets at Lots within Canto de las Lupine to ensure that the same do not interfere with the quiet and peaceful enjoyment of the development by the other Owners and residents.

Section 8.05. Signs. Except as otherwise specifically provided in Article XVI, below (relating to signage relating to Declarant activities), no advertising signs or billboards shall be displayed on any Lot or posted within or upon any portion of the Common Area other than: (i) signs posted or maintained by Declarant within the Common Area or on Declarant's unsold Lots advertising such Lots for sale or rent; (ii) a single sign of reasonable dimensions (not to exceed 18" by 24") posted by an Owner on his or her Lot advertising the Lot for sale or lease; and (iii) signs required by legal proceedings. One A-frame or other directional sign of a real estate broker advertising a Lot for sale or lease shall be allowed on such Lot. No A-frame or other directional signs of real estate brokers advertising Lots for sale or lease shall be allowed within the Common Areas within Canto de las Lupine. To the full extent permitted by law, in order to preserve and enhance the aesthetics of the development, the Design Guidelines may impose uniform color and design requirements for "for sale" or "for lease" signs so long as the criteria permit a reasonable display of the listing broker's name and logo.

Section 8.06. Business Activities. Except as provided in this Section, no business or commercial activities of any kind shall be conducted in any Residence, garage or out building or on any portion of any Lot. However, this restriction on business and commercial activities shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities under the Governing Documents or the Declarant's activities in connection with the development, sale and marketing of Canto de las Lupine. Furthermore, no restrictions contained herein shall be construed in such a manner so as to prohibit any Owner from:

- (1) maintaining his or her personal library in his or her Residence;
- (2) keeping his or her personal business records or accounts therein;
- (3) handling his or her personal or professional telephone calls or correspondence therefrom;
- (4) leasing or renting his Residence in accordance with Section 2.05, above; or
- (5) engaging in other activities related to the resident's business or profession that can be conducted from a Residence using computers and other technology so long as the home activities do not generate traffic, noise that is audible outside of the Residence at levels uncommon in rural residential neighborhoods, involve no employees or contractors (other than the resident or another family member occupying the Residence) do not generate traffic in excess of what would normally occur with occasional visits to a private Residence or involve other activities or factors that cause or are likely to cause a breach of the right of neighboring residents to the quiet enjoyment of their homes.

The uses described in (a) through (e), above, are expressly declared to be customarily incidental to the principal residential use and not in violation of this Section.

Section 8.07. Garbage. No rubbish, trash, or garbage shall be allowed to accumulate on Lots. Any trash that is accumulated by an Owner outside the interior walls of a Residence shall be stored entirely within appropriate covered disposal containers and facilities which shall be screened from view from any street, neighboring Lots or Common Areas. Owners shall subscribe to a weekly refuse collection service from the refuse collection franchise holder as required by County ordinances. Any extraordinary accumulation of rubbish, trash, garbage or debris (such as debris generated upon vacating of premises or during the construction of modifications and Improvements) shall be removed from Canto de las Lupine to a public dump or trash collection area by the Owner or tenant at his or her expense. The Association shall be entitled to impose reasonable fines and penalties for the collection of garbage and refuse disposed in a manner inconsistent with this Section.

Section 8.08. Petroleum and Other Chemicals. The discharge of fuels, oils, or other petroleum products, detergents, cleaners or other similar chemicals in or around the ground or drainage ways in, or adjacent to, Canto de las Lupine is prohibited.

Section 8.09. Hazardous Materials. Before bringing any hazardous material on Canto de las Lupine, Owners must notify the Shasta County Environmental Health Department at least 10 working days in advance of the planned date of bringing such material on Canto de las Lupine, and must receive the Department's approval to do so. Owners that bring hazardous materials on Canto de las Lupine are solely responsible for the removal of such material from Canto de las Lupine.

Section 8.10. Storage. Storage of personal property on any Lot shall be entirely within enclosed storage areas. The Association shall have the right to establish and maintain within suitable Common Area locations appropriate storage yards and storage buildings for the maintenance of materials and equipment used by the Association in connection with its planting, building, repair, maintenance and preservation of the structures, gardens and other Improvements which the Association is obligated to repair and maintain. See also Section 8.14(e), below, which imposes restrictions on the storage and parking of boats, trailers, recreational vehicles, etc.

Section 8.11. Burning. There shall be no exterior fires whatsoever on any Lot within Canto de las Lupine, except barbecue fires located upon Lots and contained within receptacles designed for such purpose, exterior fireplaces which conform to EPA emissions standards and such vegetation burning as shall be permitted County rules and regulations and performed in accordance therewith. No Owner or resident shall permit any condition to exist on his or her Lot, including, without limitation, trash piles or weeds, which create a fire hazard or is in violation of local fire regulations.

Section 8.12. Machinery and Equipment. No power tools, machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of a private Residence or appurtenant structures within Canto de las Lupine.

Section 8.13. Diseases and Pests. No Owner shall permit any thing or condition to exist upon his or her Lot which shall induce, breed, or harbor infectious plant diseases, rodents or noxious insects.

Section 8.14. Parking and Vehicle Restrictions.

(1) Driveways and Garages. Unless specifically approved by the Design Committee as to location and manner of screening (see subparagraph (e), below), all vehicles, trucks, boats and trailers permitted to be parked within Canto de las Lupine may only be parked on a paved driveway or within a garage. All driveways and garages shall be maintained in a neat and orderly condition and garage doors shall be kept in a closed position except as necessary to permit ingress and egress of vehicles or to clean or work in the garage area. Garages are to be used for the parking of standard passenger vehicles, trucks not to exceed three-quarter tons in gross weight, boats, trailers or the storage of similar items of personal property so long as such storage of personal property will not result in the regular parking of vehicles, trucks, boats or trailers on streets within Canto de las Lupine. Furthermore, garages shall not be converted to living quarters or work shops which will preclude the parking of vehicles.

(2) Limitations on Street Parking. No one, including Owners and residents, shall park any vehicle, truck, boat or trailer on any street within Canto de las Lupine except as specifically authorized by subparagraph (e), below (short-term loading and unloading). In addition, persons visiting a Residence for social activities of occasional and limited duration may park on streets when the number of guests visiting the Residence precludes the parking of all visitor vehicles on driveways or other improved parking areas on the host's Lot. No Owner, resident or visitor of any Owner or resident shall park any vehicle, truck, boat or trailer overnight on any street within Canto de las Lupine. The restrictions on street parking imposed by this subparagraph (b) are intended to constitute enforceable equitable servitudes appurtenant to each Lot (and therefore binding on all Owners and residents), regardless of the fact that some or all streets within Canto de las Lupine may be public rights-of-way.

(3) Common Area Parking. Any parking areas constructed within the Common Area are to remain open for use by guests only and are not to be used by Owners or other residents, either permanently or temporarily, for the parking of their passenger vehicles or the storage of boats, trailers or similar items.

(4) Repair of Vehicles. No motor vehicle shall be constructed, reconstructed or repaired within Canto de las Lupine and no dilapidated or inoperable vehicle, including vehicles without wheel(s) or an engine, shall be stored at any location within Canto de las Lupine; provided, however, that the provisions of this subparagraph shall not apply to emergency vehicle minor repair and vehicle maintenance or to repairs conducted completely within an Owner's garage.

(5) Boats, Campers, Trailers, RVs, etc. Campers, boats, trailers, motor homes, recreation vehicles, commercial vehicles and trucks in excess of three-quarter tons and inoperable vehicles may only be parked on Lots, and then only if the vehicle or trailer is located in a garage or to the side or rear of the Owner's Residence and screened so as to be isolated from view from other Lots, streets or Common Areas. The location and method of screening of vehicles, boats or trailers stored outside of garages or driveways must be approved by the Design Committee and be consistent with the screening and fencing restrictions of Section 6.29, above. As a result of this restriction it is likely that some large motor homes or other boats, trailers, or recreation vehicles may be prohibited from being parked or stored on a Lot, even when other, smaller, recreation vehicles will be authorized. This restriction shall not apply to short-term parking of boats, trailers, motor homes or other large trucks or recreation vehicles for purposes of loading or unloading for periods of four hours or less or the parking of commercial trucks and vehicles for periods when the owner of the vehicle is actively engaged in the provision of goods or services to the Owner or resident of the Lot where the vehicle is being parked.

(6) Restriction on Use of Garage for Storage. Garages may not be used for storing or parking any boat, motorcycle, camper, trailer, recreational vehicle or other personal property, unless the same is fully enclosed in the garage and the garage door is kept closed, other than for ingress and egress. At all times the garage must be maintained in a manner which will permit the parking of a standard size automobile in each parking bay in the garage. The Design Guidelines may include requirements for the minimum number of parking bays in a garage, depending on the number of square feet of living space in the serviced Residence.

(7) Association Authority to Tow Vehicles. So long as applicable laws and ordinances are observed, including California Vehicle Code Section 22658.2, the Board shall have the authority to tow at the Owner's expense, any vehicle parked or stored within the Common Area or on any private streets within Canto de las Lupine in violation of this Section. The Board shall post such notices or signs within the Common Area as may be required by law to effectuate this towing provision.

(8) Association's Authority to Adopt Further Vehicle/Parking Rules. The Board shall have the authority to promulgate such further rules and restrictions regarding parking and the use, operation and storage of vehicles, trailers and other related equipment and personal property (such as boats) within Canto de las Lupine, the definition of what constitutes a "commercial vehicle", and such other matters pertaining to vehicles and parking as may be deemed prudent and appropriate, so long as such rules are consistent with this Section.

Section 8.15. Gates. No private, gated entry structures are permitted anywhere within Canto de las Lupine, except at the entrance to Canto de las Lupine, the entrance to private driveways; emergency access points approved by the County Planning Department and appropriate emergency services agencies; and other locations including streets and cul-de-sacs as may be approved in writing by the County Planning Department.

Section 8.16. Use of Private Streets in Common Area. Private streets within Canto de las Lupine shall not be used for recreational purposes, including "joyriding" or racing. Motorcycles, mopeds, and cars shall be allowed on such private streets only for ingress and egress. All provisions of the California Vehicle Code must be honored at all times when operating any motor vehicle within Canto de las Lupine.

Although all roads within Canto de las Lupine are subject to the California Vehicle Code, the Association shall have the right to adopt reasonable rules regarding the control and use of roads within the subdivision, vehicles operated thereon and the speed of such vehicles, and is further authorized to delegate the discharge of its rights hereunder to a municipality or other governmental entity or to contract with a private security patrol company for such purposes so long as the private character of the subdivisions roads is not jeopardized by such action.

Section 8.17. Activities Affecting Insurance. Nothing shall be done or kept on any Lot or within the Common Area which will increase the rate of insurance relating thereto without the prior written consent of the Association, and no Owner shall permit anything to be done or kept on his or her Lot or the Common Area which would cause any Improvements to be uninsurable against loss by fire or casualty or result in the cancellation of insurance on any Residence or any part of the Common Area.

Section 8.18. Restriction on Further Subdivision and Severability; Lot Combinations. Except as provided in Section 16.06, no Lot shall be further subdivided nor shall less than all of any such Lot be conveyed by an Owner thereof, and no Owner of a Lot within Canto de las Lupine shall be entitled to sever that Lot from the Common Area portion of Canto de las Lupine. One or more adjacent Lots can be combined upon the prior approval of the Design Committee and compliance

with all applicable state and local laws and ordinances (with approval of the Design Committee being obtained prior to any processing of governmental approvals). Except as required by the Design Committee, if Lots are combined in accordance with this Section, they shall be deemed a single Lot for assessment purposes and shall give rise to only a single membership in the Association.

Section 8.19. Variances. Upon application by any Owner, the Design Committee shall be authorized and empowered to grant reasonable variances from Canto de las Lupine use restrictions set forth in this Article, if specific application of the restriction will, in the sole discretion of the Committee, either cause an undue hardship to the affected Owner or fail to further or preserve the common plan and scheme of development contemplated by this Declaration. In considering and acting upon any request for a variance, the Committee shall follow the procedures set forth in Section 5.16, above, for the granting of architectural variances. Once the Design Committee is solely under the authority of the Association, the Board may assume responsibility for the review and granting of variances hereunder. Variances granted may not conflict with any applicable County requirements, however, notwithstanding the foregoing, many of the restrictions set forth in this Declaration are, or are based upon, requirements of the County and should the County modify or change any of its requirements applicable to Canto de las Lupine, the Design Committee may consider such modifications and changes in the granting of variances and base a variance thereon.

Section 8.20. Enforcement of Property Use Restrictions. The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and tenants with the environmental standards and property use restrictions contained herein. Accordingly, in the event that the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action under Section 13.06, below, the Owner or tenant responsible for the violation shall receive written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the noncomplying condition, request that the Owner or tenant correct the condition within a reasonable time specified in the notice, and advise the Owner or tenant of his or her right to be heard on the matter. Nothing in this Section shall limit the separate right of Owners to enforce this Declaration in accordance applicable state law.

ARTICLE IX

Easements

Section 9.01. Easements in Favor of Declarant in Common Areas. For so long as Declarant owns any Lots within the Canto de las Lupine development or has the right to annex additional property to Canto de las Lupine pursuant to Article XV, below, Declarant shall have an easement for ingress to and egress from the Common Areas for the purpose of completing Improvements thereon or for the performance of necessary repair work and for entry on the Annexable Territory in connection with the development of additional Phases of Canto de las Lupine.

Section 9.02. Wetland Easements. The Association and its duly authorized agents and representatives shall have a nonexclusive right and easement under, over and upon each Lot as is

necessary to protect, enhance and maintain jurisdictional areas, including buffer zones and Wetland Areas, ("Wetland Easements"). The Association and its duly authorized agents and representatives shall have reasonable access to the Wetland Easements for these purposes.

Section 9.03. Drainage Easements. There are hereby reserved and granted over, under, and across each Lot and the Common Area, as servient tenements, in favor of each other Lot and the Common Area, as dominant tenements, nonexclusive easements for drainage, as established by the grading and natural course of surface and subsurface water run-off for surface and subsurface drains and the flow of water in accordance with natural drainage patterns and the drainage patterns and improvements installed or constructed by Declarant. Drainage shall include but not be limited to catch basins or other underground drainage improvements, drainage swales, surface and subsurface water and roof and gutter run-off for storm and other waters. Each easement for drainage discharge into County property shall be 15 feet wide to provide for the pipe and an outlet design for erosion mitigation. Easements for common area drainage across Lots shall also be 15 feet wide for access and maintenance. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation or flow of drainage.

Section 9.04. Shared Driveway Easements. If shown on the Subdivision Map, certain Lots shall have a private easement for access and maintenance over an adjacent Lot for ingress, egress and utilities purposes and for the construction and maintenance of a driveway surface and for maintenance of drainage and cut and fill slopes adjacent to the driveway surface. Each Owner of a Lot served by a Shared Driveway shall have an easement over the Shared Driveway for ingress, egress and utilities purposes and for the construction and maintenance of the driveway surface and cut and fill slopes adjacent to the driveway surface.

Section 9.05. Utility Easement. Each Owner shall have, appurtenant to each Owner's Lot, a non-exclusive right and easement over, under, across and through Canto de las Lupine, except for portions of Canto de las Lupine on which a structure is situated or which are located within 10 feet of a structure, for the use, maintenance and repair of underground utility lines, pipes, wires and conduits installed by Declarant. An easement five feet in width shall also exist within a strip of land immediately adjacent and along the front, side and rear property lines of any Lot for the purpose and use of installing, maintaining and repairing public utility facilities, including electric, water and sewer service lines, cable television lines and other public utility telephonic or electronic transmission lines.

Section 9.06. Fence Access Easement. The Association and its duly authorized agents and representatives shall have a non-exclusive right and easement for access (a) across Lots situated on the boundary of Canto de las Lupine for the purpose of maintaining boundary fences along any portion of the perimeter of the Canto de las Lupine development installed by Declarant, and (b) across Lots situated adjacent to Common Area for the purpose of maintaining fences along the common boundary of Lots and Common Area. The Association shall not enter a Lot pursuant to this Section without first providing the Owner of the Lot not less than 24 hours advance notice, except in the event of an emergency.

Section 9.07. Support, Maintenance and Repair Easement. The Association and each Owner shall have a non-exclusive right and easement, appurtenant to the Common Area and to all Lots, through each Lot and the Common Area for the support, maintenance and repair of the Common Area and all Lots.

Section 9.08. Easement to Governmental Entities. All governmental and quasi-governmental entities, agencies and utilities and their agents shall have a non-exclusive easement of ingress and egress over the Common Areas for the purposes of performing their duties within Canto de las Lupine.

Section 9.09. Pedestrian/Bicycle Trail Easement. Subject to the provisions of Sections 2.02(b) and 16.06 hereof, each Owner and his or her tenants, and each Owner's or tenant's guests and invitees, shall have a nonexclusive easement over the pedestrian/bicycle trails within Canto de las Lupine, as originally constructed and installed by the Declarant, for the purposes of walking, running and cycling. To the extent that such trails, as originally constructed by the Declarant, encroach on any Lot, this nonexclusive easement shall extend to the trails as so located.

Section 9.10. Association's Easement. The Association and its duly authorized agents and representatives shall have a non-exclusive right and easement as is necessary to perform the duties and obligations of the Association set forth in the Governing Documents, including the right to enter upon Lots, subject to limitations contained in this Declaration.

Section 9.11. Additional Easements. Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of Canto de las Lupine.

Section 9.12. Easement to Declarant for Adjoining Property. Declarant shall have, and hereby expressly reserves, a right and easement over and across the Common Area for the purposes of reasonable ingress to and egress from, over and across Canto de las Lupine, including private roads and pathways, to the Annexable Territory until all of the Annexable Territory is annexed to Canto de las Lupine.

Section 9.13. Annexation of Additional Property. Upon the Recordation of a Declaration of Annexation, the Lots and the Owners of Lots in the annexed Phase, or subdivision, shall have all of the rights and easements specified in this Article and the Lots and the Owners of Lots in Canto de las Lupine prior to annexation, or subdivision, shall have all of the easements specified in this Article as though the annexed Phase was initially part of Canto de las Lupine.

Section 9.14. Other Easements. Each Lot and its Owner, the Association and Declarant, as the case may be, is hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under Canto de las Lupine and each Lot as shown on any subdivision map for any portion of Canto de las Lupine.

ARTICLE X
Duties and Powers of the Board

Section 10.01. Types of Insurance Coverage. The Association shall, at the discretion of the Board of Directors, purchase, obtain and maintain, with the premiums therefor being paid out of Common Funds, the following types of insurance, if and to the extent they are available at a reasonable premium cost:

(1) Fire and Casualty Insurance. A policy of fire and casualty insurance naming as parties insured the Association and any Mortgagee of the Common Area and the Common Facilities located thereon, and containing the standard extended coverage and replacement cost endorsements, including an Agreed Amount Endorsement, and such other or special endorsements as will afford protection and insure, for the full insurable, current replacement cost (excluding foundations and excavation, but without deduction for depreciation) as determined annually by the insurance carrier, all Common Facilities and the personal property of the Association for or against the following:

- (i) Loss or damage by fire or other risks covered by the standard extended coverage endorsement.
- (ii) Loss or damage from theft, vandalism or malicious mischief.
- (iii) Such other risks, perils or coverage as the Board of Directors may determine.

Such policy or the endorsement made a part thereof shall, to the extent available, provide that the insurer issuing the policy agrees to abide by the decision of the Association made in accordance with the provisions of Section 11.02, below, as to whether or not to repair, reconstruct or restore all or any damaged or destroyed portion of the Common Facilities.

(2) Bodily Injury and Property Damage Insurance. To the extent such insurance is reasonably obtainable, a policy of Commercial General Liability Insurance naming as parties insured the Association, each member of the Association Board of Directors, any manager, the Owners and occupants of Lots, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the ownership and use of the Common Area and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than one million dollars (\$1,000,000.00) covering all claims for death, bodily injury and property damage arising out of a single occurrence and a General Aggregate of \$2,000,000. Such insurance shall include coverage against liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location and use. To the extent that such coverage is available, the policy of Commercial General Liability Insurance shall also contain coverage against liability for non-owned and hired automobiles.

(3) Additional Insurance and Bonds. To the extent such insurance is reasonably obtainable, the Association may also purchase with Common Funds such additional insurance and bonds as it may, from time to time, determine to be necessary or desirable, including, without

limiting the generality of this Section, directors and officers liability insurance, demolition insurance, flood insurance, and workers' compensation insurance. The Board shall also purchase and maintain fidelity bonds or insurance in an amount not less than 100 percent of each year's estimated annual operating expenses and shall contain an endorsement of any person who may serve without compensation. The Board shall purchase and maintain such insurance on personal property owned by the Association and any other insurance that it deems necessary or desirable.

Section 10.02. Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by Section 10.01, above, is for any reason unavailable, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage hereinabove described. The Board shall notify the Owners of any material adverse changes in the Association's insurance coverage.

Section 10.03. Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

Section 10.04. Trustee. All insurance proceeds payable under Section 10.01 or 10.02, above, may, in the discretion of the Board of Directors, be paid to a trustee to be held and expended for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear. Said trustee shall be a commercial bank in the City that agrees in writing to accept such trust.

Section 10.05. Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 10.01, above. The Board is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

Section 10.06. Policies Obtained by Declarant. It is contemplated that Declarant may contract for the insurance coverage contemplated by this Article prior to or concurrently with obtaining financing for the development of Canto de las Lupine, and any such obligations or commitments for the payment of premiums or expenses with respect thereto shall become an obligation of the Association, shall be treated as a Common Expense, and shall be paid out of the Common Funds as provided herein.

Section 10.07. Insurance by Owners. Each Owner, at that Owner's sole cost and expense, shall obtain insurance coverage which the Owner considers necessary or desirable to protect that Owner and that Owner's Lot, residence and personal property; provided, however, that no Owner shall be entitled to maintain insurance coverage in a manner so as to decrease the amount which the Association, on behalf of all Owners and their Mortgagees, may realize under any insurance policy which the Association may have in effect at any time.

Section 10.08. Annual Review of Association Insurance. The Board shall review the adequacy of all insurance, including the amount of liability coverage and the amount of property damage coverage, at least once every year. At least once every three years, the review shall include

a replacement cost appraisal of all insurable Common Area Improvements without respect to depreciation. The Board shall adjust the policies to provide the amounts and types of coverage and protection that are customarily carried by prudent owners of similar property in the area in which Canto de las Lupine is situated.

ARTICLE XI Damage or Destruction

Section 11.01. Common Facilities; Bids and Determination of Available Insurance Proceeds. In the event any Common Facilities are ever damaged or destroyed, then, and in such event, as soon as practicable thereafter the Board of Directors shall: (a) obtain bids from at least two reputable, licensed California contractors, which bids shall set forth in detail the work required to repair, reconstruct and restore the damaged or destroyed portions of the Common Facilities to substantially the same condition as they existed prior to the damage and the itemized price asked for such work; and (b) determine that amount of all insurance proceeds available to the Association for the purpose of effecting such repair, reconstruction and restoration.

Section 11.02. Common Facilities; Sufficient Insurance Proceeds. Subject to the provisions of Section 11.01, above, if, in the event of damage to or destruction of any portion of any Common Facility, the insurance proceeds available to the Association are sufficient to cover the costs of repair, reconstruction and restoration, then the Association shall cause such facilities to be repaired, reconstructed and restored substantially the same condition in which they existed prior to the loss; provided, however, that in the event of a total destruction of the Common Facility, the Association shall not be obligated to restore the facility to its prior appearance and condition if in the Board's opinion, architectural or design modifications to the destroyed facility will result in providing the Members with an improved facility available for substantially the same use and enjoyment as the destroyed facility.

Section 11.03. Common Facilities; Insurance Proceeds Insufficient in Amount. In the event that any Common Facility is totally or substantially damaged or destroyed or, if, in the event of damage to or destruction of only a portion of the Common Facilities, the insurance proceeds and accumulated capital replacement reserves available to the Association to complete the required repair or reconstruction work are less than the cost of such work, the Board shall impose a Special Assessment to fund the short-fall if the unfunded portion of the project cost is less than 5 percent of the budgeted gross expenses of the Association for that year. If the short-fall is greater than 5 percent of the Association's budgeted gross expenses, then a Majority of a Quorum of the voting power of each class of membership of the Association shall determine whether: (a) to repair, reconstruct and restore the damaged or destroyed Common Facilities and specially assess all Owners for such additional funds as may be needed for such purpose; or (b) not to repair, reconstruct or restore the damaged or destroyed Common Facilities but rather to utilize the insurance proceeds available for such reconstruction, together with any other sums otherwise available to the Association for such purpose, to demolish and remove the damaged or destroyed Improvements from the Common Area and to level and landscape the sites thereof and apply any balance of such

proceeds and/or funds as the Members holding such voting power and their first Mortgagees may determine.

Section 11.04. Damage or Destruction of Residences.

(1) Obligation to Rebuild or Clear Damaged Structures. If all or any portion of any Residence is damaged or destroyed by fire or other casualty it shall be the duty of the Owner of said Residence to rebuild, repair or reconstruct said Residence or clear the Lot of all damaged or destroyed structures or portions thereof.

(2) Design Committee Approval. Any Owner who has suffered damage shall apply to the Design Committee for approval of plans for the reconstruction, rebuilding, or repair of his or her Residence. Application for such approval shall be made in writing together with full and complete plans, specifications, working drawing and elevations showing the proposed reconstruction and the end result thereof. The Design Committee shall grant such approval only if the design proposed by the Owner satisfies the requirements for approval set forth in Article V, above.

(3) Time Limitation for Reconstruction or Removal. The Owner or Owners of any damaged Residence(s) shall be obligated to proceed with all due diligence hereunder, and the Owner(s) shall commence reconstruction or removal of damaged structures within three months after the damage occurs and complete reconstruction or removal within one year after such reconstruction or removal has commenced, unless an extension of these time limitations is obtained from the Design Committee.

**ARTICLE XII
Condemnation**

Section 12.01. Definition of Taking. The term "taking" as used in this Article shall mean condemnation by eminent domain, or by sale under threat thereof, of all or part of the Common Area.

Section 12.02. Representation by Association in Condemnation Proceeding. In the event of a taking, the Association shall represent all of the Members in an action to recover all awards, subject to the right of all institutional first Mortgagees who have requested the right to join the Association in the proceedings. The Association is designated as the sole representative of the Members in all aspects of condemnation proceedings.

Section 12.03. Award for Common Area. In the event of a taking of all or any part of the Common Area, the Association shall distribute the award from the taking authority after deducting therefrom fees and expenses related to the condemnation proceeding including, without limitation, fees for attorneys and appraisers and court costs. In the event that the taking is by judgment of condemnation and said judgment apportions the award among the Owners and their respective institutional first Mortgagees, the Association shall distribute the amount remaining after such deductions on the allocation basis set forth in the judgment. In the event that the taking is by sale under threat of condemnation, or if the judgment of condemnation fails to apportion the award, the

Association shall distribute the award among the Owners and institutional first Mortgagees on a pro rata basis, with each Owner and institutional first Mortgagee receiving an equal share of such award for each Lot owned by such Owner within the Canto de las Lupine development. Unless otherwise agreed to by the institutional first Mortgagees, all amounts payable to an Owner shall be paid to the institutional first Mortgagees.

Section 12.04. Inverse Condemnation. The Association is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

Section 12.05. Notice to Members. The Association, immediately upon having knowledge of any taking or threat thereof, shall promptly notify all Members.

ARTICLE XIII Breach and Default

Section 13.01. Remedy at Law Inadequate. Except for the nonpayment of any assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration are inadequate and that the failure of any Owner, tenant, occupant or user of any Lot, or any portion of the Common Area or Common Facilities, to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by Declarant, any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

Section 13.02. Nuisance. Without limiting the generality of the Section 13.01, above, the result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 13.03. Costs and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party under this Declaration, the court may award to the prevailing party in such action such attorneys' fees and other costs as it may deem just and reasonable.

Section 13.04. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Declaration.

Section 13.05. Failure Not a Waiver. The failure of Declarant, any Owner, the Board of Directors, the Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, charges or

equitable servitudes contained in this Declaration 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, the Association or the Board, or any of their respective officers or agents.

Section 13.06. Rights and Remedies of the Association.

(1) Rights Generally. In the event of a breach or violation of any Association Rule or of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such Rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use Common Facilities or suspension of the Owner's voting rights as a Member of the Association; provided, however, the Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this Section.

The decision of whether it is appropriate or necessary for the Association to take enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Association's Board or its duly authorized enforcement committee. If the Association declines to take action in any instance, any Owner, including Declarant shall have such rights of enforcement as are available pursuant to California Civil Code Section 1354 or otherwise by law.

(2) Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular violations of the Governing Documents that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles). A copy of the schedule shall be personally delivered or mailed by first-class mail, postage prepaid, to each Owner by the Board. Each time the schedule is modified, the Board shall again deliver a copy to each Owner, either personally or by first-class mail, postage prepaid. Once imposed, a fine or penalty may be collected as a Special Individual Assessment. However, the authority of the Association to impose a lien for Special Individual Assessments enforceable by foreclosure shall be subject to the restrictions imposed by Sections 4.04(b) and 4.10(b)(ii), above.

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

(4) Limitations of Disciplinary Rights.

(i) Generally. The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his or her Lot due to the failure by the Owner (or his or her family members, tenants, guests or invitees) to comply with any provision of the Governing Documents or of any duly enacted Association Rule except where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction, a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Association or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Association's actions satisfy the due process requirements of subparagraph (ii) below.

(ii) Notice and Hearing Requirements. No penalty or temporary suspension of rights shall be imposed pursuant to this Article unless the Owner alleged to be in violation is given at least 15 days' prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Board of Directors or appropriate committee established by the Board with respect to the alleged violation(s) at a hearing conducted at least 5 days before the effective date of the proposed disciplinary action.

Notwithstanding the foregoing, under circumstances involving conduct that constitutes: (A) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (B) a traffic or fire hazard; (C) a threat of material damage to, or destruction of, the Common Area or Common Facilities; or (D) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations), the Board of Directors, or its duly authorized agents, may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Association, in writing, within five days following the Association's disciplinary action), or on its own initiative, conduct a hearing as soon thereafter as reasonably possible.

If the Association acts on its own initiative to schedule a hearing, notice of the date, time and location of the hearing shall accompany the notice of disciplinary action. If the accused Owner desires a hearing, a written request therefor shall be delivered to the Association no later than five days following the date when the fine is levied.

The hearing shall be held no more than 30 days following the date of the disciplinary action or 15 days following receipt of the accused Owner's request for a hearing, whichever is later. Under such circumstances, any fine or other disciplinary action shall be held in abeyance and shall only become effective if affirmed at the hearing.

At the hearing, the accused shall be given the opportunity to be heard, including the right to present evidence and to present or question witnesses. The Board shall notify the accused Owner, in writing, of the Board's decision within 5 business days following conclusion of the hearing. In no event shall the effective date of any disciplinary action commence sooner than five days following

conclusion of the hearing unless: (i) the hearing merely affirms summary disciplinary action initiated pursuant to the immediately preceding paragraph; or (ii) earlier commencement is necessary to preserve the quiet enjoyment of other residents or to prevent further damage to, or destruction of, Canto de las Lupine or any portion thereof.

(5) Notices. Any notice required by this Article shall, at a minimum, set forth the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation of the Governing Documents and a reference to the specific Governing Document provision alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice; provided, however, that if notice is given by mail it shall be sent by first-class or certified mail sent to the last address of the Member shown on the records of the Association. In addition, if it is anticipated that court action will be necessary to enforce or interpret this Declaration due to the accused Owner's continued noncompliance, the Notice shall also satisfy the requirements of Civil Code Section 1354 with respect to the content and manner of service of a "Request for Resolution".

(6) Rules Regarding Disciplinary Proceedings. The Board, or an appropriate committee appointed by the Board to conduct and administer disciplinary hearings and related proceedings, shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Association Rules.

Section 13.07. Covenants Committee.

(1) Appointment of Committee. Acting pursuant to Article X of the Bylaws, the Board of Directors may, but shall not be obligated to, establish a Covenants Committee to hear and decide cases involving alleged violations of the Governing Documents. If no committee is established, the Board shall perform this function.

(2) Jurisdiction and Hearing Procedures of the Committee. The Covenants Committee shall review written complaints from Lot Owners, the Association's property manager, or the Design Committee (for violations other than those relating to specific Improvement projects within the jurisdiction of the Design Committee) of alleged violations of the Governing Documents or Association Rules, and, when determined appropriate, conduct hearings and make findings regarding the alleged violation(s). The Covenants Committee may levy penalties and/or fines (pursuant to a Board-approved fine schedule) in the event the allegations regarding such violations are found to be true. To perform the foregoing, the Covenants Committee shall adopt rules of procedure for enforcement hearings and shall conduct its hearings in accordance with such rules after they have been approved by the Board.

(3) Appeals. The decisions of the Covenants Committee, if established, shall be appealable to the Board of Directors within 10 calendar days following receipt of the committee's decision. The Board shall have the discretion to hear any appealed matter or decline to take the appeal and thus affirm the decision of the Covenants Committee. Any decision to decline an appeal shall be based on a reasonable determination from the record that the appeal lacks merit. Decisions

of the Board shall be final. Procedures for appeal and the hearing of appeals shall be set forth in the Association Rules.

Section 13.08. Court Actions. Court actions to enforce the Governing Documents may only be initiated on behalf of the Association upon approval of and by resolution of the Board. Prior to the filing of any court action seeking declaratory or injunctive relief to interpret or enforce the Governing Documents (including either such action coupled with a claim for monetary damages not in excess of \$5,000), the Association shall first comply with the provisions of California Civil Code Section 1354 relating to alternative dispute resolution. The Association's own notice and hearing procedures may be drafted to satisfy these statutory requirements.

ARTICLE XIV Protection of Mortgages

Section 14.01. Conflict. Notwithstanding any contrary provision contained elsewhere in the Governing Documents, the provisions of this Article shall control with respect to the rights and obligations of Mortgagees specified herein.

Section 14.02. Liability for Unpaid Assessments. Any first Mortgagee who obtains title to a Lot pursuant to the remedies provided in the first Mortgage (except upon a voluntary conveyance to the first Mortgagee) or by foreclosure of the first Mortgage shall take the Lot free of any claims for unpaid Assessments or charges against the Lot which accrue prior to the acquisition of title to the Lot by the first Mortgagee.

Section 14.03. Inspection of Books and Records. Upon request, any Owner, or first Mortgagee shall be entitled to inspect and copy the books, records and financial statements of the Association the Governing Documents and any amendments thereto during normal business hours.

Section 14.04. Financial Statements for Mortgagees. The Association, at its expense, shall prepare an audited financial statement for the immediately preceding fiscal year. The audited financial statement shall be available within one hundred twenty (120) days of the end of the Association's fiscal year. The Association shall provide a copy of the audited financial statement to any Mortgagee who makes a written request for it.

Section 14.05. Mortgage Protection. A breach of any of the conditions or the enforcement of any lien provisions contained in this Declaration shall not defeat or render invalid the lien of any first Mortgage made in good faith and for value as to any Lot in Canto de las Lupine; but all of the covenants, conditions and restrictions contained in this Declaration shall be binding upon and effective against any Owner of a Lot if the Lot is acquired by foreclosure, trustee's sale or otherwise.

Section 14.06. Right of Amendment If Requested by Government Agency, Governmental Mortgage Agency or Federally Chartered Lending Institutions.

(1) Anything in this Article to the contrary notwithstanding, Declarant reserves the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by Governmental Mortgage Agencies and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or any portions thereof. Any such amendment shall be effectuated by the recordation, by Declarant, of a Certificate of Amendment duly signed by or on behalf of the authorized agents, or authorized officers of Declarant, as applicable, with their signatures acknowledged, specifying the Governmental Mortgage Agency, the federal, state or local governmental agency or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. Recordation of such a Certificate shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Certificate, when recorded, shall be binding upon all of Canto de las Lupine and all persons having an interest therein.

(2) In the event this Declaration is recorded or used for any purpose prior to having been approved by any Government Agency or Government Mortgage Agency, Declarant shall have the absolute right to amend the provisions hereof without the approval of any agency or any percentage of the Membership whatsoever until such approval is first obtained. Such amendment shall be effective when signed by the Declarant and duly recorded.

(3) As used herein the term "Government Agency" means any beneficiary of a deed or mortgagee of a mortgage which encumbers a Lot and which is a bank, savings and loan association, mortgage company, or any other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency, and the term "Government Mortgage Agency" means a Government Agency providing or otherwise dealing with mortgages.

ARTICLE XV
Annexation, Supplemental Declaration

Section 15.01. Annexations, Generally. Any or all of the Annexable Territory may be annexed to and made subject to this Declaration in accordance with this Article XV. In no event shall the number of Lots within Canto de las Lupine, including those annexed, exceed __ Lots unless otherwise approved by the County. In this Article XV, any reference to the "annexed property" or to an "annexed Phase" shall mean that portion of Canto de las Lupine that is described in a duly Recorded Declaration of Annexation or Supplemental Declaration.

Section 15.02. Unilateral Annexations By Declarant. Declarant shall have the right to annex from time to time all or any portions of the Annexable Territory, so as to be subject to this Declaration and so that membership in the Association shall be appurtenant to ownership of Lots within the annexed Phase. Such annexation shall not require the approval of either the Association,

its Board or Members so long as the annexation is in substantial conformance with a detailed plan of phased development submitted to the Commissioner of the Department of Real Estate with the Declarant's application for a Public Report for the first Phase of the Property which complies with the following:

(1) Proof satisfactory to the Commissioner that no proposed annexation will result in an overburdening of Common Facilities;

(2) Proof satisfactory to the Commissioner that no proposed annexation will cause a substantial increase in Assessments against existing Owners of Lots within Canto de las Lupine which was not disclosed in a Public Report under which such Owners purchased their Lots within the Canto de las Lupine development;

(3) Identification of the Phase proposed to be annexed and the total number of residential Lots or units then contemplated by the Declarant for the Property;

(4) A written commitment by the Declarant to pay to the Association, concurrently with the closing of the escrow for the first sale of a Lot in the annexed property, an appropriate amount for reserves for replacement or deferred maintenance of Common Area improvements in the annexed property necessitated by or arising out of the use and occupancy of Residences under a rental program conducted by the Declarant which has been in effect for a period of at least one (1) year as of the date of closing of the escrow for the first sale of a Residence in the annexed property.

Section 15.03. Other Annexation, Member Approval Requirements. In addition to annexations made by Declarant pursuant to Section 15.02 above, annexations of portions of the Annexable Territory that for one reason or another fail to meet the requirements of Section 15.02, above, or annexation of property other than portions of the Annexable Territory, may be made by Declarant with the approval by vote or written consent of Members entitled to exercise not less than two-thirds of the voting power of each class of membership of the Association. After the Class B membership has ceased, the affirmative vote of at least two-thirds of the voting power of Members other than Declarant shall be required to approve annexations pursuant to this Section. Upon obtaining the requisite Member approval pursuant to this Section, Declarant shall Record a Declaration of Annexation and, if appropriate, a Supplemental Declaration, as more particularly described in Sections 15.05 and 15.06, below.

Section 15.04. Conveyances of Common Area. Prior to the conveyance by Declarant of any Lot within a Phase annexed to this Declaration, fee simple title or a perpetual easement to any Common Area to be owned or managed and controlled by the Association within such Phase shall be conveyed or granted to the Association free and clear of any and all encumbrances and liens, except current real property taxes, which taxes shall be prorated to the date of transfer, and reservations, easements, covenants, conditions and restrictions then of Record, including those set forth in this Declaration.

Section 15.05. Declaration of Annexation.

(1) Effect of Recording a Declaration of Annexation. The annexations authorized under this Article XV shall be made by Recording a Declaration of Annexation with respect to the annexed Phase which shall be executed by Declarant and shall extend this Declaration to the annexed property. The Recordation of such a Declaration of Annexation shall constitute and effectuate the annexation to Canto de las Lupine described therein, and thereupon said real property shall become and constitute a part of the Canto de las Lupine common interest development, become subject to this Declaration and encompassed within the general plan and scheme of the covenants, conditions and restrictions contained herein, and become subject to Assessment by the Association and to the functions, powers and jurisdiction of the Association; provided, however, that Assessments of Lots within the annexed Phase shall not commence until the time provided in Section 4.02(c), above. The Owners of Lots in the annexed Phase shall automatically become Members of the Association.

(2) Contents of Declaration of Annexation. The Declaration of Annexation shall include the following:

(i) Legal Description of the Annexed Property. A legal description of the annexed property included in Canto de las Lupine, separately identifying Lots and any Common Areas;

(ii) Statement Regarding Commencement of Assessments. A specified date on which Assessments shall commence for Lots in the annexed property, provided that the date specified may not be later than the first day of the first month following the month in which the first Lot in the annexed property is conveyed to an Owner;

(iii) Application of Equitable Servitudes. A statement that all of the covenants, conditions and restrictions of this Declaration shall apply to the annexed property in the same manner as if the annexed property was originally covered by this Declaration; provided, however, that additional or revised covenants, conditions and restrictions applicable to the annexed property (collectively, "supplemental restrictions"), may be imposed when, in the sole discretion of Declarant, it is deemed necessary or appropriate and to impose supplemental restrictions in order to reflect differences in the nature, design or use of the Improvements to be constructed on Lots or Common Areas in the annexed property.

Supplemental restrictions may not alter the general common plan or scheme created by this Declaration, revise any restriction imposed by a governmental entity as a condition of Subdivision Map approval (without the consent of that entity), or revoke, modify or add to the covenants, conditions and restrictions imposed by this Declaration with respect to portions of Canto de las Lupine initially subject to this Declaration or the property annexed prior to the annexed property. If supplemental restrictions are considered necessary or appropriate, they shall be set forth in a Supplemental Declaration attached to, or incorporated in, the Declaration of Annexation (see Section 15.06, below).

Additional real property may be annexed to Canto de las Lupine and become subject to this Declaration in accordance with this Article XV. Although the present intention of the Declarant is to develop Canto de las Lupine, including the Annexable Territory, as a residential subdivision with common areas and common facilities in conformance with a plan of phased development, nothing in this Declaration shall be construed or interpreted to commit Declarant to the development or annexation of any portion of the Annexable territory in accordance with any present planning.

(3) Declarant Obligation To Fund Reserves in Limited Circumstances. The Declaration of Annexation shall also provide that prior to, or concurrently with, the close of escrow for the sale of the first Lot in the annexed property, Declarant shall pay to the Association an amount equal to that portion of the Regular Assessment which would have been attributable to each Lot in the annexed Phase and which would have been allocable to reserves for replacement and deferred maintenance of the Common Area Improvements if and only if Declarant has rented or leased Lots in the annexed Phase for a period of one year prior to the conveyance of title to an Owner of a Lot in the annexed Phase.

(4) Budget Modifications. After a new Phase has been annexed, the Board shall approve a budget, which is substantially based upon the operating budget accepted by the Department of Real Estate in connection with the Public Report for that Phase, for the remainder of the current fiscal year for use upon commencement of Regular Assessments against Lots within the Phase.

Section 15.06. Supplemental Declarations.

(1) Authority to Record Supplemental Declarations. During the course of developing Canto de las Lupine, it may become necessary or appropriate for Declarant to record Supplemental Declarations, and the Recordation of such Supplemental Declarations is hereby approved.

(2) Content of Supplemental Declarations. Any Supplemental Declaration shall describe the portion of the annexed property to which it is to apply, recite that the Supplemental Declaration is being Recorded pursuant to the authority conferred by this Section and may include, without limitation:

(i) Description of Annexed Common Areas. A legal description of any Common Areas (including all exclusive use common areas, (as that term is defined in California Civil Code Section 1351(i)), if any, within the annexed property;

(ii) Establishment of Supplemental Restrictions. Provisions imposing supplemental restrictions applicable to the annexed property or to Improvements constructed therein, subject to the limitations described in Section 15.05, above;

(iii) Establishment of Phase Design Committees. Provisions establishing a separate Design Committee to perform the review and approval functions with respect to Improvement projects on Lots in the annexed Phase, either independently of the Design Committee established pursuant to Section 5.02, above, or as a body with initial review jurisdiction prior to final review and approval by the Design Committee. If a particular Lot is affected by a Supplemental

Declaration which establishes a separate Design Committee, then that Committee constituted in accordance with Section 5.02, above, shall have jurisdiction over the initial design and construction of any Improvements proposed for construction on such Lot, as well as subsequent changes in exterior design or appearance;

(iv) Establishment of Additional or Separate Construction Standards. Provisions authorizing the adoption of separate or supplemental minimum construction standards applicable to Improvement projects on Lots located within the annexed Phase.

(v) Special Maintenance Areas. Provisions describing the nature and extent of the Association's duties and responsibilities if front yards or rear yards are to be maintained by the Association or a sub-Association; and

(vi) Provisions Establishing Sub-Associations. Provisions for the establishment of a sub-Association, if required or appropriate, to be comprised of Owners of Lots within the planned development or condominium project that is intended to be developed in the annexed Phase.

Section 15.07. Reconciling Conflicts Among Documents. This Declaration shall control if there is any conflict between any Declaration of Annexation or Supplemental Declaration and the provisions of this Declaration; provided, however, that to the extent that any provision hereof is expressly modified by a Supplemental Declaration, no conflict shall be deemed to exist; and, provided further, that this Declaration and any Supplemental Declaration shall be construed to be consistent with one another to the extent reasonably possible. However, the inclusion in any Supplemental Declaration of covenants, conditions, restrictions, rights, reservations, easements, equitable servitudes, limitations, liens or charges which are more restrictive or more inclusive than the corresponding provisions of this Declaration or the Governing Documents or the Design Guidelines shall not be deemed to constitute a conflict with the provisions of this Declaration.

Section 15.08. De-Annexation and Amendment. Declarant has the right, at its sole option, to (i) amend a Declaration of Annexation or a Supplemental Declaration, or (ii) remove from Canto de las Lupine any property described in a Recorded Declaration of Annexation or a Supplemental Declaration for a Phase by executing and Recording a rescission of the Supplemental Declaration, so long as all of the following conditions are satisfied at the time of the execution of the amendment or rescission: (i) no Lot in that Phase has been conveyed to an Owner; and (ii) Assessments have not commenced for any Lot in the annexed property. If Common Areas in such a Phase has been conveyed or granted to the Association, then in the event of a rescission, such Common Area shall be conveyed or granted back to Declarant promptly after the rescission. In the event of an amendment, if the amendment is such that some portion of that Common Area within the annexed property theretofore conveyed or granted to the Association is excluded from the annexation, such portion shall be conveyed or granted back to Declarant promptly after the amendment is adopted.

Section 15.09. Taxes and Assessments. All taxes and other Assessments relating to Canto de las Lupine in Phases which are authorized under Section 15.02 and 15.03, above, covering any period prior to the addition of annexed property to Canto de las Lupine, shall be paid or otherwise provided for by the Declarant.

Section 15.10. Character of Common Area Improvements. The nature, design, quantity, quality and all other attributes of the Common Area, and the facilities and amenities thereon, shall be determined in Declarant's sole and absolute discretion. The Association shall be unconditionally obligated to accept transfer of and maintenance responsibility for the Common Area when such transfer and maintenance responsibility is tendered by Declarant.

Section 15.11. Infrastructure Improvements. All intended infrastructure improvements in Phases authorized under Section 15.02 and 15.03, above, shall be substantially completed or bonded to the satisfaction of the local governmental agency with authority therefor prior to annexation and shall be consistent with the initial improvements of Canto de las Lupine in terms of quality of construction.

ARTICLE XVI

Declarant Development Rights and Exemptions

Section 16.01. Rights to Use Common Areas and Common Facilities in Connection With Development and Sales Activities. Declarant may enter upon the Common Area, for the benefit of Declarant or for the benefit of Canto de las Lupine, any portion of the overall Canto de las Lupine project approved for development by the County, or any combination of them, to complete the development, improvement and sale of Lots and the construction of any landscaping or other Improvement to be installed on the Common Area, as well as the right of nonexclusive use of the Common Areas and the Common Facilities, without charge, for sales, display, access, ingress, egress, exhibition and occasional special events for promotional purposes, which right Declarant hereby reserves; provided, however, that such use rights shall terminate on the date when Declarant no longer owns any Lots within Canto de las Lupine and Declarant's right to unilaterally annex any portion of the Annexable Territory has terminated. Such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein. The rights reserved to the Declarant by this Section shall extend to any employee, sales agents, prospective purchasers, customers and/or representatives of the Declarant.

Notwithstanding the restrictions on signage that are otherwise imposed by Section 8.05, above, Declarant, its' agents and assigns may erect and maintain such signs and other advertising devices or structures within any portion of the Property that is owned by the Association or Declarant as it may deem necessary or proper in connection with the conduct of its operations for the development, improvement, subdivision and sale of Canto de las Lupine (or any subsequent Phase). Declarant's rights hereunder shall continue for so long as Declarant has any Lots for sale pursuant to a Department of Real Estate Public Report.

Section 16.02. Limitation of Restrictions on Declarant. Declarant is undertaking the construction of a planned unit development subdivision and incidental Improvements upon Canto de las Lupine. The completion of that work and the sale, rental and other disposal of Lots is essential to the establishment and welfare of Canto de las Lupine as a residential community. In order that said work may be completed and said Canto de las Lupine common interest development be established as a fully occupied residential community as rapidly as possible, for a period of five years

following the date of the issuance of the Public Report for Canto de las Lupine (or any subsequent Phase), Declarant, its contractors and subcontractors shall have the right to:

(1) Reasonable Access over Common Areas. Obtain reasonable access over and across the Common Area of Canto de las Lupine and/or to do within any Lot owned or controlled by the Declarant whatever is reasonably necessary or advisable in connection with the completion of the Canto de las Lupine common interest development;

(2) Use of Common Areas/Facilities. To make reasonable use of the Common Area and Common Facilities for the sale, lease, rental or other disposition of Declarant's Lots;

(3) Use of Declarant Lots. Use any Lots owned or controlled by the Declarant in accordance with any promotional programs established from time to time by Declarant. Such programs may include on-site events, tours of homes and "street of dreams" promotions;

(4) Sales Offices, Model Homes, Construction Facilities, Etc. Erect, construct and maintain on the Common Area of Canto de las Lupine and/or within any Lot owned by the Declarant such structures (including, without limitation, sales offices, model homes, facilities for security personnel, storage sheds and garages and construction facilities) as may be reasonably necessary for the conduct of its business to complete the work, establish Canto de las Lupine as a residential community and to dispose of Canto de las Lupine in Lots and parcels by sale, lease, rental or otherwise; and to maintain such signs and/or banners or poles on any portion of the Common Area or on any Lot owned by the Declarant as may be necessary or appropriate for the construction, sale, lease or disposition of Lots.

(5) Rent for Use of Common Facilities. Notwithstanding the foregoing, Declarant shall pay the Association reasonable rent for the use of any Common Facilities if Declarant's use of those Common Facilities materially interferes with the full use and enjoyment of the Common Facility by the Association or other Owners.

Section 16.03. Termination of Any Responsibility of Declarant. In the event Declarant shall convey all of its rights, title and interest in and to Canto de las Lupine to any partnership, individual or individuals, corporation or corporations, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations shall be obligated to perform all such duties and obligations of the Declarant. To be considered a successor Declarant, either of the following must occur: (a) a certificate, signed by Declarant and Declarant's successor or assign, has been recorded in the County in which the successor or assign assumes the rights and duties of Declarant to some portion of Canto de las Lupine or (b) such successor or assign acquires all of Canto de las Lupine and the remainder of the Property then owned by Declarant.

Section 16.04. Limitations of Restrictions. Declarant is undertaking the work of developing Lots and other Improvements within Canto de las Lupine. The completion of the development and the marketing, sale, lease, rental and/or other disposition of the Lots within Canto de las Lupine is essential to the establishment and welfare of Canto de las Lupine as a residential

community. In order that the work may be completed and Canto de las Lupine be established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be interpreted to deny Declarant the rights set forth in this Article.

Section 16.05. Size and Appearance of Project. Declarant shall not be prevented from increasing or decreasing the number of Lots that may be annexed to Canto de las Lupine or from changing the exterior appearance of Residences owned by Declarant or Common Area structures, the landscaping or any other matter directly or indirectly connected with the Canto de las Lupine common interest development in any manner deemed desirable by Declarant, so long as Declarant obtains all governmental consents required by law.

Section 16.06. Alterations to Subdivision Map. At any time prior to the expiration of the period ending five (5) years from the date that the first Lot in a Phase of Canto de las Lupine is conveyed to an Owner other than Declarant, the boundaries of any Lot or Common Area in that Phase may be altered by a lot line adjustment or other change reflected on a subsequently recorded parcel map, record of survey or subdivision map approved by the County, provided that the altered boundaries are approved by Declarant and all Owners of the properties which are directly involved in the boundary adjustment (the Board, with respect to property owned by the Association). Any such alteration shall be effective upon recordation of the parcel map, record of survey or subdivision map and, upon such recordation, the boundaries of the altered Lot or Common Area shall be altered for purposes of this Declaration to conform to the boundaries as shown on the parcel map, record of survey or subdivision map.

Section 16.07. Declarant's Title Rights. This Declaration shall not be construed to constitute a limitation on Declarant's title rights to the Annexable Territory prior to its annexation, nor shall it impose any obligation on Declarant or any other person or entity to improve, develop or annex any portion of the Annexable Territory. This Declaration shall not be construed to limit the right of Declarant at any time to establish additional licenses, easements, reservations, restrictions and rights-of-way for itself, utility companies or others as reasonably necessary for the proper development and disposition of property owned by Declarant.

Section 16.08. Amendment. After the expiration of Class B membership (as defined in the Bylaws), the provisions of this Article may not be amended without the written consent of Declarant until either (a) all of the Annexable Territory has been annexed to Canto de las Lupine and all of the Lots in Canto de las Lupine owned by Declarant have been sold; or (b) Declarant's unilateral rights of annexation pursuant to Section 15.02, above, have expired.

ARTICLE XVII

Notices

Section 17.01. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

If to Declarant:	To Canto de las Lupine P.O. Box 994248 Redding, California 96099-4248 (or to such other address as Declarant may from time to time designate in writing to the Association)
If to any Lot Owner:	To the street address of his or, her Lot or to such other address as he or she may from time to time designate in writing to the Association for purposes of notice.
If to the Association:	Canto de las Lupine Community Association, at the principal office of the Association (or to such other address as the Association may from time to time designate in writing to the Owners)

Section 17.02. Personal Service Upon Co-Owners and Others. Personal service or first-class mailing of a notice or demand to one of the co-Owners of Record any Lot, to any general partner of a partnership which is the Owner of Record of the Lot, or to any officer or agent for service of process of a corporation which is the Owner of Record of the Lot, shall be deemed to be delivery or mailing of proper notice to all such co-Owners, to such partnership, or to such corporation, as the case may be.

Section 17.03. Deposit in United States Mails. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered four days after deposit in the United States mail in the County.

ARTICLE XVIII

No Public Rights in Canto de las Lupine by Virtue of Recordation of Declaration

Nothing contained in this Declaration shall be deemed to be gift or dedication of all or any portion of Canto de las Lupine to the general public or for any public use or purpose whatsoever.

ARTICLE XIX

Amendment of Declaration

Section 19.01. Amendment Before Close of First Sale. Before the close of escrow for the first sale of a Lot in Canto de las Lupine to a purchaser other than Declarant, this Declaration may be amended or revoked in any respect by the execution of an instrument amending or revoking the Declaration signed by Declarant and any Mortgagee of record, provided the consent or approval of the Commissioner of the California Department of Real Estate is first obtained to the extent required by California law. The amending or revoking instrument shall make appropriate reference to this Declaration and shall be Recorded.

Section 19.02. Amendment After Close of First Sale. After the close of escrow for the first sale of a Lot to a purchaser other than Declarant, this Declaration may be amended in accordance with the following provisions:

(a) Member Approval. Any provision of this Declaration may be amended by the approval of a majority of each class of Members; provided however, that no provision of this Declaration which provides for a vote of more than fifty-one percent (51%) of the voting power of the Members may be amended by a vote of less than the percentage specified in the Section to be amended.

(2) Additional Approvals from Declarant. Notwithstanding any provision of this Declaration to the contrary, the following provisions of this Declaration may not be amended without the prior written consent of Declarant: Article V, Article VI, Section 8.14(b), Section 9.12, Article XIV, Article XV and Article XVI.

Section 19.03. Department of Real Estate. An amendment to this Declaration, Bylaws, or other governing instruments of the Association shall require immediate notification of the California Department of Real Estate in accordance with California Business and Professions Code Section 11018.7 and Section 2800 of the Commissioner's Regulations so long as Canto de las Lupine, or any portion thereof, are subject to an outstanding Final Subdivision Public Report.

Section 19.04. Effective Date of Amendment. An amendment of this Declaration shall become effective upon (i) the Recording of an amendment hereto duly executed and acknowledged by Declarant with the Recorder for Shasta County, California, if the amendment is made pursuant to Section 19.01 hereof, or (ii) the Recording of a Certificate of Amendment duly executed, certified and acknowledged by the president and secretary of the Association setting forth in full the amendment so approved and stating that the approval requirements of subsection 19.02(a) or (b) above have been duly met, if the amendment is made pursuant to Section 19.02 hereof. If the consent or approval of any governmental authority, Mortgagee, or other entity is required under this Declaration to amend or revoke any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained.

Section 19.05. Reliance on Amendments. Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

Section 19.06. Restatements. This Section describes the methods for restating the Declaration after an amendment.

(1) General. The Board has the right, by resolution without the necessity of consent by the Owners, to restate this Declaration when it has been properly amended pursuant to its requirements for amendment. Such restatement shall be effective upon execution of the restatement by any two (2) officers of the Association and its Recordation. Upon Recordation of the restatement, the restatement shall supersede the prior declaration and its amendments in their entirety, without, however, affecting the priority of the Declaration in the chain of title to all properties that are subject to the Declaration, as established by the Declaration's initial date of Recordation.

(2) Form of Restatement. The restatement shall restate the entire text of the original document, with these exceptions: (i) changes incorporating all amendments approved by the Owners; (ii) changes made to rearrange or delete the text for consistency with the approved amendments; (iii) changes made to delete material no longer legally effective or legally required, such as the provisions for the benefit of the Declarant, after the Declarant no longer owns any interests; (iv) the addition of a statement that the Board has authorized the restatement pursuant to this Section; (v) changes made to delete any provision declared illegal by constitutional or statutory enactment, by regulation, or by controlling judicial opinion; and (vi) changes needed to distinguish the restatement from the original document, such as title, Section, or Subsection numbering changes.

Section 19.07. Change in Maintenance Responsibilities. No change shall be made to this Declaration with respect to the Association's maintenance responsibilities without the prior written approval of the County.

ARTICLE XX General Provisions

Section 20.01. Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with, and shall benefit and burden the Lots and the Common Area as herein provided, and shall inure to the benefit of and be binding upon the Owners, Declarant, the Association, its Board of Directors, and its officers and agents, and their respective successors in interest, for the term of 60 years from the date of the recording of this Declaration. After the expiration of the initial term, the same shall be automatically extended for successive periods of 10 years each unless, within 6 months prior to the expiration of the initial 60-year term or any such 10-year extension period, a written instrument, approved by Owners entitled to vote and holding at least a majority of the voting power of the Association terminating the effectiveness of this Declaration, is Recorded.

Section 20.02. Construction.

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

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

EXHIBIT "A"

DESCRIPTION OF PROPERTY
