

**RESTATED
ARTICLES OF INCORPORATION
OF
NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Gail Anderson and James Nakada certify that:

1. They are the president and secretary/treasurer, respectively, of Northstar Property Owners Association, a California nonprofit mutual benefit corporation.
2. The articles of incorporation are amended and restated to read as follows:

**ARTICLES OF INCORPORATION
OF
NORTHSTAR PROPERTY OWNERS ASSOCIATION**

I

The name of this corporation is Northstar Property Owners Association.

II

The corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under such law. More specifically, the corporation owns, repairs, maintains and manages common areas within the Northstar common interest development, enforces rules and regulations adopted from time to time by the Board of Directors and discharges such other lawful duties and responsibilities required pursuant to the corporation's bylaws and the Second Restated Declaration of Covenants, Conditions and Restrictions (the "Declaration"), recorded in the Office of the Placer County Recorder, California.

III

This corporation is intended to qualify as a Homeowner's Association under the applicable provisions of the Internal Revenue Code and of the Revenue and Taxation Code of California. No part of the net earnings of this corporation shall inure to the benefit of any

private individual, except as expressly provided in those sections with respect to the acquisition, construction, or provision for management, maintenance and care of the corporation's property, and other than by a rebate of excess membership dues, fees or assessments. In the event of the dissolution, liquidation or winding up of the corporation, upon or after termination of the aforementioned real estate project in accordance with provisions of the Declaration, the corporation's assets remaining after payment, or provision of payment, of all known debts and liabilities of the corporation shall be divided among and be distributed to the members thereof in accordance with their respective rights therein.

IV

Notwithstanding any of the above statements of purposes and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purposes of this corporation.

V

The authorized number, and qualifications for membership in this corporation, the property, voting and other rights and privileges of members and their liability for dues and assessments and the methods of collection thereof, shall be as provided for in the Declaration and the Bylaws of this corporation.

VI

This corporation elects to be governed by all of the provisions of the Nonprofit Corporation Law of 1980 not otherwise applicable to it under part 5 thereof.

VII

These Articles of Incorporation may be amended from time to time by the affirmative vote of a majority of the voting power of the members of the Association.

The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the Board of Directors.

The foregoing amendment and restatement of articles of incorporation has been duly approved by the required vote of members. The required member vote was a majority of a quorum of the voting power.

We further declare under penalty of perjury under the laws of the State of California, that the matters set forth in this certificate are true and correct of our own knowledge.

Date: _____, 1996.

Gail Anderson, President

James Nakada, Secretary/Treasurer

... shall be deemed to have been approved by the Board of Directors of the Association...

... shall be deemed to have been approved by the Board of Directors of the Association...

and provided that the Board of Directors of the Association...

of the Association...

which is hereby approved by the Board of Directors of the Association...

These Bylaws were adopted by the Board of Directors of the Association on this 1st day of January, 1991, and the same were approved by the members of the Association at a meeting held on this 1st day of January, 1991.

**RESTATED BYLAWS
OF
NORTHSTAR PROPERTY OWNERS ASSOCIATION**

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NORTHSTAR PROPERTY OWNERS ASSOCIATION**

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RESTATED BYLAWS
OF
NORTHSTAR PROPERTY OWNERS ASSOCIATION

are subject to the Declaration is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of a Lot or Unit.

Section 2. Term of Membership. Each Owner shall remain a Member until he or she no longer qualifies as such under section 1 above. Upon the sale, conveyance or other transfer of an Owner's interest in a Lot or Unit, the Owner's membership interest appurtenant to the Lot or Unit shall automatically transfer to the person who acquires title to the Lot or Unit.

Section 3. Multiple Ownership of a Lot or Unit. Ownership of a Lot or Unit shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot or Unit, all of the co-owners shall be deemed to be a single Member for voting purposes, although all of the co-Owners shall have equal rights as Members to use and enjoy the Association's Common Areas and Common Facilities. Any one of the multiple Owners shall be entitled to vote the membership, unless the secretary or the General Manager of the Association is notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. If such notification does not occur and more than one of the multiple Owners attempts to cast the vote attributable to the membership, the Secretary of the Association, in his or her discretion, can refuse to count the multiple ballots.

Section 4. Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until such person has advised the Secretary of the Association or its General Manager that he or she is qualified to be a Member under section 1 above, and if requested by the secretary, has provided the secretary with evidence of such qualification in the form of a certified copy of a recorded grant deed or a currently effective policy of title insurance.

ARTICLE IV Membership Voting

Section 1. Single Class of Membership. The Association shall have one class of voting membership comprised of those persons described in article III, section 1, above.

Section 2. Member Voting Rights. On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each Lot or Unit owned by such Member. Single

memberships in which two or more persons have an indivisible interest shall be voted as provided in article III, section 3, above.

Section 3. Eligibility to Vote. Only Members in Good Standing as of the record date established for voting (see article V, section 8, below) shall be entitled to vote at any membership meeting. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Lot or Unit and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with Article XIII, section 6 of the Declaration. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to request such a hearing in accordance with the Declaration.

Section 4. Manner of Casting Votes.

(a) Voting at Membership Meetings. Voting at any membership meeting may be by voice or by ballot, providing that any election of directors shall be conducted by written ballot in accordance with section 6 of this article. The vote on any other issue properly before a meeting of the Members shall be conducted by secret ballot when determined by the chairman of the meeting, in his or her discretion, or when requested by 10 percent of the Members present at the meeting.

(b) Voting by Written Ballot. In addition to voting in person or by proxy at a meeting, Members' votes may be solicited by written ballot with respect to any issue in accordance with section 6 of this article.

(c) Proxy Voting. members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in section 5 of this article.

(d) Cumulative Voting. Cumulative voting shall be permitted in any election of two or more directors.

Section 5. Members' Right to Designate Proxies.

(a) Proxies Generally. Any Member who is entitled to vote may do so either by appearing in person at a meeting or by designating one or more agents authorized by a written proxy signed by the Member and filed with the secretary of the Association. Any proxy shall be for a term not to exceed 11 months from the date the proxy is executed, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three years from

the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(b) Effectiveness of Proxies. Subject to the maximum term of a proxy set forth in subparagraph (a), above, every proxy continues in full force and effect until revoked by the issuing Member. The issuing Member may revoke a proxy in any of three ways: (i) delivering to the secretary a written notice of revocation; (ii) issuing another proxy, later in time, which is also presented to the meeting; or (iii) as to any meeting, by attending the meeting and voting in person. The dates contained on the forms of proxy presumptively determine their order of execution, regardless of the postmarks contained on the envelopes in which they are mailed. A proxy shall be deemed revoked when the secretary receives actual notice of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as a Owner of a Lot or Unit as provided in article III, section 2 above.

(c) Validity of Proxies With Respect to Certain Material Transactions. Any proxy that is issued by a Member to another person for the purpose of voting on any of the matters described in this subparagraph (c) shall be valid only if the proxy forms sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

- (i) Removal of directors without cause;
- (ii) Filling of vacancies on the Board;
- (iii) Approval of contracts or transactions between the Association and one or more of its directors, or between the Association and a corporation, firm or association in which one or more of its directors has a material financial interest;
- (iv) Amendment of the Articles of Incorporation, these Bylaws or the Declaration;
- (v) Action to change any Association Assessments in a manner requiring membership approval under the Declaration;
- (vi) Sale, lease, exchange, transfer or other disposition of all or substantially all of the Association's assets otherwise than in the regular course of the Association's activities;
- (vii) Merger of the Association or an amendment to an agreement of merger; and

(viii) Voluntary dissolution of the Association; or

(d) Limited Proxies.

(i) Any form of proxy distributed to 10 or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited. If the form of proxy lists one or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference.

(ii) Proxies distributed in connection with the election of directors shall set forth the names of all individuals who are candidates for election of the Board of Directors at the time the proxy is issued. The proxy form shall contain boxes or lines where the issuing Member can express his or her voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a director. If any proxy issued in connection with the election of directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder must cast the vote(s) represented by the proxy in accordance with the direction of the Member who issued the proxy.

(e) Restriction or Elimination of Proxy Rights: Limitation on Authority. No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a Majority of Quorum of the Members.

(f) Proxy Rules for Memberships Held by More Than One Person. Where two or more persons hold a single membership as a result of the co-ownership of a Lot or Unit, any proxy with respect to the vote of such Member may be signed by one or more of such persons so long as no more than one proxy is issued with respect to any single membership. If co-owners execute separate and conflicting proxies the Association may void all proxies issued with respect to that membership.

Section 6. Written Ballot

(a) Definition of Written Ballot. A "written ballot" is a ballot which is mailed or otherwise distributed to every Member entitled to vote on

the matter and which complies with the requirements of this section. The term "written ballot" does not include a ballot distributed to Members at a meeting for purpose of conducting a vote of the Members at such meeting.

(b) Written Ballots, Generally. Any matter or issue requiring the vote of the Members, including the election of directors, may be submitted to the Members for approval by written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written ballot set forth in this section are satisfied. The determination to seek Member approval for Association action in this fashion shall be made by a majority vote of the Board. Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date for purposes of determining those Members eligible to cast written ballots.

(c) Balloting Time Requirements. The Board shall establish a reasonable deadline for the return of written ballots in order to be counted. The time established for the return of written ballots shall be noted on the face of the ballot and in the accompanying solicitation materials. In no event shall the prescribed period for balloting be less than 30 days in the case of any written ballot to vote on the election of directors or less than 15 days for any other matter presented to the Members for action. The time fixed for the return of written ballots may only be extended if the Board so notifies the Members on the face of the ballot or in the balloting materials originally sent to Members and then for not more than two successive periods of thirty days each. Notwithstanding the foregoing, if a meeting which is scheduled to coincide with culmination of a director election is adjourned without concluding the election process, the time fixed for the return of written ballots in the director election shall be extended to the date the adjourned meeting is reconvened.

(d) Content of Written Ballots.

(i) Written Ballots Used for Voting in Director Elections. Written ballots used in any election of directors shall set forth the names of the candidates whose names have been placed in nomination at the time the ballot is issued (see article VII, section 4). The ballot form shall also provide a space where the Member can designate a vote for a write-in candidate.

(ii) Written Ballots Used for Voting on Other Matters. Any written ballot distributed to the Members to vote on any issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

(iii) Specification of Time for Return of Written Ballot.

All written ballots shall state the time by which the ballot must be received in order to be counted (see subparagraph (c), above).

(e) Requirements for Valid Member Action by Written Ballot.

Membership approval by written ballot shall only be valid if: (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum (as specified in article V, section 5) that would have been required if the same proposal had been presented for action by the Members at a membership meeting; and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at a membership meeting.

(f) Solicitation Rules.

Written ballots shall be solicited in a manner consistent with the requirements or article V, section 4, pertaining to the issuance of notices of Members' meetings. All solicitations of written ballots shall indicate: (A) the number of responses needed to meet the quorum requirement for valid action; (B) the time by which the written ballot must be received by the Association in order to be counted; and (C) in the case of any written ballot distributed to vote on matters other than the election of directors, the percentage of affirmative votes necessary to approve the measure submitted for membership approval.

(g) Additional Balloting Procedures.

In order to ensure the secrecy of written ballots utilized in director elections and fairness in the conduct of the election, the Board may, but shall not be obligated to, use the services of a public accountant to receive and tabulate all written ballots (whether returned by mail or cast in person by Members attending the meeting at which the election takes place). The accountants retained to perform such services shall have the full powers of an inspector of elections appointed by the Board pursuant to section 7614 of the California Corporations Code. Furthermore, the Board, in its discretion, shall be entitled to adopt such additional reasonable procedures as it deems necessary or appropriate to assure fairness in the balloting process, such as requiring those Members who attend the meeting and desire to vote in person to surrender the written ballot form the Member received in the mail for a written ballot form containing the same information as the mailed ballot, but colored or formatted differently (in order to preclude duplicate voting).

(h) Notification of Results of Balloting Process.

Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within 30 days following the close of the balloting process and tabulation of the ballots. In the case of an election of directors, the Board shall also notify those Members present at the meeting of the results in the election

immediately upon conclusion of the balloting process. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements for valid action, the Board shall so notify the Members.

(i) Prohibition of Revocation.

Once cast, a written ballot may not be revoked.

(j) Conduct of Informational Meetings.

Use of the written ballot procedures set forth herein shall not preclude the Association from also conducting informational meetings of the Members or from scheduling a membership meeting to coincide with the culmination of the balloting period. In the case of director elections, the balloting period shall culminate with the annual meeting, or any special meeting, at which the election is scheduled to be held (see subparagraph (c)(i), above).

Section 7. Majority Vote of Members Represented at Meeting Required for Valid Action.

At a meeting, the affirmative vote of a Majority of a Quorum of the Members who are entitled to vote and voting on any matter (other than the election of directors) shall be the act of the Members, unless the vote of a greater number or percentage of the Members is required by the California Nonprofit Mutual Benefit corporation Law or by the governing Documents of the Association. In the case of director elections, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected to the vacant director positions.

ARTICLE V Membership Meetings

Section 1. Place of Meeting. Meetings of the Members shall be held at the large meeting room in the Northstar complex or at such other reasonable place within the County at such time as may be designated by the Board in the notice of the meeting.

Section 2. Annual Meeting. The annual meeting of the Members shall be held at 3:00 p.m. on the Saturday before Labor Day; provided, however, that the Board by resolution may fix a date for the annual membership meeting no more than ninety (90) days before or after said date.

Section 3. Special Meetings.

(a) Persons Entitled to Call Special Meetings. A majority of the Board, the president or 5 percent or more of the Members may call special

meetings of the Members at any time to consider any lawful business of the Association.

(b) Procedures for Calling Special Meetings Requested by Members. If a special meeting is called by Members other than the Board of Directors or the president, the request shall be submitted by such Members in writing. The Members' request must specify the general nature of the business proposed to be transacted, and shall be delivered personally or sent by first-class, certified or registered mail or by telegraphic or other facsimile transmission to the president, any vice president, or the secretary of the Association.

Section 4. Notice of Members' Meetings.

(a) Requirement That Notice Be Given. Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with section 8 of this article.

(b) Time Requirements for Notice. Except in the case of special meetings called in response to a demand received from at least 5 percent of the total membership, notice of membership meetings shall be given not less than 10 nor more than 90 days before the date of the meeting. When notice is issued in response to a member demand for a special meeting, the officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of section 4 of this article, that a meeting will be held, and the date, time and purpose for such meeting, which date shall be not less than 35 nor more than 90 days following the receipt of the request.

If a notice of the meeting is not given within the 20 days after receipt of the members request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the president.

If notice is given by mail and the notice is not given by first-class, registered or certified mail, the notice shall be given not less than 20 days nor more than 90 days before the meeting.

(c) Minimum Requirements Regarding Content of Notice. The notice of any membership meeting shall specify the place, date, and hour of the meeting and: (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be

transacted; or (ii) in the case of a regular meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members, but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

(d) Specification of Certain Significant Actions. If action is proposed to be taken at any membership meeting for approval of any of the following proposals, the notice must state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s):

(i) Removing a director without cause;

(ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the members is required pursuant to article VII, section 6(d) of these Bylaws;

(iii) Amending the Articles of Incorporation of the Association, these Bylaws or the Declaration in any manner requiring approval of the Members;

(iv) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm or association in which one or more of its directors has a material financial interest;

(v) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration; or

(vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) Manner of Service. Notice of any meeting of Members shall be given to either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and the Member has given the Association no other address for the purposes of notice, notice shall be deemed to have been given if either: (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Association's

principal office; or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time the notice is delivered to the member personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the Member as specified above.

(f) Affidavit of Mailing. An affidavit of the mailing or other means of giving any notice of any Members' meetings may be executed by the secretary or the assistant secretary of the Association, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence that proper notice was given.

Section 5. Quorum Requirements.

(a) Quorum Requirements Generally. Except as provided in subparagraph (b) below, in order to take valid action at any meeting of the Members at least 10 percent of the Members must attend the meeting in person or by proxy. If Members approvals are sought by written ballot (article IV, section 6, above) this quorum shall be satisfied when a majority of the voting power returns their written ballots within the time established for the return of ballots; (this provision reflects a Corporation Code mandate (Corp. Code Section 7512)).

(b) Votes on Certain Increases In Assessments or Special Assessments. Whenever Member approval is required to approve an increase in the regular assessment or to approve a special assessment (see the Declaration at article IV, sections 2(b) and 3(b) the minimum quorum is a majority of the Members.

(c) Restriction of Action to Noticed Matters. If the minimum quorum percentage prescribed in subparagraph (a) is met, but less than one-third of the voting power is present in person or by proxy at the meeting, the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting.

(d) Effect of Departure of Members From Meeting. The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

Section 6. Adjourned Meeting.

(a) Adjournment Generally. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another time and/or place (but not for more than 45 days) by the vote of the majority of Members present at the meeting either in person or by proxy. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action which might have been transacted at the original meeting.

(b) Notice Requirements for Adjourned Meeting. When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

Section 7. Waiver of Notice or Consent by Absent Members.

(a) Waivers and Consents, Generally. If decisions are made or action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting (in person or by proxy) consents to the meeting by signing: (i) a written waiver of notice; (ii) a consent to holding the meeting; or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in section 4 (d) of this article, in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) Effect of a Member's Attendance at a Meeting. Attendance by a Member or his or her proxy holder at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holders attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described

therein pursuant to section 4(d) of this article, if that objection is expressly made at the meeting.

Section 8. Record Dates for Member Notice, Voting and Giving Consents.

(a) Record Dates Established By the Board of Directors. For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting or exercise any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot, notwithstanding any transfer of any membership on the books of the Association after the record date. The record dates established by the Board pursuant to this section must be in accordance with the following requirements:

(i) Record Date for Notice of Meetings. In the case of determining those Members entitled to notice of a meeting, the record date shall not be more than 90 days nor less than 10 days before the date of the meeting;

(ii) Record Date for Voting. In the case of determining those Members entitled to vote at a meeting, the record date shall not be more than 60 days before the date of the meeting;

(iii) Record Date for Action By Written Ballot Without Meeting. In the case of determining Members entitled to cast written ballots, the record date shall not be more than 60 days before the day on which the first written ballot is mailed or solicited; and

(iv) Record Date for Other Lawful Action. In the case of determining Members entitled to exercise any rights in respect to other lawful action requiring Member approval, the record date shall not be more than 60 days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date. If the Board, for any reason, fails to establish a record date, the following rules shall apply:

(i) Record Date for Notice of Meetings. The record date for determining those Members entitled to receive notice of a meeting of Members, shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(ii) Record Date for Voting. The record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.

(iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting shall be the day on which the first written ballot is mailed or solicited.

(iv) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

(v) "Record Date" Means as of Close of Business. For purposes of this subparagraph (b) a person holding a membership as of the close of business on the record date shall be deemed to be a Member of record.

**ARTICLE VI
Membership Rights**

Subject to the provisions hereof and the provisions of the Declaration, the Members shall have the following rights:

Section 1. Use and Enjoyment of Common Areas by Members and Family. Each Member and the members of his or her Family who also reside in the Member's Residence shall be entitled to the use and enjoyment of all Common Areas and Common Facilities of the Association.

Section 2. Tenants and Lessees. Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant or renter of the Member's Northstar residence. At all times the Owner shall remain responsible for compliance by Owner's lessee or tenant with the provisions of the Governing Documents. Without limiting the foregoing, reference is specifically made to article II, section 3 of the Declaration for additional tenants and lease restrictions.

Section 3. Invitees and Guests. The invitees and guest of a Member shall have the right to use and enjoy the Association's Common Areas and Common Facilities, subject to the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Association as set forth in the Governing Documents.

Section 4. Association Rules and Regulations. The right of any person to use and enjoy the Association's Common Areas and Common Facilities shall at all times be subject to the rules, limitations and restrictions set forth herein, in the Declaration and in the Association's published rules and regulations as promulgated by the Board from time to time. The Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any Association Common Area and Common Facilities for the failure of a Member to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents; provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in the Declaration.

ARTICLE VII Board of Directors

Section 1. General Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Cal. Civ. Code Section 1350 et seq.) any limitations contained in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors. Subject to the limitations expressed in article X, section 1, the Board may delegate the management of the activities of the Association to any person or persons, management company or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

Section 2. Number and Qualifications of Directors. The Board of Directors shall consist of (7) persons who shall be Owners of Lots or Units within the Properties whose memberships in the Association are in Good Standing. If title to a Lot or Unit is held by more than one person, only one of the co-Owners shall be eligible to serve on the Board at any time.

Section 3. Term of Office. The directors of this Association shall serve for a term of two (2) years with three (3) directors elected in odd-numbered years and four (4) directors elected in even-numbered years. A member may serve a maximum of three consecutive two year terms, but may be a candidate for election after a one year break in service. If a person is appointed to fill a vacancy and the unexpired term (at the time of appointment) is more than one year, that period of service as a director shall be counted as a

complete term of office for purposes of the foregoing limitation on consecutive terms of office. Each director, including a director elected to fill a vacancy or elected at a special meeting of Members, shall hold office until the expiration of the term for which the director was elected and until a successor has been elected and qualified.

Section 4. Nomination of Directors. Individuals can become candidates for election to the Board of Directors in any of the following ways:

(a) Candidates Selected by Nominating Committee. A Nominating Committee shall be appointed by the Board prior to each annual membership meeting, to serve from the close of such annual meeting until the close of the next annual meeting. Persons appointed to serve on the Nominating Committee shall be announced at each annual meeting. The Nominating Committee shall make its report at least 60 days before the date of the election, and the secretary shall forward to each Member, with the notice of the meeting at which the election is scheduled to take place (see article V, section 4), a list of the nominees. The Nominating Committee shall make as many nominations for election to the Board as it shall, in its discretion, determine, but not less than the number of vacancies on the Board to be filled. Such nominations shall be made from among the Members of the Association.

(b) Nominations From the Floor Any Member present, in person or by proxy, at a meeting to elect directors may place names in nomination.

(c) Good Standing Requirement for Candidacy. In order to be eligible for nomination and election to the Board, the Association secretary must certify that the candidate-Member is in good standing with the Association and is current in the payment of his or her Assessments.

Section 5. Election of Directors.

(a) Directors Elected by Written Ballot. The annual election of Directors shall be conducted by written ballot in accordance with article IV, section 6 hereof, with the election being scheduled to coincide with the annual meeting. Members shall be entitled to return their written ballots to the Association in person at the meeting, so long as the ballots are deposited in the ballot box prior to the counting of ballots. Directors shall be elected in accordance with the written ballot procedures specified in that section to fill the number of positions on the Board then expiring.

(b) Determination of Election Results/Succession to Office. The candidates receiving the highest number of votes shall be elected as directors

and shall take office at the first meeting of the Board in January of each year, except that any director elected at a special meeting or appointed to fill a vacancy shall take office immediately. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for elections, the tie shall be broken by lot.

Section 6. Vacancies on Board of Directors.

(a) Vacancies, Generally. A vacancy or vacancies in the Board of directors shall be deemed to exist on the occurrence of any of the following: (i) the death, resignation or removal of a director pursuant to subparagraphs (c) and (d) hereof; (ii) and increase of the authorized number of directors; or (iii) the failure of the Members, at any meeting of Members at which any director or directors are to be elected, to elect the number of directors to be elected at such meeting.

(b) Resignation of Directors. Except as provided in this subparagraph, any director may resign, which resignation shall be effective on giving written notice to the president, the secretary, or the Board of Directors, unless the notice specifies at a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

(c) Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she: (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; or (iii) fails to attend three consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California Law.

(d) Authority of Members to Remove Directors. Except as otherwise provided in subparagraph[s] (c) and (e) hereof, a director may only be removed from office prior to expiration of his or her term by the affirmative vote of a Majority of a Quorum of the Members. Any membership action to recall or remove a director shall be conducted in accordance with the following procedures:

(i) A petition must be presented in person to the president, vice president or secretary of the Association that carries the signatures of Members in good standing who represented at least 5 percent of the Voting Power of the Association. Any such petition must set forth the reason(s) the petitioners are seeking the director's removal; the signature and Lot or Unit number of each petitioner in his or her own handwriting; the

name(s) of the sponsor(s) of the petition; and fulfill all other requirements required by law.

(ii) Within 20 days after receipt of such petition, the Board shall either call a special membership meeting or announce the procedures for conducting a written ballot of the Members to vote upon the request to recall. Such meeting or written ballot shall be conducted not less than 35 nor more than 90 days after the petition is presented. If the Board fails to set a date for, and give the Members notice of, such meeting or written ballot within 20 days, the Members initiating the petition may call such meeting on their own initiative without Board approval or sanction.

(iii) The director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing or both. If in writing, such rebuttal shall be mailed by the Association or otherwise provided to all Members, together with the recall ballot.

(iv) If the quorum requirement for a valid membership action is not satisfied or if the recall vote results in a tie, the removal action will have failed.

(e) Protection of Cumulative Voting Rights. Unless the entire Board of Directors is removed from office, no director may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written ballot, all memberships entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected.

(f) Filling of Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors by less than a quorum, or be a sole remaining director unless the vacancy is created by removal of a director by action of the Members in which case the vacancy shall be filled by a vote of the Members. Furthermore, the Members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors by an election at a duly held meeting of the Members or written ballot.

(g) Reduction in Number of Directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

ARTICLE VIII
Board Meetings

Section 1. Place of Meetings; Meetings by Conference Telephone.

Regular and special meetings of the Board of Directors may be held at any place within Northstar that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association. Notwithstanding the above provisions of this section, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

Section 2. Other Regular Meetings. Regular meetings of the Board shall be held at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board members. Ordinarily, a schedule of regular meeting dates shall be adopted at the beginning of the calendar year in order to facilitate each director's personal planning and schedules. If the Board has not fixed the time and location for regular meetings, notice shall be communicated to the Board members not less than 72 hours prior to the meeting; provided, however, that notice need not be given to any Board member who has signed a written waiver of notice or consent to holding the meeting as more particularly provided in section 7 of this article.

Section 3. Special Meetings of the Board.

(a) **Who May Call a Special Meeting.** Special meetings of the Board of Directors for any purpose may be called at any time by the president or any two directors.

(b) **Notice of Special Meetings:**

(i) **Manner of Giving.** Notice of the time and place of special meetings of the Board shall be given to each director by one of the following methods: (A) by personal delivery of written notice; (B) by first-class mail, postage prepaid; (C) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director, or (D) by telegram, charges prepaid. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the

Association. Notwithstanding the foregoing, notice of a meeting need not be given to any director who has signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in section 7 of this article.

(ii) **Time Requirements.** Notices sent by first-class mail shall be deposited into a United States mailbox at least four days before the time set for the meeting. Notices given by personal delivery, telephone, or legally acceptable electronic communications shall be delivered, telephone, or given to a licensed electronic communications company at least 48 hours before the time set for the meeting.

(iii) **Notice Contents.** The notice shall state the time, place, and purpose of the meeting.

Section 4. Attendance by Members; Common Interest Development Open Meeting Act Provisions. The following provisions reflect the California Common Interest Development Open Meeting Act (California Civil Code section 1363.05):

(a) **Meetings Generally Open to Members.** With the exception of executive sessions of the Board (see subparagraph (b) below) any member of the Association may attend meetings of the Board of Directors; provided, however, that nondirector Members may only participate in deliberations or discussions of the Board when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established or by the Board member chairing the meeting. For purposes of the Open Meeting Act, the term "meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

(b) **Executive Sessions.** The Board, on the affirmative vote of a majority of the directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss: (i) litigation in which the Association is or may become party; (ii) matters relating to the formation of contracts with third parties; (iii) member discipline; or (iv) personnel matters. The Board must meet in executive session if requested by a member who may be subject to a fine, penalty, or other form of discipline and the member who is the subject of the disciplinary proceeding shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors.

(c) Production of Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than minutes of an executive session, shall be available to the Members within 30 days of the date of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association's costs for making that distribution.

(d) Members Right to Notice of Meetings. Unless the time and place of a meeting is fixed by the Bylaws, or unless the Bylaws provide for a longer period of notice, Members shall be given notice of the time and place of a meeting of the Board of Directors, as defined in subparagraph (a) above, except for an "emergency meeting" at least four days prior to the date of the meeting. This notice may be given by posting the notice in a prominent place or places within the Common Area, by mail or delivery of the notice to each Lot and Unit within the Properties or by newsletter or similar means of communication. For purposes of this subparagraph (d), an "emergency meeting" of the Board means a meeting called by the president or by any two members of the Board under circumstances where it is not reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impracticable to provide prior notice to the Members as required by the Open Meeting Act.

Section 5. Quorum Requirements. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in section 8 of this article. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to: (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest; (ii) appointment of committees; and (iii) indemnification of directors. If a quorum is initially present at a Board meeting, but a sufficient number of directors subsequently depart to leave less than a quorum, the remaining directors may continue to transact business, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, the Articles, the Declaration or by law.

Section 6. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if: (a) a quorum is present; and (b) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of

notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

Section 7. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the directors who are not present at the time of adjournment. Except as hereinabove provided, notice of adjournment need not be given.

Section 8. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as an unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board. If prompt or immediate action of the Board is necessary and there is insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board members regarding the proposed action in advance thereof, rather than relying upon notification after the fact.

Section 9. Compensation. Directors, officers and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for mileage to and from meetings or while on official Association business (up to 400 miles round-trip), at such reasonable rate as established by the Board at the beginning of each fiscal year, and for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE IX

Duties and Powers of the Board

Section 1. Specific Powers. without prejudice to the general powers of the Board of Directors set forth in article VII, section 1, the directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and/or remove all officers of the Association, the General Manager of the Association, if any (subject to any contractual commitments which may exist), and other Association employees; prescribe any powers and duties for such persons that are consistent with the law, the Articles of Incorporation and these Bylaws; and fix their compensation.

(c) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

(d) In accordance with article III, section 7, of the Declaration, adopt and establish rules and regulations subject to the provisions of the Declaration, governing the use of the Association's Common Areas, and the Common Facilities, and the personal conduct of the Members and their guests thereon, and take such steps as its deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Association Common Areas or Common Facilities; provided notice and a hearing are provided as more particularly in article XIII of the Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants.

(e) In accordance with article XIII of the Declaration and any enforcement procedures included in the Association Rules, enforce all applicable provisions of the Governing Documents relating to the control, management, and use of Lots, Units, Common Areas and Common Facilities within the Properties.

(f) In accordance with article XI of the Declaration, contract for and pay premiums for fire, casualty, liability and other insurance and bonds (including indemnity bonds) which may be required from time to time by the Association.

(g) In accordance with article VII of the Declaration, contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor and

services that may be required from time to time in relation to the Association's Common Areas and/or Common Facilities; provided, however, that to the extent that snow removal, fire protection, forestry management and other services of a governmental nature are provided through Northstar Community Services District or some other political subdivision or special district, the Association and its Members shall look to the District or other governmental agency for said services.

(h) Pay all taxes, special assessments and other assessments and charges which are or would become a lien on any portion of the Association's Common Areas.

(i) In accordance with article XI of the Declaration, contract for and pay for construction or reconstruction of any portion or portions of the Properties which have been damaged or destroyed and which are to be rebuilt.

(j) Delegate its duties and powers hereunder to the officers of the Association or to committees established by the Board, subject to the limitations expressed in section 1 of article X hereof.

(k) In accordance with article IV of the Declaration, levy and collect Assessments from the Members of the Association, and establish and collect reasonable use charges for any or all of the Common Facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof.

(l) Perform all other acts required of the Board under the Declaration.

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in article XII, section 5 hereof.

(n) Appoint a Design Review Committee in accordance with article V, section 2 of the Declaration.

(o) Appoint a nominating committee for the nomination of persons to be elected to the Board, and prescribe rules under which said nominating committee is to act, all as more particularly described in article VII, section 4 hereof.

(p) Appoint such other committees as its deems necessary from time to time in connection with the affairs of the Association in accordance with article X hereof, below.

(q) Fill vacancies on the Board of Directors or in any committee, except for a vacancy created by the removal of a Board member by action of the Members.

(r) In accordance with article IV, section 9 of the Declaration, open bank accounts and borrow money on behalf of the Association and designate the signatories to such bank accounts.

(s) Bring and defend actions on behalf of the Members in common or the Association to protect the interest of the Members or the Association, as such, so long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation.

(t) Enter any Lot or the exterior portions of any Condominium Project as necessary, in connection with construction, maintenance or emergency repairs for the benefit of the Common Areas, Common Facilities or the Owners in common. Exercise of this right of entry shall be subject to the limitations imposed by article III, section 6(b) of the Declaration.

Section 2. Limitations on Powers. Without the vote or written assent of a majority of the Voting Power of the Association, the Board of Directors shall not take any of the following actions:

(a) Enter into a contract with a third party for the furnishing of goods or services to the Common Areas of the Association for a term longer than one year. This restriction shall not apply to: (i) FHA or VA approved management contracts; (ii) public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate; or (iii) prepaid casualty or liability insurance policies not to exceed three years duration; provided the policies provide for short rate cancellation by the insured.

(b) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of 5 percent of the budgeted gross expenses of the Association for that fiscal year; provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.

(c) Pay compensation to members of the Board of Directors or officers of the Association; provided that directors and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in the discharge of their duties.

(d) Fill any vacancy on the Board of Directors created by the removal of a director by action of the Members.

ARTICLE X Committees

Section 1. Committees of Directors. In addition to the nominating committee appointed and constituted pursuant to article VII, section 4(a) of these Bylaws and the Northstar Design Review Committee appointed and constituted pursuant to the Declaration, the Board may, by resolution adopted by a majority of the directors then in office, designate one or more committees, each consisting of two or more Members (who may also be directors), to serve at the pleasure of the Board. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that not committee, regardless of Board resolution, may:

(a) Take any final action on any matter which, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the members.

(b) Fill vacancies on the Board of Directors or on any committee which has been delegated any authority of the Board.

(c) Amend or repeal Bylaws or adopt new Bylaws.

(d) Amend or repeal any resolutions of the Board of Directors which by its express terms is not so amendable or repealable.

(e) Appoint any other committees of the Board of Directors or designate the members of those committees.

(f) Approve any transaction: (i) to which the Association is a party and one or more directors and/or Committee Members have a material financial interest; or (ii) between the Association and one or more of its directors or between the Association or any person in which one or more of its directors have a material financial interest.

Section 2. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of article IX of these Bylaws, concerning meetings of directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Also, the member attendance requirements applicable to Board meetings shall not apply to the meetings of any Committee, other than to an Executive Committee exercising the authority of the Board. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Unless otherwise provided in the Board resolution establishing the committee, minutes shall be kept of each meeting of any committee and shall be filed with the Association records. The Board of Directors may adopt additional rules, not inconsistent with the provisions of these Bylaws, for the governance of any committee.

ARTICLE XI Officers

Section 1. Officers. The officers of the Association shall be a president, a vice president, a secretary and a treasurer. The Association may also have, at the discretion of the Board, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of section 3 following. Any person may hold two or more offices, except that neither the secretary nor the chief financial officer may serve concurrently as president. Currently, it is the practice of the Association to have one person serve as both secretary and treasurer.

Section 2. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of sections 3 and 5 following, shall be chosen annually by majority vote of the Board at its first regular meeting in January of each year, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

Section 3. Subordinate Officers. The Board may appoint, and may empower the president to appoint, such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

Section 4. Removal of Officers. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting.

Section 5. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the president or to the secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 6. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 7. President. The president shall be elected by the Board from among the directors. He or she shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Association. He or she shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

Section 8. Vice President. the vice president shall be elected by the Board from among the directors. In the absence or disability of the president, the vice president shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. He or she shall have other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 9. Secretary. The secretary shall be elected by the Board from among the directors. The secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The secretary shall keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given, and he or she shall keep the seal of the Association in safe custody, and shall have such other

powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

Section 10. Treasurer. The treasurer shall be elected by the Board from among the directors and shall be the chief financial officer of the Association. The treasurer shall be:

(a) The chief financial officer, who shall be known as the treasurer, shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the Association and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements;

(b) The treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board;

(c) The treasurer shall disburse the funds of the Association as may be ordered by the Board.

(d) The treasurer shall render to the president and directors whenever they request it, an account of all of his or her transactions as treasurer and of the financial condition of the Association; and

(e) The treasurer shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

ARTICLE XII

Member Assessment Obligations and Association Finances

Section 1. Description of Assessments to Which Owners are Subject. Owners of Lots and Condominium Units located within those portions of Northstar which are subject to the Declaration are Members of the Association and, as such, are obligated to pay Regular, Special and Special Individual Assessments as more particularly described in article IV of the Declaration.

Section 2. Checks. All checks or demands for money and notes of the Association shall be signed by the president and treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Association reserve accounts shall require the signature of two directors.

Section 3. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Association.

Section 4. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as more particularly set forth in Article IV of the Declaration. All Association books of accounts shall be maintained in accordance with generally accepted accounting principles.

Section 5. Budgets and Financial Statements. The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association:

(a) **Budget.** A pro forma operating budget meeting the requirements of this subparagraph (a) shall be distributed to Members not less than 45 days nor more than 60 days prior to the beginning of the fiscal year. The budget shall include at least the following information:

(i) The Association's estimated revenue and expenses on an accrual basis;

(ii) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to section 7, below, and Civil Code section 1365.5, which shall be printed in bold type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life and estimated useful life of each major component of the Properties which the Association is obligated to repair, replace, restore or maintain (collectively "Association Capital Projects");

(B) As of the end of the fiscal year for which the reserve study is prepared, the current estimate of the amount of cash reserves necessary for Association Capital Projects and the current amount of accumulated cash reserves actually set aside for Association Capital Projects.

(C) The percentage that the amount of accumulated cash reserves is of the estimated amount of necessary cash reserves calculated under subparagraph (B), above.

(iii) A statement as to whether the Board of Directors has determined or anticipates that the levy of one or more special assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefor; and

(iv) A general statement setting forth the procedures used by the Board of Directors in calculating and establishing reserves to defray the future cost of repair, replacement or additions to the Common Areas and Common Facilities which the Association is obligated to maintain.

In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's principal office and that copies will be furnished, upon request, to any member at the Association's expense. This notice shall be presented on the front page of the budget summary in at least 10-point bold type. If a Member requests a copy of the complete budget, the Association shall mail the material, via first class mail, within five days.

(b) Year-End Report. Within 120 days after the close of the fiscal year, a copy of the Association's year-end report consisting of at least the following shall be distributed to Members:

- (i) A balance sheet as of the end of the fiscal year;
- (ii) An operating (income) statement for the fiscal year;
- (iii) A statement of changes in financial position for the fiscal year;
- (iv) A statement advising Members of the place where names and addresses of the current Members are located; and

(v) Any information required to be reported under section 8322 of the Corporations code requiring the disclosure of certain transactions in excess of \$50,000 per year between the Association and any director or officer of the Association and indemnifications and advances to officers or directors in excess of \$10,000 per year.

The annual report shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds \$75,000. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared without an audit from the books and records of the Association.

(c) Annual Statement Regarding Delinquency/Foreclosure Policy. In addition to financial statements, the Board of Directors shall annually distribute, within 60 days prior to the beginning of the fiscal year, a statement describing the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments including the recording and foreclosing of liens against Members' Lots or Units.

(d) Review of Accounts. On no less than a quarterly basis, the Board of Directors shall:

- (i) Review a current reconciliation of the Association's operating accounts;
- (ii) Review a current reconciliation of the Association's reserve accounts;
- (iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;
- (iv) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and
- (v) Review the Association's income and expense statement for the operating and reserve accounts.

Section 6. Required Reserve Studies. At least once every three years, the Board shall cause a study of the reserve account requirements of the Association to be conducted if the current replacement value of the major

components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The Board shall also review any reserve study required hereunder on an annual basis and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The reserve study required hereunder shall include the minimum requirements specified in Civil Code section 1365.5 or comparable successor statute.

Section 7. Notification to Members Regarding Insurance Coverage Maintained by Association.

(a) Scope of Required Summary Disclosures. In accordance with California Civil Code section 1365 and at the time specified in subparagraph (c), below, the Association shall prepare and distribute to its members a summary of the general liability insurance and directors' and officers' liability insurance maintained by the Association. In addition, if the Association also maintains a policy of earthquake or flood insurance, a summary of that insurance shall also be provided to the Members. As to all three types of insurance coverage, the disclosure shall include the name of the insurer and the policy limits of the insurance. In addition, in the case of the Association's general liability insurance, the summary shall also disclose (i) whether the Association consulted with an insurance agent or broker regarding the coverage provided by the policy and, if so, whether the recommendations of the broker or agent were followed; (ii) the insurance deductible and the person or entity responsible for paying the deductible in the event of a loss; and (iii) whether the policy covers real property improvements of the Association. If the Association maintains earthquake or flood insurance, the summary pertaining to that insurance shall also include information concerning insurance deductibles and the person or entity responsible for paying the deductible in the event of a loss.

(b) Use of Policy Declaration Page to Comply With Summary Disclosure Requirements. In the case of all three types of insurance, the Association's disclosure obligations may be satisfied by distributing to the Members a copy of the policy declaration page, so long as that page presents the information specified above.

(c) Times When Insurance Summaries Must Be Provided. The summary information required by this section shall be provided to each Member of the Association at the following times:

(i) With the first newsletter, annual budget or financial disclosure (section 5, above) or other general mailing to all Members by the Association next following the adoption of these Bylaws;

(ii) With the newsletter, annual budget or financial disclosure or other general mailing to all Members by the Association next following any renewal or replacement of one or more of the insurance policies listed in subparagraph (a), where there is no lapse of coverage in connection with the renewal or replacement; and

(d) Notification of Cancellation. In addition to distributing the insurance summaries described in subparagraph (a), above, as soon as reasonably practicable following any cancellation of a policy listed in subparagraph (a), the Association shall notify its Members of that event, unless the canceled policy is replaced immediately.

(e) Manner of Delivery of Insurance Summaries and Cancellation Notices. Any insurance summary or summaries provided in response to the events described in subparagraphs (c)(i) and (c)(ii), above, may be mailed or personally delivered to each member. If the summaries are mailed, the class of postage used shall be the same as is customarily used to mail the newsletter or other general communication in which the summaries are included. Any notice sent to the Members to advise them of the cancellation and non-renewal of an insurance policy must be sent by first class mail to each member. All mailings shall be to the Members at their respective addresses as shown in the books and records of the Association.

To the extent one document provides information that the Association is required to disclose or provide to the Members by several of the above listed sections of this Article XII, those several disclosure requirements may be satisfied by sending the Members the single document.

ARTICLE XIII
Miscellaneous

Section 1. Inspection of Books and Records.

(a) Member Inspection Rights. All accounting books and records, minutes of proceedings of the Members, the Board and committees of the Board and the membership list of the Association shall at all times, during reasonable business hours, be subject to the inspection of any Member or his or her duly appointed representative at the office of the Association for any purpose reasonably related to the Member's interest as such. Member's rights of inspection hereunder shall be exercisable on 10 days prior written demand on the Association, which demand shall state the purpose for which the inspection rights are requested. Inspection rights with respect to the membership list shall be subject to the Association's right to offer a reasonable

alternative to inspection within 10 days after receiving the Member's written demand (as more particularly set forth in section 8330 and following of the California Corporations Code).

(b) Director Inspection Rights. Every director shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Association and the properties owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

(c) Adoption of Reasonable Inspection Rules. The Board of Directors may establish reasonable rules with respect to: (i) notice of inspection; (ii) hours and days of the week when inspection may be made; and (iii) payment of the cost or reproducing copies of documents requested by the Member.

Section 2. General Manager. The Board may, from time to time, employ the services of a manager to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the manager shall at all times remain subject to the general control of the Board.

Section 3. Corporate Seal. The Association shall have a seal in circular form having within its circumference the words, "Northstar Property Owners Association, Incorporated November 19, 1971, State of California."

Section 4. Robert's Rules of Order. In the event of a question or dispute concerning the procedural aspects of any meeting which cannot be resolved by reference to these bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

Section 5. Amendment or Repeal of Bylaws. Except as otherwise expressly provided herein, these Bylaws may only be amended or repealed, and new bylaws adopted by the affirmative vote or assent by written ballot of a Majority of a Quorum of the Voting Power of the Association; provided that if any provision of these Bylaws requires the vote of a larger proportion or all of the Members, such provisions may not be altered, amended or repealed except by such greater vote, unless otherwise specifically provided herein. Any amendment to these Bylaws shall become effective immediately upon approval by the Members. The secretary of the Association shall certify adoption of any

duly approved amendment to the Bylaws and a copy of said certificate and the amendment shall be included in the Association's corporate records.

Section 6. Notice Requirements. Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered 72 hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: If to the Association or the Board of Directors at the principal office of the Association as designated from time to time by written notice to the Members; if to a director, at the address from time to time given by such director to the secretary for the purpose of service of such notice; if to a Member, at the address from time to time given by such Member to the secretary for the purpose of service of such notice, or, if no such address has been so given, to the address of any Lot or Unit within the Properties owned by such member.

Section 7. Indemnification of Directors and Officers.

(a) Indemnification by Association of Directors and Officers. To the fullest extent permitted by law, the Association shall indemnify its directors and officers, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that section and including an action by or in the right of the Association, by reason of the fact that such person is or was a director or officer. The term "Expenses," as used in this section, shall have the same meaning as in section 7237(a) of the California Corporations Code.

(b) Approval of Indemnity by Association. On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

(c) Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a director or officer seeking indemnification under paragraphs (a) and (b) of this section in defending any proceeding covered by those sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

(d) Insurance. The Association shall have the power to purchase and maintain insurance on behalf of its directors and officers against other liability asserted against or incurred by any director or officer in such capacity or arising out of the director's or officer's status as such.

Section 8. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

CERTIFICATE OF SECRETARY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, secretary of the corporation known as Northstar Property Owners Association, does hereby certify that the above and foregoing Restated Bylaws consisting of _____ pages, were duly adopted by written ballot of the Members of said Association on the _____ day of _____, 1996, and that they now constitute said Bylaws.

NORTHSTAR PROPERTY OWNERS ASSOCIATION,
a California nonprofit mutual benefit corporation

By _____
James Nakada, Secretary/Treasurer

**FIRST RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
NORTHSTAR**

**FIRST RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
NORTHSTAR**

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**FIRST RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
NORTHSTAR**

The Declaration of Covenants, Conditions and Restrictions for Northstar, executed by Trimont Land Company, a corporation ("Declarant"), and Recorded on November 11, 1971, in Book 1384, pages 124 et seq., of the Official Records of Placer County, California ("Original Declaration"), which affects all of the Properties described and commonly known as Northstar, is hereby amended and restated in its entirety to read as follows:

RECITALS

A. Declarant was the original owner of that certain real property located in the County of Placer, State of California, which is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference (the "Properties"). The Residential Lots and Condominium Units (collectively, the "Separate Interest") and the Common Areas and Common Facilities located within the Properties and encumbered by this Declaration form a part of the resort development commonly known as "Northstar at Tahoe." The "Properties" shall be the term used herein to refer to the common interest development that is subject to this Declaration. Within Northstar at Tahoe there is also a ski area, a golf course, and other properties and facilities that are not part of the common interest development.

B. Declarant conveyed the lots and parcels comprising the Properties, subject to certain easements, protective covenants, conditions, restrictions, reservations, liens and charges as set forth in the Original Declaration referred to above, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Properties and all of which shall run with the Properties and be binding on all parties having or acquiring any right, title or interest in those properties described in Exhibit "A", or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

C. It was the further intention of the Declarant to develop residential Lots and Condominium Projects within the Properties and to sell those Lots and parcels to the Owners, subject to the protective covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarant and such Owners which are set forth in this Declaration and which are intended to be in furtherance of the Development Plan entitled "Conditional Use Permit, Trimont Land Company Northstar-At-Tahoe (LDA-674), April 1971, which

provides for the subdivision, development, sale and use of the Properties as a "planned development", including "Condominium Projects" as those terms are defined in section 1351 of the California Civil Code. Finally, it was the intention of the Declarant that the "Common Areas" and "Common Facilities" within the Properties be owned and maintained by the Association, and reserved exclusively for the enjoyment of the Members, their tenants, lessees, guests and invitees, all subject to the terms and conditions of the Governing Documents.

D. On _____, 1996, the Owners of residential Lots and Condominium Units representing 66 2/3 percent of the voting power of the Members of the Association voted by written ballot to amend and restate the Original Declaration, all in accordance with the procedures for amendment set forth in the Original Declaration. It was the intention of the Owners to replace the Original Declaration, in its entirety, with the Recordation of this Declaration. The Owners' action to amend and restate the Original Declaration as set forth herein and the fact that the requisite percentage of affirmative votes required in the Original Declaration was achieved, is attested by the execution of this First Restated Declaration by duly authorized officers of the Association, as required by section 1355(a) of the California Civil Code. As so amended and restated, the easements, covenants, restrictions and conditions set forth herein shall run with the Properties and shall be binding upon all parties having or acquiring any right, title or interest in the Properties common interest development or any portion thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE 1

Definitions

Section 1. "Articles" means the Articles of Incorporation of the Northstar Property Owners Association, which are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

Section 2. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and his or her Separate Interest in accordance with the provisions of article IV of this Declaration.

Section 3. "Association" means Northstar Property Owners Association, a California nonprofit mutual benefit corporation, its successors and assigns. The Association is an "association" as defined in section 1351(a) of the California Civil Code.

Section 4. "Association Rules" means the rules, regulations and policies adopted by the Board of Directors, pursuant to article III, section 7 of this Declaration, as the same may be in effect from time to time.

Section 5. "Board of Directors" or "Board" means the Board of Directors of the Association.

Section 6. "Bylaws" means the Bylaws of the Association, or as such Bylaws may be amended from time to time.

Section 7. "Common Area" means all real property owned by the Association for the common use and enjoyment of the Owners of Lots and Units within the Properties. The Common Area owned by the Association at the time of the Recordation of this Declaration is more particularly described as Parcels C, D, E, F, and G as shown on that certain Subdivision Final Map entitled "Tract 2222, Northstar Unit 1-A" filed for record in the Office of the Placer County Recorder on November 11, 1971, in Book J of Maps, at page 38, including any additions or deletions as approved by the Members. Unless the context clearly indicates a contrary intent, any reference herein to the "Common Areas" shall also include any Common Facilities located thereon. The term "Common Areas" shall not include any "Project Common Areas" as defined in section 30, below.

Section 8. "Common Expense" means any use of Association funds authorized by article IV hereof and article IX 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 or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors to the extent required by article X hereof; (c) 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 (d) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents.

Section 9. "Common Facilities" means the clubhouse, swimming pool and apron area, pool storage and pump house, pool furniture, cabana, tennis courts and the trees, hedges, plantings, lawns, shrubs, landscaping, fences, utilities, berms, pipes, lines, lighting fixtures, buildings, structures and other facilities constructed or installed, or to be constructed or installed, or currently located within the Common Area and owned by the Association.

Section 10. "Condominium" means those residential units located within a Project that meets the definition of a Condominium under California Civil Code section 1351(f) and situated on a Multi-family Residential Lot.

Section 11. "County" means the County of Placer, State of California, and its various departments, divisions, employees and representatives. If any portion of the Properties becomes a portion of an incorporated city, then the term "County" shall be deemed to include the city in which that portion of the Properties is located.

Section 12. "Declarant" means the original developer of the Northstar common interest development included within the Properties, namely Trimont Land Company, a corporation.

Section 13. "Declaration" means this instrument, as it may be amended from time to time. The "Original Declaration" means and refers to the document referenced in the Preamble to this Declaration, together with all amendments and annexations thereto adopted prior to adoption of this Declaration.

Section 14. "Declaration of Annexation" shall be defined as provided in Article XVI, section 2, below.

Section 15. "Design Review Committee" or "DRC" means the committee created in accordance with Article V, below, which has jurisdiction over construction and Improvement projects on Lots within the Properties.

Section 16. "Development Plan" means that certain master plan for the development of Northstar-At-Tahoe referenced in Recital "C", above, as the same may be amended from time to time.

Section 17. "Governing Documents" is a collective term that means and refers to this Declaration and to the Articles, the Bylaws and the Association Rules, as they may exist from time to time.

Section 18. "Improvement" shall be defined as set forth in article V, section 1 of this Declaration.

Section 19. "Lot" means any parcel of real property designated by a number on the Subdivision Map, excluding the Common Area. When appropriate within the context of this Declaration, the term "Lot" shall also include the Residence, Condominium Units, and other Improvements constructed or to be constructed on a Lot. Within the Properties there are Residential Lots and Multi-Family Residential Lots.

Section 20. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting 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 minimum quorum requirement for Member action, as specified in the Bylaws or by statute.

Section 21. "Member" means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to article XIII, section 6 hereof.

Section 22. "Mortgage" means any security device encumbering all or any portion of the Properties, 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 23. "Multiple Family Residential Lot" means any Lot intended to be used for residential purposes by more than one family such as a Lot developed as a Condominium project. When any provision of this Declaration is intended to apply only to Multiple Family Residential Lots, that term is used.

Section 24. "Northstar" and "Northstar-At-Tahoe" mean and refer to the overall real estate development commonly known as "Northstar at Tahoe". The Properties subject to this Declaration form a portion of the Northstar development.

Section 25. "Northstar CSD" means the Northstar Community Services District, a political subdivision of Placer County, California. The Properties are located within the boundaries and jurisdiction of Northstar CSD.

Section 26. "Owner" means any person, firm, corporation or other entity which owns a fee simple interest in any Separate Interest. The term "Owner" also includes the Declarant for so long as the Declarant possesses any Separate Interest within any portion of the Properties.

Section 27. "Owner of Record" includes an Owner and means any person, firm, corporation or other entity in which title to a Separate Interest is vested as shown by the Official Records of the Office of the Placer County Recorder.

Section 28. "Project" means a condominium project constructed upon a Multi-Family Residential Lot within the Properties.

Section 29. "Project Board" shall mean the Board of Directors of any community association formed pursuant to any Project Declaration.

Section 30. "Project Common Area" shall mean the common area portions of any Condominium Project as defined in the Project Declaration.

Section 31. "Project Declaration" means the Declaration of Covenants, Conditions and Restrictions and the Condominium Plan for any Condominium Project.

Section 32. "Properties" means and refers to all the property subject to this Declaration, as more particularly described in Exhibit "A", and to any real property subsequently annexed thereto in accordance with the provisions of Article XVI, section 2, below.

Section 33. "Record" means, with respect to any document, the recordation or filing of such document in the Office of the Placer County Recorder.

Section 34. "Regular Assessment" means an Assessment levied against an Owner and his or her Separate Interest in accordance with article IV, section 2, hereof.

Section 35. "Residence" means a private, single-family dwelling constructed or to be constructed on a Residential Lot.

Section 36. "Residential Lot" means any Lot intended to be used for improvement with a single family detached residence structure. When any provision of this Declaration is intended to apply only to a Residential Lot (rather than to both Lots and Condominium Units), the term "Residential Lot" is used.

Section 37. "Single Family Residential Use" means occupancy and use of a Residence or Condominium Unit 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.

Section 38. "Special Assessment" means an Assessment levied against an Owner and his or her Separate Interest in accordance with Article IV, section 4 hereof.

Section 39. "Special Individual Assessment" means an Assessment levied against an Owner and his or her Separate Interest in accordance with Article IV, section 4 hereof.

Section 40. "Structure" means anything constructed or erected on any portion of the Properties, the use of which requires location on the ground or installation as a material component of an existing Structure or Improvement.

Section 41. "Subdivision Map" means the map for any portion of the Properties.

Section 42. "Supplemental Declaration" means either (i) a declaration of covenants, conditions and restrictions recorded together with a

Declaration of Annexation to encumber Lots and parcels included within the annexed phase; or (ii) a Project Declaration.

Section 43. "Unit" means a residential unit located within a Condominium Project, as more particularly defined in section 1351(f) of the Civil Code and the Project Declaration recorded with respect to the Project that includes the Unit.

ARTICLE II Property Rights and Obligations of Owners

Section 1. Owners' Nonexclusive Easements of Enjoyment. Every Owner of a Lot or Unit within the Properties shall have a nonexclusive right and easement of enjoyment in and to the Common Areas within the Properties, including ingress and egress to and from his or her Separate Interest, which shall be appurtenant to and shall pass with the title to every Lot and Unit, subject to the following provisions:

(a) Regulation of Common Facilities. The Association shall have the right to regulate the use and enjoyment of its Common Facilities, including, without limitation, the right to: (i) charge reasonable admission and other fees as a condition to facilities access and usage; (ii) limit the number of Owners or guests who may use any recreational Common Facilities of the Association; or (iii) adopt and implement, as part of the Association Rules, a recreational facility pass system to regulate the number of individuals who have the right to use and enjoy such facilities by virtue of the ownership of a Lot and Unit and the terms and conditions of such usage. If a system of user fees or amenity access passes is implemented, the system can make reasonable distinctions between the user privileges of Owners, tenants, guests and invitees, and subclasses of each, so long as all classes of users similarly situated are treated fairly and equally.

(b) Adoption of Association Rules. The right of the Association to adopt Association Rules as provided in Article III, section 7 hereof, regulating the use and enjoyment of the Common Areas and Common Facilities of Northstar and interpreting, refining and/or implementing the provisions of this Declaration and the Bylaws for the benefit and well-being of the Owners and residents in common.

(c) Easements Affecting Common Areas. All easements, dedications and rights-of-way granted or reserved in, on, over, and under the Northstar common interest development or any Lot therein, as shown on the Subdivision Map for any phase of the Properties (see article IX, below).

Section 2. Persons Subject to Governing Documents. All present and future Owners, tenants and occupants of Lots and Units within the Properties

shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time, unless a particular provision is specifically restricted in its application to one or more of such classes of persons (i.e., Owners, tenants, invitees, etc.) or classifications of Lots, Units, or parcels (i.e., Residential Lots, Multi-Family Lots, Condominium or Common Areas).

Section 3. Delegation of Use.

(a) Delegation of Use and Leasing of Separate Interests. Generally. Any Owner may delegate, in accordance with and subject to the Governing Documents, the Owner's rights in and to the use and enjoyment of the Common Area and Common Facilities to the members of the Owner's family or the Owner's tenants, lessees or contract purchasers who reside in the Owner's Residence or Unit. No such delegation shall relieve an Owner from liability to the other Owners and the Association for performance of the covenants, conditions and restrictions contained herein. Any lease, rental agreement or contract of sale entered into between an Owner and an tenant or contract purchaser of a Lot or Unit shall require compliance by the tenant or the contract purchaser with all the provisions of the Association's Governing Documents.

With the exception of vacation and seasonal rentals, any rental or lease of a Residence or a Condominium Unit may only be to a single family for Single Family Residential Use. The restrictions on multiple family occupancy imposed by this paragraph are intended to protect, enhance and maintain the single family residential atmosphere which exists within the Properties and to avoid an overburdening of Common Areas and Common Facilities. In no event shall any Residence or Condominium Unit be owned or used on a time-share basis as defined in California Business and Professions Code section 11003.5 or comparable superseding statute.

(b) Discipline of Lessees and Tenants. Each Owner and the Association shall have a right of action directly against any tenant, lessee or contract purchaser of an Owner, as well as against the Owner, for nonperformance by, or violation of, any provisions of the Governing Documents by the tenant, lessee, or contract purchaser (or any family member, guest or invitee of such person), to the same extent as such rights of action exist against the Owner of the Separate Interest.

Section 4. Obligations of Owners. By virtue of the ownership of Lot or Unit within the Properties, Owners shall be subject to the following:

(a) Owner's Duty to Notify Association of Tenants and Contract Purchasers. Each Owner shall notify the Association's General Manager of the names of any contract purchaser, lessee or tenant of the Owner's Lot or Unit who leases a Residence or Condominium for any period in excess of 30 days.

This communication requirement is intended to facilitate the Association's ability to administer its responsibilities under the Governing Documents by being aware of the identity of long term residents.

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

(c) Notification Regarding Governing Documents.

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

(A) a copy of the Governing Documents;

(B) a copy of the most recent documents that the Association is required to distribute to the Owners pursuant to Civil Code section 1365 (such documents being the Association's proforma operating budget or budget summary, the most recent year-end financial report, the Association's most recent financial statement, a statement of the Association's assessment collection and lien policies; and summaries of the Association's general liability and directors' and officers' liability insurance).

(C) a true statement in writing from an authorized representative of the Association as to: (1) the amount of any delinquent 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 against the Lot or Unit being sold; and (2) the amount of the Association's current Regular and Special Assessments and fees; and

(D) 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 written request for the information described in subparagraph (c)(i), above, 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 section, except for those provisions relating to the furnishing of a delinquency statement, shall not apply to any Owner subject to the requirements of section 11018.1 of the California Business and Professions Code.

(d) Payment of Assessments and Compliance With Rules. Each Owner shall pay, when due, each Regular, Special and Special Individual Assessment levied against the Owner and his or her Lot or Unit and shall observe, comply with and abide by 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 or protecting the Common Area and Common Facilities.

(e) Discharge of Assessment Liens. Each Owner shall promptly discharge any Assessment lien that may hereafter become a charge against his or her Lot or Unit.

(f) Joint Ownership of Separate Interests. In the event that a Lot or Unit is owned by more than one person, 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, without limitation, the payment of all Assessments.

(g) Termination of Obligations. Upon the conveyance, sale, assignment or other transfer of a Lot or Unit to a new Owner, the transferor-Owner shall not be liable for any Assessments levied with respect to such Lot or Unit which become due after the date of Recording 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 or Unit shall automatically cease.

(h) Supplemental Declarations Applicable to Condominiums. Owners of Units in Condominium Projects within the Properties are subject not only to the provisions of this Declaration, but also to such additional and other equitable servitudes as may be imposed by any Supplemental Declarations of Restrictions applicable to the Project only ("Supplemental Declarations"); provided, however, that any such equitable servitudes shall not detract from the covenants and restrictions contained herein.

ARTICLE III Northstar Property Owners Association

Section 1. Association Membership. Every Owner of a Lot or Unit shall be a Member of Northstar Property Owners' Association. Each Owner shall hold one membership in the Association for each Lot or Unit owned and the membership shall be appurtenant to that Lot or Unit. Sole or joint ownership of a Lot or Unit shall be the sole qualification for membership in the Association. Each Owner shall remain a Member until he or she no longer owns property in the Northstar common interest development, at which time his or her membership in the Association shall automatically cease. Persons or entities who hold an interest in a Lot or Unit merely as security for performance of an obligation are not Members until such time as the security holder comes into title to the Lot or Unit through foreclosure or deed in lieu thereof.

Section 2. One Class of Membership. The Association shall have one class of membership and the rights, duties, obligations and privileges of the Members shall be set forth in the Governing Documents.

Section 3. Voting Rights of Members. The person or persons who are the Owners of record of a Lot or Unit shall be entitled to a single membership vote in the Association, appurtenant to that Lot/Unit. Voting rights may be temporarily suspended under those circumstances described in article XIII, section 6 hereof.

Section 4. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Lots or Units within the Properties and to enforce payment of such Assessments in accordance with article IV of this Declaration. Any Assessments levied by the Association against its Members shall be levied in accordance with and pursuant to the provisions of this Declaration.

Section 5. 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 or Unit to which it is appurtenant and then, only to the purchaser. In the case of a sale, the membership appurtenant to the transferred Lot or Unit shall pass automatically to the purchaser upon Recording of a deed evidencing the transfer of title. In the case of an encumbrance of a Lot or Unit, a Mortgagee does not have membership rights until he or she becomes an Owner by foreclosure or deed in lieu thereof. Tenants who are delegated rights of use and enjoyment of the Association's Common Areas and Common Facilities pursuant to article II, section 3 hereof do not thereby become Members, although the tenant and his or her family and guests shall, at all times, be subject to the provisions of all Governing Documents. Any attempt to make a prohibited transfer is void. If any Owner fails or refuses to transfer the membership registered in his or her name to the purchaser of his or her Lot or

Unit, 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 6. Powers and Authority of the Association.

(a) Powers, Generally. The Association shall have the responsibility of owning, managing and maintaining the Common Areas and Common Facilities 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 the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in the ownership and management of its Common Areas and Common Facilities property 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 and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of 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 shall be as set forth in article IX of the Bylaws.

(i) Right of Entry, Generally. Without limiting the foregoing description of powers, but in addition thereto, the Association and /or its agents shall have the right, when necessary, to enter any Residential Lot of the common areas within any Condominium Project to perform the Association's obligations under this Declaration, including:

(A) obligations to enforce the architectural, minimum construction standards, and land use restrictions of articles V, VII and VIII hereof;

(B) any obligations with respect to construction, maintenance and repair of adjacent Association Common Facilities; or

(C) to make necessary repairs that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, the Association's Common Facilities or the Owners in common.

(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 Association's rights hereunder shall not include the right to enter any private Residence or Condominium Unit and, with the exception of actions taken in response to emergency situations, the Association shall have no right to initiate any corrective action or alter any improvement on a Residential Lot without complying with the notice and due process requirements of Article XIII.

(B) The Association shall have an immediate right of entry in the case of an emergency originating in or threatening the Lot or Project where entry is required, or any adjoining Lots or Common Area, and the Association's work may be performed under such circumstances whether or not the Owner or his or her lessee is present.

(C) On a regular basis it is necessary for the Design Review Committee (DRC) and other Association or fire personnel to access Lots and Projects within the Properties to inspect ongoing construction projects or to inspect conditions and/or improvements which are or may become a fire hazard. Notice of such inspections may be given in the Association newsletter (in the case of regular, periodic inspections) or as part of the DRC construction approval process (in the case of DRC inspections of ongoing construction projects); and

(D) In all other non-emergency situations 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. In the case of Condominium Projects this notice may be given to the project's manager. In the case of all entries other than entries required to respond to emergency situations, the Association 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 or within the Condominium Project.

Section 7. 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 the maintenance, repair, management and use of the Common Area and Common Facilities by Owners, their tenants, guests and invitees, or any other person(s) who have rights of use and enjoyment of such Common Area and Common Facilities; (ii) architectural control and the rules of the Architectural Committee under article V, section 5, hereof; (iii) the conduct of disciplinary proceedings in accordance with article XIII, section 6 hereof; (iv) regulation of parking, pet ownership and other matters subject to regulation and restriction under article VIII, hereof; (v) collection and disposal of refuse; (vi) minimum standards for the maintenance of landscaping or other Improvements

on any Lot or Unit; (vii) designating the minimum percentage ownership of a Separate Interest necessary to qualify an Owner as a Member, as more particularly described in section 1, above; and (viii) 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 other Governing Documents or the rights, preferences and privileges of Members thereunder. In the event of any material conflict between any Association Rule and any provision of the other Governing Documents, the conflicting provisions contained in the other Governing Documents shall be deemed to prevail.

Section 8. 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 hereof.

Section 9. 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 the 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 member of the Board or volunteer officer of the Association shall recover damages from such Board member or officer if all of the following conditions are satisfied:

(i) The Board member or officer owns no more than two Lots/Units within the Properties;

(ii) The act or omission was performed within the scope of the volunteer Board member'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 general liability insurance with coverage of at least one million dollars (\$1,000,000).

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 said 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.

ARTICLE IV Assessments

Section 1. Assessments Generally.

(a) Covenant to Pay Assessments. Each Owner of a Lot or Unit, by acceptance of a deed therefore (whether or not it shall be so expressed in such deed), covenants and agrees to pay to the Association the Regular Assessments, Special Assessments and Special Individual Assessments described in this Article IV.

(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 personal obligation of the person who is the Owner of the Lot or Unit at the time the Assessment is levied. Each Owner who acquires title to a Lot or Unit (whether by conventional conveyance, at judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Lot or Unit which become due and payable after the date that the person acquires title. Accordingly, when a person acquires title to a Lot or Unit, 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 or Unit is conveyed subject to a valid lien for delinquent Assessments (and related costs of collections), the Association may continue to exercise its foreclosure remedies against the Lot or Unit, regardless of the change of ownership, and/or the Association may pursue its collection remedies against the prior Owner, individually.

(c) No Avoidance of Assessment Obligations. No Owner may exempt himself/herself or the Owner's Lot or Unit from liability or charge for the Owner's share of any Assessment levied against the Owner or his or her share of any Regular or Special Assessment levied against the Owner's Lot or Unit, 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 or Unit.

Section 2. Regular Assessments.

(a) Preparation of Annual Budget; Establishment of Regular Assessments. Not less than 45 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 Facilities) by preparing and distribution to all Association Members a budget satisfying the requirements of Article XII, section 5 of the Bylaws.

(b) Establishment of Regular Assessment by Board/Membership Approval Requirements. Subject to the Member approval requirements described in this subparagraph (b), the total Common 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. With the exception of assessments imposed to address emergency situations (see section 4, below) 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 vote or written assent of a Majority of a Quorum of the Members (see section 8, below).

(c) Allocation of Regular Assessment. The total estimated Common Expenses, determined in accordance with subparagraph (a), shall be allocated among, assessed against, and charged to each Owner of Record according to the ratio of the number of Lots/Units within the Properties owned by the assessed Owner to the total number of Lots/Units subject to Assessment

so that each Separate Interest bears an equal share of the total Regular Assessment.

(d) 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 the form of a computer printout) shall show for each Lot and Unit 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 or Unit, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by Article II, section 4(c)(i) hereof shall be conclusive upon the Association and the Owner of the assessed Lot or Unit 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.

(e) Mailing Notice of Assessment. On an annual basis, the Board of Directors shall mail to each Owner of Record at the street address of the Owner's Lot or Unit, 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. The statement shall be sent to all Owners within the time specified in section 2(a) above.

(f) 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 or if the annual budget is not distributed to the Members in accordance with Civil Code section 1365(a) and subparagraph (a), above, then the Regular Assessment made for the preceding fiscal year, together with any Special Assessment made pursuant to section 3(a)(i) of this Article for that year, shall be assessed against each Owner and his or her Lot or Unit on account of the then current fiscal year. If it is later determined that additional funds are required to meet the Common Expenses for the fiscal year, any adjustment in the Regular Assessment or any supplemental Special Assessment to fund the deficit must be approved by a majority of a quorum of the Members (see section 8, below).

(g) Payment of Regular Assessment. The Regular Assessment levied against each Owner and his or her Lot or Unit shall be due and payable to the Association on January 1 of each year; provided, however, that the Board, in its discretion, shall be empowered to institute an installment payment system for the collection of Regular Assessments. Assessments which are not paid prior to the "delinquency date" as defined in subparagraph (a) of section 10, below, shall give rise to the remedies set forth in that section.

Section 3. Special Assessments.

(a) Purposes for Which special Assessments May Be Levied. Subject to the membership 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/Units 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 incurred with respect to specific budget line items which were not contemplated or anticipated when the budget was prepared for said fiscal year, then the Board of Directors shall take action pursuant to section 4(c), below, to 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) Additional Capital Improvements or Other Extraordinary Nonrecurring Expenditures. 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) or to defray the costs of any other extraordinary, non-recurring action or undertaking which the Board, in its discretion, determines to be the advantage and in the best interest of the Members as a whole. The Special Assessment power conferred hereunder is not intended to diminish the Board's obligation to plan and budget for normal maintenance, replacement and repair of the Common Area or the existing Common Facilities through Regular Assessments (including the funding of reasonable capital repair and replacement reserves) and to maintain adequate insurance on the Common Area and its existing Common Facilities in accordance with Article X hereof.

Typically Special Assessments shall only be imposed to fund a specific capital improvement project during a particular fiscal year. However, if the Board determines that a Special Assessment should be levied to fund a portion of a capital project which will, or is likely to, entail work and/or funding in more than one fiscal year (such as the development of a sinking fund for a major facilities project or expansion), this fact and a detailed disclosure of the intended scope and estimated costs of the future project shall also be included in the Association's annual budget disclosures for each year in which the Special Assessment is imposed.

(b) Special Assessments Requiring Membership Approval Except as provided in section 4, below (relating to emergency assessments), no Special Assessments described in subparagraph (a) hereof, which in the aggregate exceed 5 percent of the budgeted gross expenses of the Association

for the fiscal year in which the Special Assessment(s) is/are levied, shall be imposed without the affirmative vote of a Majority of a Quorum of the Members (see section 8, 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 or Unit in the same manner prescribed for the allocation of Regular Assessments pursuant to subparagraph 2(c). 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 shall be due as a personal debt of the Owner and a lien against his or her Lot or Unit. Special Assessments shall be payable to the Association within 60 days after the mailing of notice of the Special Assessment or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment.

Section 4. Assessments to Address Emergency Situations. The requirement of a membership vote to approve certain Regular Assessment increases and Special Assessments (see sections 2(b), 2(f) and 3(b), above) shall not apply to assessment increases which are 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 which is necessary to repair or maintain the Common Areas or Common Facilities where a threat to personal safety is discovered; or

(c) An extraordinary expense which is 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 Article XII, section 5 of the Bylaws and section 1365 of the California Civil Code; provided, however, that prior to the imposition or collection of an assessment under this subparagraph (c), 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 5. 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 3, 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 Article XIII, section 6 thereof, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Association's 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 the Owner's tenants or guest, the Board shall cause the same to be repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent said expenses are not covered 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: (A) to accomplish the payment of delinquent Assessments, (B) to repair, maintain or replace any portion of the Properties that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion, or (C) to otherwise bring the Owner and/or his or her Lot or Unit 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. As more particularly provided in Article VII, section 3(b) (and without limiting the generality of that section), 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 offensive or hazardous condition and recover the cost of such action through the imposition of a Special Individual Assessment against the offending Owner. This right of entry shall be exercised in accordance with Article III, section 6(a).

(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, notice thereof shall be mailed to the affected Owner and the Special Individual Assessment shall thereafter be due as a separate debt of the Owner, and a lien against his or her Lot or Unit, payable in full to the Association within 30 days after the mailing of notice of Assessment.

Section 6. Purpose of Assessments. Each Assessment, whether Regular or Special, 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 the Owners and other residents within the Properties; (b) to promote the enjoyment and use of the Common Areas and Common Facilities by the Owners and their families, tenants and guest; and (c) to provide for the repair, maintenance, replacement, protection and expansion of the Common Area and Common Facilities.

Section 7. Exemption of Certain Lots and Parcels Within the Properties From Assessments. The following real property encumbered by 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 the Properties dedicated and accepted by a local public authority;

(b) The Common Area and Common Facilities; and

(c) Any Lot or Unit owned by the Association which is not being rented or leased for residential purposes.

Section 8. Notice and Procedure for Member Approval Pursuant to Sections 2 and 3. In the event that any increase or imposition of Assessments requires approval of a Majority of a Quorum of the Members pursuant to sections 2 and 3 of this Article, Member approval shall be solicited by written ballot conducted in accordance with section 7513 of the Corporations Code and Article IV, section 6 of the Bylaws. Unless otherwise specified by law, the quorum required for such membership action shall be a majority of the Members (see Article V, section 5(b) of the Bylaws).

Section 9. Maintenance of Assessment Funds.

(a) 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 and located within the County. At a minimum, the Association shall establish a "Current Operation Account" and one or more "Reserve Accounts." The Board shall be entitled to make prudent investment 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 said 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, section 2 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.

(b) 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, underfunded; 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 the reserve account 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. 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 the Property, 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 limit required by this subparagraph (d). This Special Assessment is subject to the limitation imposed by California Civil code section 1366 and section 3(b), above. 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 of 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, and 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.

(c) Separate Accounts; Commingling of Funds. Except as provided in subparagraph (a), above with respect to the establishment and maintenance of separate operating reserve accounts, in order to avoid a multiplicity of Association bank accounts, the proceeds of all Assessments may be commingled in one or more accounts and need not be 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 3(a)(i) of this article shall be accounted for together with the receipts and disbursements of Regular Assessments, and a separate accounting shall be maintained for each capital Improvement for which reserve funds for replacement are allocated.

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 10. Collection of Assessments: Enforcement of Liens.

(a) Delinquent Assessments. Assessments are delinquent if they are not paid within 15 days following the scheduled due date. The due date for Regular Assessments shall, in no event, be less than 60 days after the date the notice of Assessment is mailed to the Members. Commencing 30 days after the scheduled due date, delinquent Assessments shall bear interest at the maximum rate allowed by law from and after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges or penalties for any delinquent Assessments, subject to the limitations imposed by California Civil Code section 1366(c) and 1366.1 or comparable superseding statutes.

(b) Effect of Nonpayment of Assessments.

(i) Creation and Imposition of a Lien for Delinquent Assessments. As more particularly provided in section 1367 of the California Civil Code or comparable superseding statute, the amount of any delinquent Regular, 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 Separate Interest of the Owner so assessed only when the Association causes to be Recorded a Notice of Delinquent Assessment, executed by an authorized representative of the Association and containing the information prescribed by Civil Code section 1367. Upon payment in full of the sums specified in the Notice of Delinquent Assessment, the Association shall cause to be Recorded a further notice stating the satisfaction and release of the Association's lien.

(ii) 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 Separate Interest or accept a deed in lieu of foreclosure. Foreclosure by the Association of its lien may be initiated 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 or Unit by a trustee acting pursuant to this section shall be conducted in accordance with sections 2924, 2924b and 2924c of the California Civil Code applicable to the exercise of powers of sale in mortgages or

deeds of trust. If the Association elects to maintain a legal action to collect a delinquent assessment and associated reasonable costs of collection, it may do so without waiver of the lien created with respect to the delinquent sums by recordation of a Notice of Delinquent Assessment.

Section 11. Transfer of a Lot or Condominium Unit by Sale or Foreclosure. The following rules shall govern the status of an Association's rights to enforce its assessment collection remedies following the sale or foreclosure of a Lot or Condominium Unit:

(a) Except as provided in subparagraph (b), below, the sale or transfer of any Lot or Unit shall not affect any Assessment lien duly recorded with respect to such Lot/Unit prior to the sale or transfer, and the Association can continue to foreclose its lien in spite of the change in ownership.

(b) The Association's assessment lien shall be extinguished as to all delinquent sums, late charges and costs of collection incurred prior to the sale or transfer of a Lot or Unit 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 Mortgagee or other Mortgage or lien recorded prior to the Association's assessment lien.

(c) No sale or transfer of a Lot or Unit as the result of foreclosure, exercise of a power of sale or otherwise shall relieve the new Owner of the Lot/Unit (whether it be the former beneficiary of the first Mortgage or other prior encumbrance or a third party acquiring the Lot/Unit) from liability for any Assessments thereafter becoming due or from the lien thereof.

(d) No sale or transfer of a Lot or Unit as a 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 and associated costs of collection incurred prior to and/or in connection with foreclosure.

Section 12. Priorities. When a Notice of Delinquent Assessment has been Recorded against a particular Lot or Unit, such notice shall constitute a lien on the Lot or Unit 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.

ARTICLE V
Design Review

Section 1. Design Review Committee Approval of Improvements.

(a) Jurisdiction of the Committee With Respect to Improvement Projects. Before commencing construction or installation of any Improvement (as defined below) on any Residential Lot within the Properties or applying to the County for a building permit for the Improvement project, the Owner of the Lot shall submit a written request for approval to the Design Review Committee. The Owner's request shall be submitted to the Committee in care of the Association, and shall include structural plans, specifications and plot plans satisfying the requirements stated in the Design Guidelines. Unless the Committee's approval of the proposal is first obtained, no work on the Improvement shall be undertaken. The Design Review Committee shall base its decision to approve, disapprove or conditionally approve Improvement projects on the criteria described in section 6 of this article. Unless otherwise provided in a Supplemental Declaration or Declaration of Annexation applicable to a Condominium Project, the Association's Design review Committee shall have no jurisdiction with respect to improvement projects involving Units within Condominium Projects. Instead, such improvement projects within Condominium Projects shall be governed by the Project Declaration. However, developers of Condominium Projects must receive the Committee's prior approval of the exterior design of the structures containing Units, such approval not to be unreasonably withheld.

(b) Definition of "Improvement". The term "improvement" as used herein includes, without limitation, the construction, installation, alteration or remodeling of any buildings, walls, decks, fences, landscaping, landscape structures, antennas, utility lines or any other structure of any kind on a Residential Lot; provided, however, that improvements to the interior of any Residence shall not be considered an Improvement, as defined herein, unless the interior improvement involves any structural alteration of, or intrusion into, a part wall, roof or other load bearing wall within the Residence.

(c) Modifications to Approved Plans Must Also Be Approved. Once a proposed work of Improvement has been duly approved by the Design Review 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 Review Committee, or the agents or employees of either, that a work of Improvement, or any modification thereof, is proceeding without proper approval, the Association shall be entitled to exercise the enforcement remedies specified in section 11 of this article, including, without limitation, ordering an immediate cessation and abatement of all aspects of the work of Improvement until such time as proper Design Review Committee review and approval is obtained.

Section 2. Composition of the Design Review Committee. The Committee shall be composed of three Members appointed by the Board. In selecting Members for the Committee, the Board shall endeavor to select individuals whose occupations or education will provide technical knowledge and expertise relevant to matters within the Committee's jurisdiction. Committee members shall serve one-year terms subject to the Board's power to remove any Committee member and to appoint his or her successor. Committee Members may be reappointed for successive terms of office. The members of the Committee shall be entitled to reasonable compensation as determined by the Board.

When advisable, the Committee in its discretion, may engage the services of a California licensed architect, engineer or other contractors knowledgeable in passive solar design for the purpose of rendering advice to the Committee with respect to plan submittals and other review matters that come within the Committee's jurisdiction. In addition, the Committee shall engage the services of a California registered civil or geotechnical engineer who is qualified in grading and erosion control.

Section 3. Duties of the Committee. The Committee shall have the duty to consider and act upon the proposals and plans for Improvements submitted to it pursuant to section 5 hereof, to perform other duties delegated to it by the Board of Directors and to carry out all other architectural review duties imposed upon it by this Declaration.

Section 4. Meetings. The 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 the action of the Committee and the Committee shall keep and maintain a written record of all actions taken.

The Applicant shall be entitled to appear at any meeting of the Committee at which his or her proposal has been scheduled for review and consideration. The Applicant shall be entitled to be heard on the matter and may be accompanied by his or her architect, engineer and/or contractor. Other Owners whose property may be affected by the proposed Improvement (in terms of the structural integrity of any adjoining Residence or view or solar access of the

Applicant's or any adjacent Residence, noise or other considerations) shall also be entitled to attend the meeting.

Reasonable notice of the time, place and proposed agenda Committee meetings shall be communicated before the date of the meeting to any Applicant whose application is scheduled to be heard. If the proposed Improvement project will involve a variance decision, adjoining property Owners shall also be notified of the scheduled date of the Committee's review of the project (see section 12, below).

Section 5. Design Guidelines. The Design Review Committee may, from time to time and with approval of the Board of Directors, adopt, amend and repeal rules and regulations to be known as "Design Guidelines." The Design Guidelines shall interpret and implement the provisions hereof by setting forth:

- (a) the standards and procedures for architectural review, including the required content of Improvement plans and specifications;
- (b) guidelines for architectural design, placement of any work of Improvement, restrictions on outdoor lighting or color schemes, exterior finish and materials and similar features which are recommended or required for use in connection with particular Improvement projects within the Properties;
- (c) restrictions on noise and/or odors which can emanate from any Lot;
- (d) restrictions on the height of buildings and other structures;
- (e) criteria or standards to reduce the visual impact of all ancillary structures;
- (f) criteria, specifications or plan details for routine or commonly recurring Improvement projects which, if adopted and applied by the Applicant, will result in expedited or summary approval of the project by the Design Review Committee;
- (g) standards concerning the maintenance of existing natural vegetation, rock outcroppings and topography;
- (h) 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 Articles VI and VIII of this Declaration and/or the Design Guidelines (see section 12, below); and
- (i) a schedule or reasonable fees to help defray the cost of administering the Association's program of design review, approval and enforcement.

Section 6. Basis for Approval of Improvements. When a proposed Improvement is submitted to the Design Review Committee for review, the Committee shall grant the requested approval only if the Committee, in its sole discretion, finds that all of the following provisions have been satisfied:

- (a) The Owner's plans and specifications conform to this Declaration and to the Architectural Standards in effect at the time such plans are submitted to the Design Review Committee;
- (b) The Improvement will be in harmony with the external design and appearance of other structures and Improvements within the Northstar development.
- (c) 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/her property.
- (d) the proposed Improvement(s), if constructed, will otherwise be consistent with the architectural and aesthetic standards prevailing within the Properties and with the overall plan and scheme of development. The Association may require modifications in the plans and specifications as a condition of approval.

While it is recognized that the Committee's determination to approve or disapprove an Improvement will, of necessity, be subjective to some degree, the members of the Committee shall act reasonably and in good faith. Factors commonly considered by the Committee in reviewing proposed Improvements include the quality of workmanship and materials proposed for the Improvement project, the harmony of the proposed Improvement's exterior design, finish materials and color with that of other existing structures, and the proposed location of the Improvement in relation to existing topography, finished grade elevations, roads, Common Areas and other structures.

The Committee shall be entitled to determine that a proposed Improvement or component thereof is unacceptable when proposed on a particular Lot, even if the same or a similar Improvement/component has previously been approved for use at another Lot within the Properties if factors such as drainage, topography or visibility from roads, Common Areas or other Lots or Units; or prior adverse experience with the product or components used in construction of the Improvement, design of the Improvement or its use at other locations within the Properties militate against erection of the Improvement or use of a particular component thereof on the Lot involved in the Owner's submittal. It is expressly agreed that the Committee shall be entitled to make subjective judgments and to consider the aesthetics of a proposed Improvement project, so long as the Committee acts reasonably and in good faith.

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

Section 7. Time Limits for Approval or Rejection. Within 45 days after submission of plans and specifications satisfying the requirements of the Design Guidelines, the Design Review Committee shall work as a panel and 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 accompanying the returned set of plans. If the Committee recommends that the plans and specifications be modified, the Applicant may implement such changes to the plans and, within 45 days, resubmit plans incorporating such changes for approval to the Committee, which shall not unreasonably withhold its approval so long as the Applicant has complied in all material respect with the request changes. If no written notice of approval or disapproval is received by the Applicant within 45 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 8. Proceeding With Work. Upon receipt of approval of an Improvement project from the Committee, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction and excavation, if required, pursuant to the approval. In all cases, work on an Improvement project shall commence within one year from the date of such approval. If the Owner fails to comply with this paragraph, any approval given pursuant to this article shall be deemed revoked unless the Committee, upon written request of the Owner prior to the expiration of the initial one year period, extends the time for commencement or completion. No such extension shall be granted except upon a finding by the 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 Improvement project within the time specified in the extension request.

Section 9. Failure to Complete Work. Unless the Owner has been granted an extension of time to complete the project by the 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 an unseasonably long winter snow season, 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).

Section 10. Inspection of Work by Design Review Committee. Inspection of the work relating to any approved Improvement and correction of defects therein shall proceed as follows:

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

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

(c) Within 30 days thereafter, the Committee, or its duly authorized representative, may inspect the Improvement to determine whether it was constructed, reconstructed, altered or refinished in substantial compliance with the approved plans. If the Committee finds that the Improvement was not erected, constructed or installed in substantial compliance with the Owner's approved plans, then within the 30-day inspection period the Committee shall give the Owner a written notice of noncompliance detailing those aspects of the improvement project that must be modified, completed or corrected. If the violation or nonconforming work is not corrected, the Association and the Committee shall have the enforcement rights and remedies set forth in section 11, below.

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

Section 11. Enforcement of Architectural Compliance Matters. In addition to other enforcement remedies set forth in this Declaration, the Design Review Committee shall have enforcement rights with respect to any matters required to be submitted to and approved by it, and may enforce such architectural control by any proceeding at law or in equity. In addition, the Committee shall have the authority to order an abatement 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. No work for which approval is required shall be deemed to be approved simply because it has been completed without a complaint, notice of violation, or commencement of a suit

to enjoin such work. If unapproved or nonconforming works of Improvement proceed, in spite of the Committee's request that work cease until the project is in compliance with the Governing Documents, the Association may file an action seeking an injunction or other remedy to enforce the Governing Documents. If such an action is filed, the prevailing party shall be entitled to recover reasonable attorneys' fees in addition to the costs of such proceedings.

Section 12. Variances. The Board of Directors, 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 or in any land use restrictions specified in article VIII to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardship to Applicants, provided all of the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a property use restriction that would otherwise be applicable under this Declaration, the Board of Directors must conduct a hearing on the proposed variance after giving prior written notice to the Design Review Committee and to all Owners of Lots or Units within 300 feet of the subject Lot. The notice shall also be posted in the Association's principal office within the Properties. The notice shall be posted and mailed to the interested Owners at least 15 days prior to the date when the Board of Directors is scheduled to act on the request variance. No decision shall be made with respect to the proposed variance until the 15-day comment period has elapsed.

(b) The Board of Directors must make a good faith written determination that the variance is consistent with one or more of the following criteria: (i) the request variance will not constitute a material deviation from any restriction contained herein or that the proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) that the variance relates to 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 Separate Interest or Common Area within the Properties.

(c) The Association Board may delegate to the Design Review Committee the authority to grant variances hereunder, subject to whatever criteria or conditions the Board may consider necessary and appropriate. If variance authority is delegated to the DRC, the resolution relating to that action shall set forth any limitations on the Committee's authority.

Section 13. Certificate of Compliance. Within 30 days after written demand is delivered to the Design Review 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 Review Committee shall deliver to the requesting

Owner a "Certificate of Compliance," estoppel certificate, executed by any two of its members, certifying (with respect to any Lot owned by the Applicant) that as of the date thereof, either: (a) all Improvements made and other work completed by the Owner on his or her lot 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 the Lot through the Owner, shall be entitled to rely on the Association's Certificate of Compliance with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners and any person deriving any interest through them.

Section 14. Limitation on Liability. Neither the Association, nor the Board or the Design Review Committee or any member thereof, shall be liable to any Owner for any damage, loss or prejudice suffered or claimed on account of any mistakes in judgment, negligence or nonfeasance arising out of: (1) the approval or disapproval of any plans, drawings and specifications, whether or not defective; (b) the construction or performance of any work of Improvement, whether or not pursuant to approved plans, drawings or specifications; (c) the development of any Lot within the Properties; or (d) the execution and filing of a Notice of Noncompliance pursuant to section 10, above, or a Certificate of Compliance pursuant to section 13, 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.

Section 15. Compliance With Governmental Regulations. Review and approval by the Committee of any proposals, plans or other submittals pertaining to Improvements shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other government requirements, the responsibility for which shall lie solely with the Owner who desires to construct, install, or modify the Improvement.

Section 16. Appeals. Appeals from decisions of the Design Review Committee may be made to the Board of Directors, which may elect, in its discretion, to hear the appeal or, in the alternative, to affirm the decision of the Design Review Committee.

ARTICLE VI Minimum Construction Standards

Unless a variance is requested from, and granted by the Design Review Committee in accordance with article V, section 12, hereof, Improvements constructed on any Residential Lot at any time after the effective date of this Declaration shall conform to the following minimum construction standards:

Section 1. Licensed Contractor. Residential structures shall be constructed by a contractor licensed under the laws of the State of California.

Section 2. Approval by Design Review Committee. No building, fence, wall or other permanent structure or Improvement shall be erected, altered or placed on any Residential Lot until building plans, specifications and a plot plan showing the location of structures on the Lots have been submitted to the Design Review Committee for review and approval as described in article V hereof.

Section 3. Removal of Trees. No existing trees with a diameter of six inches or greater (measured three feet above grade) shall be destroyed, uprooted, cut down or removed from any Residential Lot unless and until such action has been approved by the Design Review Committee.

Section 4. Alteration of Grades, Slopes or Drainage.

(a) No change in the established grade or elevation of a Lot (Residential or Multi-Family) or an Easement and no change in the established slope or ratio of the cuts and fills which alters established drainage patterns shall be permitted unless said work is in compliance with erosion control measures, including water quality protection and revegetation, which have been established in accordance with the Best Management Practices described in the project EIR and noted on the site plan as well as having the prior written approval of the County. For the purposes hereof established draining patterns are defined as the drainage patterns existing at the time the grading of said property was completed in conformity with the grading and drainage plan heretofore approved by the County.

(b) Any ground disturbance created by the above described activities shall be stabilized within twenty-four (24) hours of the cessation of construction traffic into the affected area. Furthermore if construction work is terminated in an area or by inspection it is determined that there are potential erosion problems associated with vegetation loss and soil compaction, efforts to stabilize such an area shall be initiated the following work day. All said stabilizing activities shall utilize Best Management Practices.

(c) Grading will only be permitted for what is reasonably necessary to prepare a residential building site and construct a driveway to the Residence. In no event shall grading be performed outside of the set-back lines delineated in section 3 of this article. All grading cuts and fills visible after structures and retaining walls are in place shall be limited to four vertical feet unless a variance is granted by the Design Review Committee in advance of work.

Section 5. Permitted Hours of Construction Activity. Without the prior written consent of the Association, construction activities and equipment

maintenance relating to Improvement projects shall take place only between the hours of 7:00 A.M. and 8:00 P.M., Monday through Friday and 9:00 A.M. to 7:00 P.M. on Saturday. There shall be none of the above referenced activity conducted on Sunday or Federal Holidays. Non-noise generating construction activity such as interior painting, etc., shall not be subject to these restrictions.

Section 6. Roofing Materials.

(a) The roofing materials used on any Residence or Condominium building shall consist of either metal or composition products. Other types of roofing materials may be submitted for review and approval by the Committee. It should be noted that wood shingle and/or wood shake roofs will not be in the preferred type of roofing surface material within the Properties. The Design Guidelines can include a list of pre-approved roofing materials and products.

(b) All roofs shall be Class "A" roofing materials as defined by the Building Code in effect at the time a permit for the structure in question is issued.

(c) Any roofs that are replaced at any time following the effective date of the Declaration must conform to the requirements of this section.

Section 7. Site Design.

(a) A topographic map and plot plan shall be prepared showing the location of the Lot, the proposed building or other structure to be constructed, altered, placed, or maintained thereon and all natural features of the site, including, but not limited to, trees to be both retained or removed.

(b) Existing natural features shall be retained and incorporated into the site design.

(c) Building placement and design shall be compatible with adjacent properties and considerations of snow shedding requirements, solar exposure, climate, noise, safety, fire protection and privacy.

(d) Site planning shall include a drainage, infiltration, and grading plan meeting Best Management Practices.

Section 8. Structure Height and Scale.

(a) The height and scale of Residences and other building structures shall be compatible with the existing terrain and other surrounding structures. Structures must not appear over scaled for the Lot on which they are located or in relation to the environmental setting.

(b) Residential designs shall be articulated to achieve low profile forms on the upper side slopes and ridge line crest.

(c) Hillside and ridge top building designs shall incorporate a combination of small volumes and varying surface planes to create visual interest and to avoid conspicuous, large bulk structures and box like masses.

(d) Structure height limits shall be established to ensure that buildings do not project above the forest canopy.

(e) If using stilts to support a structure, they shall not be allowed to dominate any facade, whether facing a public way or otherwise preliminary review by the Committee of any such design is strongly encouraged to eliminate any unapprovable designs prior to proceeding with the design.

(f) The design of structures shall be subordinate to existing hillside and ridge line forms. Hillside and ridge crest structures shall be constructed in multiple levels to achieve a better fit with existing side slopes, reduce the need for grading and increased overall visual compatibility.

Section 9. Square Footage Requirements. Each Residence constructed on a Lot at any time following the effective date of this Declaration shall have a fully enclosed floor area, exclusive of roofed or unroofed patios, porches, decks, terraces, garages, carports or other buildings, of not less than one thousand nine hundred (1900) square feet nor more than four thousand seven hundred and fifty (4750) square feet. Provided that, upon application by any Owner, the Committee shall be authorized and empowered to grant reasonable variances from the maximum square footage restrictions set forth in this section 9 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 within the Properties contemplated by the Declaration. In considering and acting upon any request for a variance, the Committee shall not grant a variance that would increase the maximum square footage requirements of this section 9 beyond five thousand seven hundred (5700) square feet.

Section 10. Landscaping.

(1) Landscaping standards for private exterior areas shall ensure compatibility of each homesite with the overall mountain setting, protect significant views from the site, and avoid increased adverse impacts on off-side vantage points by including the following: (i) native types of vegetation; (ii) native vegetation to screen parking to the greatest extent possible.

(b) Landscaping for screening purposes shall be clustered in natural appearing groups in the immediate vicinity of the area to be screened to the extent that fuel management practices will allow.

(c) Landscaping shall be used to give privacy, reduce glare, deflect wind, muffle noise, prevent erosion, and soften the lines of architecture.

(d) Consideration shall be given to the need to provide for the removal of snow from the drive and walkways, particularly where snow might fall from the roofs of nearby structures.

Section 11. Tree Removal and Protection. The Board of Directors will monitor the impact on trees and other natural resources which might need to be replaced within the Properties. Each Lot shall be subject to the right of the association or its agents to enter upon any portion of the Properties to take any such corrective action, provided that such entry shall not interfere with the use or occupancy of any Lot unless authorized by its Owner, which authorization shall not be unreasonably withheld.

Section 12. Building Foundations. Except where topography will allow for same, the determination of which shall be in the sole discretion of the Committee, concrete slab building foundations, excluding garages and basements, shall not be permitted and stepped foundations will be required.

Section 13. Sprinkler Systems. It is recommended that Residences constructed or placed on any Lot within the Properties have a fire protection sprinkler system designed, located, and installed in accordance with the standards and guidance of the California Division of Forestry.

Section 14. Wood Burning Appliances.

(a) No wood burning appliances of any kind shall be permitted on any Lot or within any structure unless such appliances are EPA approved and certified prior to the issuance of a building permit.

(b) The total emissions from all wood burning devices located within a Residence shall not exceed 7.5 grams per hour.

(c) All fireplaces shall be outfitted with a stub for natural gas.

(d) Existing fireplaces will be grandfathered in and allowed as now operational.

Section 15. Noise Abatement. Site planning, architectural design and construction techniques shall be implemented in conformance with the noise element of the Placer County General Plan dated August 1994 as it may from

time to time be adopted, amended or repealed and carried out to reduce the incidence of sound transmission from outside to inside of habitable spaced within structures. Noise levels are best reduced with tight construction techniques striving to eliminate all voids through which sound can pass unobstructed.

Section 16. Occupancy of Residences/Substantial Completion. No Residence shall be occupied until the same has been substantially completed in accordance with its plans and specifications and a certificate of occupancy has been issued by the County Building Inspector.

Section 17. Exterior Lighting and Fixtures.

(a) Exterior structure lighting on Lots shall be minimized with an emphasis on safety and shall be consistent with the architectural design and overall light levels shall be compatible with the neighborhood light level with emphasis on a few well placed, low intensity lights from which the direct light source is not visible.

(b) Fluorescent, mercury vapor, sodium, or amber vapor lights, or standard outdoor lights of the type used for security must be enclosed in a manner that directs the light in a specified area without trespassing upon neighboring properties or public rights-of-way. For the purposes of this subsection, the word "trespassing" means being able to see a shadow any where on the neighboring property or public right-of-way which is created by such light. Provided that under no circumstances shall exterior vapor lighting be installed unless it is a fully-shielded, compact, fluorescent lamp.

(c) All exterior lighting shall be directed downward and the light source shall be fully shielded with opaque material(s).

(d) High-intensity security lighting is allowed if it is installed with an infrared detector and a timer. The on-cycle shall not exceed five (5) minutes. Detectors shall not be triggered by activity in public areas, rights-or-way or from neighbors property. Lights shall not blink, flash or change intensity.

Section 18. Gas or Liquid Storage. No tank for storage of gas, caustic chemicals, or hazardous waste shall be installed on or within the Properties.

Section 19. House Numbers. All house numbers shall be viewable from the access road which passes in front of the Residence so numbered and shall be mounted horizontally on said residence or the appurtenant garage unless the driveway is more than fifty feet (50') in length or the residence or garage can not be viewed from the access road, in which case, the numbers shall be installed at the intersection of the driveway and the access road, so that they are visible to people traveling in either direction on the access road. The numbers shall not be

less than three inches (3") nor more than eight inches (8") in height and mounted on a contrasting background. Any numbers not mounted on the residence or the garage must be pre-approved by the Design Review Committee.

Section 20. Fences and Walls.

(1) No fences, ornamental screens or walls of any nature shall be erected or maintained on or around any portion of any Structure or elsewhere within the Properties, except those that are installed in accordance with the original construction of the development, their replacements, or those authorized and approved by the Committee.

(b) Each Lot and its Owner shall be responsible for the maintenance, repair, and reconstruction of that portion of any wall or fence which is located upon his or her Lot. Any such maintenance, repair or reconstruction so undertaken must be done in a manner which will restore said wall or fence to its original appearance and condition.

Section 21. Antenna and External Fixtures. No satellite dish of any size, television or radio poles, antennas, flagpoles, clotheslines, basketball standards, or other external fixtures except those approved by the Design Review Committee shall be constructed, erected or maintained, either temporarily or permanently, on any Lot, unless screened from view from any street or Residence. No wiring, insulation, air-conditioning, heating units or other machinery or equipment other than those approved by the Committee, and their duplicate replacements shall be constructed, erected or maintained on the exterior of any structure within the Properties.

Section 22. Solar Access. No structures or other objects, except for the native trees and shrubs typical of the surrounding habitat, will be allowed upon any Lot creating a restriction of the neighboring Lots' solar access to such a degree that it unreasonably disturbs enjoyment of any adjacent Lot.

ARTICLE VII

Association and Owner Maintenance Responsibilities

Section 1. Common Area. The Association shall be solely responsible for all maintenance, repair, upkeep and replacement of all portions of the Common Area and Common Facilities. 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 prior approval of the Association.

Section 2. Owner Maintenance Responsibility.

(1) Residence Lots. Each Owner of a Residence Lot shall be responsible for the maintenance and repair of his or her Residence and Lot, including, without limitation, the diligent repair of damage caused by snow, ice or fire. The Owner shall also be responsible for the maintenance of all of the exterior landscaping on his or her Lot in a safe, neat and orderly manner. All home builders and Owners should acquire from the Association the publication entitled "Erosion Control and Revegetation Measures" and review the mandatory and suggested preservation and maintenance techniques discussed in that publication.

(b) Condominiums. The allocation of maintenance responsibilities between the Owners of Condominium Units and their Condominium association shall be determined by reference to the Project Declaration applicable to the Project. Each Owner of a Condominium Unit shall be obligated to comply with the provisions of the Project Declaration related to Unit maintenance and repair.

Section 3. Association Recovery of Costs of Certain Repairs and Maintenance.

(a) Association Maintenance Necessitated 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 insurance policies maintained by the Association or 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 Article IV, section 4 hereof.

(b) Owner Defaults in Maintenance Responsibilities. If an Owner of a Residential Lot fails to perform maintenance or repair functions 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 30 days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance, the Association may exercise its rights under Article III, section 6(b) to enter the Owner's Lot and perform the repair or maintenance for the defaulting Owner's account, and all sums expended by the Association may be recovered from the Owner as a Special Individual Assessment.

Section 4. Cooperative Maintenance Obligations. To the extent necessary or desirable to accomplish the Association's maintenance and repair obligations hereunder, individual Owners shall cooperate with the Association and its agents and maintenance personnel in the prosecution of its work.

Section 5. Drainage Structures, Ditches and Swales.

(a) 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.

(b) Except as provided in subparagraph (a), above, each Owner of a Residential lot shall keep drainage courses, ditches and swales on his or her Lot free and clear of all obstructions, and shall, in cooperation with contiguous property Owners (including the Association as to any contiguous parcels it owns), maintain all such drainage ditches, swales and culverts common to their Lots in good order and in compliance with best management practices in order to reduce the possibility of erosion.

(c) No Owner or resident shall alter or obstruct a natural drainage course, or materially add to the natural water volume of the 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 a work of Improvement that is subject to prior review and approval by the Design Review Committee.

ARTICLE VIII Property Use Restrictions

In addition to the restrictions established by law or 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 the Properties common interest development:

Section 1. Residential Use of Lots.

(a) Lots shall be used for residential purposes only; provided, however, that the incidental uses permitted by section 2, below shall be authorized. In no event shall a Residence be occupied by more individuals than permitted by applicable law, zoning or other local governmental regulation.

(b) All Residence and related structures erected on any Residential Lot shall conform to the minimum construction standards set forth in article VI hereof, unless a variance has been granted by the Design Review Committee in accordance with article V, section 12 hereof.

(c) Each Lot shall be conveyed as a separately designated and legally described fee simple estate, subject to this Declaration. All Lots and the Residences and other Improvements erected or placed thereon (including,

without limitation, landscaping) shall at all times be maintained in such a manner as to prevent their becoming unsightly.

(d) The vegetation and landscaping on any Lot and within the common areas of any Condominium Project 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.

(e) No camping, whether temporary or permanent, and no temporary structures of any kind shall be permitted on any Lot.

(f) No more than one kitchen facility shall be installed or maintained in any Residence.

Section 2. Restrictions on Business and Commercial Activities. No Residence, Lot, or Common Area shall be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such nonresidential purposes, except for home occupations that comply with all of the following criteria:

(a) The occupation is restricted to one (1) room of the residence not including garages and artist studios.

(b) The occupation does not require any structural alterations of the exterior of the residence, and the existence of said occupation shall not be apparent beyond the boundaries of the premises;

(c) The occupation does not involve any displays, delivery or merchandise, or advertising signs;

(d) The home occupation will not generate more than five customers, patients, clients, students, or other persons upon the premises at any one time;

(e) The occupation is strictly secondary and subordinate to the primary residential use of the Residence and does not change or detrimentally affect the residential character of the dwelling, property, or neighborhood;

(f) The occupation does not require the storage of materials outside of the Residence or other approved building structure; and

(g) In the case of a Condominium Unit, the home occupation is authorized by the Project Board and is not in violation of the Project Declaration.

The leasing of Residences in accordance with Article II, section 3 shall not be considered as a prohibited business activity.

Section 3. Prohibition of Time Sharing. No Lot or Condominium Unit within the Properties shall be leased, subleased, occupied, rented, let, sublet, or used for or in connection with any time sharing agreement, plan, program, or arrangement, including, without limitation, any so called "vacation license," "travel club," "extended vacation," or other membership or time interval ownership arrangement. The term "time sharing" as used herein shall be deemed to include, but shall not be limited to, any agreement, plan, program, or arrangement under which the right to use, occupy, or possess the Lot or Lots or any portion thereof or the Residence located thereon rotates among various persons, either corporate, partnership, individual, or otherwise, on a periodically recurring basis for value exchanged, whether monetary or like kind use privileges, according to a fixed or floating interval or period of time. This section shall not be construed to limit the personal use of any Lot or any portion thereof within the Properties by any Owner or his or her or its social or familial guests. This section does not apply to shared ownership as identified by the State of California, Department of Real Estate.

Section 4. Common Areas. Except for those areas improved with Common Facilities, the Common Areas shall be preserved as open space and used for recreational purposes and other purposes incidental and ancillary to the use of Lots. Such use shall be limited to the private use for aesthetic and recreational purposes by the Members, their tenants, families and guests, subject to the provisions of the Governing Documents. No Improvement, excavation, or work which in any way alters any Common Area or Common Facility from its natural or existing state on the date that this Declaration is recorded shall be made or done except by the Association and then only in strict compliance with the provisions of this Declaration.

Section 5. Prohibition of Noxious Activities. No illegal, noxious or offensive activities shall be carried out or conducted upon any Lot, Unit or Common Area nor shall anything be done within the Properties 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, the operation of excessive noisy air conditioners, stereo amplifier systems, televisions systems, motor vehicles or power tools, to emanate from an Owner's Lot or Unit or from activities within the Common Area, which would unreasonably disturb any other Owner's or tenant's enjoyment of his or her Lot, Condominium Unit or the Common Area. This section 5 shall not be interpreted so as to exclude the use of security alarm systems in Residences or automobiles within the Properties.

Section 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 7. Household Pets. The following restrictions regarding the care and maintenance of pets within the Properties shall be observed by each Owner and resident:

(a) A reasonable number of common household pets may be kept on each Lot or Unit so long as the same are not kept, bred or maintained for commercial purposes. No other animals, livestock, or poultry of any kind shall be kept, bred or raised on any Lot or within any Residence or Unit. All animals will be kept within the confines of the Owners' or occupant's Lot and will be kept either within the pet owner's Residence or Condominium Unit or, in the case of any pet maintained on a residential Lot, in an appropriate enclosure on the Lot, which shall be maintained in healthy, humane and sanitary conditions.

(b) Dogs shall only be allowed on the Common Area when they are leashed and otherwise under the supervision and restraint of their Owners, except at the Swim and Racquet Club, where no pets are allowed.

(c) No household pet shall be left chained or otherwise tethered in front of a Lot, in the Association's Common Area or in any Project common area.

(d) Each person bringing or keeping a pet on any portion of the Properties shall be solely responsible for the conduct of their pets. The Association, its Board, officers, employees and agents shall have no liability (whether by virtue of this Declaration or otherwise) to any Owners, their family members, guests, invitees, tenants and contract purchasers for any damage or injury to persons or property caused by any pet.

(e) 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 in, upon and around any portion of the Properties to ensure that the same do not interfere with the quiet and peaceful enjoyment of the Properties by the other Owners and residents. The Association Rules may prohibit Owners and residents from bringing dogs or other permitted pets to certain Common Facilities.

(f) Project Declarations may impose restrictions on pets which are more restrictive than the restrictions imposed by this Declaration and the Association Rules and any such restriction shall prevail as to maintenance of pets within the Project.

Section 8. Storage. Storage of personal property on any Lot shall be entirely within garages and enclosed storage areas so as not to be visible from neighboring Lots or Common Areas. The Association shall have the right to establish and maintain on the premises 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 within the Common Areas. Fire wood stored on Lots shall be stacked and maintained in a neat and attractive fashion and within an area properly cleared for fire safety. Common storage or trash disposal areas within Condominium Projects shall be neatly maintained.

Section 9. Parking and Vehicle Restrictions.

(a) **Vehicles Restrictions.** No trucks or vehicles other than passenger or pickup or utility trucks with a capacity of (1) ton or less shall be parked, stored, or in any manner kept or placed on any parcel or street within the Properties except in locations designated on the Development Plan. This restriction shall not, however, be deemed to prohibit commercial and construction vehicles in the ordinary course of business, from making deliveries or otherwise providing service to any said properties. No trailer, tent, shack or other outbuilding shall be kept upon any Lot or in any street within the Properties except in connection with work of construction diligently pursued. No house trailers, campers, boats or boat trailers shall be kept upon any Lot in any street within the Properties except in a location designated by the Association. No motorcycle, motor bike, ski-mobile, golf cart, recreational vehicle powered by an internal combustion engine be operated within any of the Common Areas within the Properties or on any Lot (except for ingress and egress) except as authorized by the Association.

(b) **Use of Garages.** No vehicle shall be parked or left within the Properties other than within an enclosed garage or on the appurtenant driveway or any designated guest parking area or space and at no time shall a motor vehicle of any kind be permitted on any landscaped area of a Lot. No boat, trailer, recreational vehicle, camper, inoperable vehicle, or commercial vehicle shall be parked or left within the Properties other than within parking or storage areas designated by the Association for such use or for the purpose of loading or unloading.

(c) The Board shall have the authority to promulgate further reasonable rules and restrictions of uniform application regarding parking and vehicles within the Properties as may be deemed prudent and appropriate.

Section 10. Restrictions on Wells and Tanks. No well for the production of or from which there is produced water, oil or gas, shall be dug nor storage tanks or reservoirs, nor any installation of power, telephone or other

utility line (wire, pipe or conduit) be made or operated anywhere within the Properties except water wells, and works operated by public agencies or duly certified public utility companies.

Section 11. Sign Restrictions. No sign of any kind shall be displayed to the public view on or from any Lot or parcel designated for residential use on the Development Plan, except: (1) signs as may be required by legal proceedings; (2) residential identification signs of a combined total area of one (1) square foot or less for each residence; (3) during the time of construction of any building or other improvement, job identifications signs having a maximum face area of four (4) square feet per sign and of the type usually employed by contractors, sub-contractors and tradesmen; and (4) "for sale" signs of customary and reasonable dimensions as specified in the Association Rules. No sales or marketing brochure boxes are allowed to be installed on any property within the Properties.

Section 12. Exterior Fires. There shall be no exterior fires, except barbecue contained within facilities or receptacles and in improved areas designated for such purposes. No Owner or Owners shall permit any condition to exist on his Lot which creates a fire hazard or is in violation of fire prevention regulations.

Section 13. Noise Abatement. No exterior horn, whistles, bells, or other sound devices except security devices used exclusively to protect the security of commercial, project and private areas or improvements located thereon shall be placed or used on any Lot, Condominium Project Lot or Association Common Area.

Section 14. Walkway Obstructions. There shall be no obstruction of the pedestrian walkways located upon any Lot for purposes of circulation of foot traffic or any interference with free use thereof except such obstruction as may be reasonably required in connection with repairs of such walkways. The members, their tenants, licensees and guest are granted non-exclusive easements to use all of the pedestrian walkways within the Properties. Use of all the walkways shall be subject to regulation by rules adopted by the Association and furnished in writing to the Members. The Association shall promptly take such action as may be necessary to abate or enjoin any interference with or obstruction of the pedestrian walkways contrary to the provisions hereof and shall have a right of entry for purposes of removing the same and all costs incurred by the Association in connection with such abatement, injunction or corrective work shall be specially assessed to the Owner or Owners responsible thereof. Free use of the pedestrian walkways and free circulation of foot traffic are essential elements of the Development Plan, and in addition to all other remedies it may have at law and in equity, the County of Placer, may enjoin or abate by appropriate legal action any interference therewith or obstruction thereof.

Section 15. Trash Disposal.

(a) No trash, garbage, rubbish, fill materials, lawn and shrubbery clippings or other waste material of any kind shall be allowed to accumulate on any Lot unless stored in appropriate bear proof, sanitary, covered disposal containers located within the fully enclosed structure. If said structure is so constructed as to prevent access by animals it shall be considered bear proof. Except, on the scheduled day for trash pickup when such containers will be made available to the weekly refuse collection franchise holder to whom the Owner is required to subscribe, these receptacles may be located in the places specifically designated for such purposes. Any extraordinary accumulation or rubbish, trash, garbage or debris, such as, but not limited to, debris generated upon vacating the premises or during the construction of modifications and improvements, shall be removed from the Lots to a public dump or trash collection area by the Owner or tenant at his or her expense.

(b) No toxic or hazardous materials, such as, but not limited to, fuels, oils, other petroleum products, chemicals, detergents or cleaners shall be disposed of within the Properties by dumping them on the surface of the ground or in drainage ways or adjacent to the property. All handling and disposal of said materials will be done within full compliance of all state and County laws and ordinances.

(c) No burning of construction or yard debris or trash as a result of clearing operations shall be permitted within the Properties under any circumstances and not exterior burning or any kind or nature, with the exception or a properly attended barbecue, will be permitted.

Section 16. Outside Laundering and Drying. There shall be no exterior drying or laundering of clothes on balconies, patios, porches, or other outside areas of any Residential Lot or Condominium Project.

Section 17. Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot or within any Condominium Project 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 the Properties.

Section 18. Activities Affecting Insurance. Nothing shall be done or kept on any Lot or within any Unit or the Common Area which will increase the rate of insurance on any policy maintained by the Association (see article XI, below) 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 Unit within the Common Area which would cause any Improvements to be uninsurable against loss by

fire of casualty or result in the cancellation of insurance on any Residence Unit, Common Facility or other portion of the Common Area.

Section 19. Restriction on Further Subdivision and Severability. 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 the Properties shall be entitled to sever that Lot from the Common Area portion of the Properties.

Section 20. Deicing Agents. The use of salt as a deicing agent on roads, streets, driveways and/or parking areas within the Properties, shall not be permitted.

Section 21. Variances. Upon application by any Owner, the Board of Directors shall be authorized and empowered to grant reasonable variances from the property use restrictions set forth in this article, if specific application of the restriction will, in the sole discretion of the Board, 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 Board shall follow the procedures set forth in Article V, section, 12 for the granting of architectural variances.

Section 22. 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 Article XIII, section 6 hereof, 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 rights to be heard on the matter.

ARTICLE IX Easements

Section 1. Utility Easements. Easements for installation and maintenance of utilities and drainage facilities are shown on the Subdivision Maps. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may change or interfere with the installation and maintenance of utilities, or which may damage, interfere or change the direction of flow of drainage facilities in the easements. The easement area of each Lot and all improvements in it shall be maintained continuously by the

Owner of the Lot, or, if in a Common Area by the Association, except for those improvements for which a public authority or utility company is responsible.

Section 2. Recreational Easements. Recreational easements are shown on the Subdivisions Maps. Within these easements, no structure of any kind shall be placed, erected, constructed or maintained, and no tree or vegetation shall be felled, cut, trimmed, pruned or removed, except as may reasonably be required by the Association to construct and maintain trails and park sites therein and/or for the construction and maintenance of public and private utility easements shown on the Subdivision Maps. Such easements shall at all times be open and accessible to the Members of the Association, their guests and invitees and such other persons as may from time to time be designated by the Association, for right of way and general park purposes, subject to reasonable rules and regulations established by the Association.

Section 3. Maintenance of Easement Areas. No dwelling unit and/or other structure of any kind shall be built, erected or maintained upon any such easement, reservation or right of way, and said easements, reservations and rights of way shall, at all times, be open and accessible to public and quasi-public utility corporations, and other persons erecting, constructing, or servicing such utilities and quasi-utilities, all of whom shall have the right of ingress and egress thereto and therefrom, and the right and privilege of doing whatever may be necessary in, under and upon said locations for the carrying out of any of the purposes for which said easements, reservations and rights of way are hereby reserved and may hereafter be reserved.

Section 4. Slope Control Areas. Slope control areas are reserved as shown on the Recorded Subdivision Maps. Within these slope control areas no structure, planting or other materials shall be placed or permitted to remain or other activities undertaken which may damage or interfere with established slope ratios, create erosion or sliding problems, or which may change the direction of the flow of drainage channels. The slope control areas of each Lot or within any Condominium Project, and all improvements in them, shall be maintained continuously by the Owner of the Lot or the manager of the Project (as the case may be), except for those improvements for which a public authority or utility company is responsible.

Section 5. Other Easements. Each Lot and its Owner, and the Association as to the Common Area, are hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the Properties and each Lot and Common Area as shown on the Subdivision Map.

Section 6. Priority of Easements. Wherever easements granted to the County are, in whole or in part, coterminous with any other easements, the

easements of the County shall have and are hereby granted priority over the other easements in all respects.

ARTICLE X Insurance

Section 1. Types of Insurance Coverage. The Association shall purchase, obtain and maintain, with the premiums therefor being paid out of Common Funds, the following types of insurance, if and to the extent such insurance, with the coverages described below, is available at a reasonable premium cost:

(a) Fire and Casualty Insurance. A policy of fire and casualty insurance containing the standard extended coverage and replacement cost endorsements 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 policies 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 Article XI of this Declaration as to whether or not to repair, reconstruct or restore all of any damaged or destroyed Common Facilities.

(b) Public Liability and Property Damage Insurance. The Association shall also maintain a policy of comprehensive public liability and property damage insurance naming as parties insured the Association, each member of the 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 covering all claims for death, personal injury and property damage arising out of a single

occurrence. Such insurance shall include coverage against water damage liability, liability for non-owner and hired automobiles, liability for property of others and other liability or risk customarily covered with respect to projects similar in construction, location and use.

(c) Directors' and Officers' Liability Insurance. The Association shall maintain a policy or policies of insurance providing coverage for the individual liability of the Association's officers and directors for negligent acts or omissions in the performance of their official duties. Such insurance shall be in the minimum amount of at least One Million Dollars.

(d) Additional Insurance and Bonds. The Association may also purchase 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 subparagraph (c), 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 the Board deems necessary or desirable.

Section 2. Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by section 1 is for any reason not available, 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 3. 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 4. Trustee. All insurance proceeds payable under section 1 of this article 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 interest shall appear. The trustee shall be a commercial bank in the State that agrees in writing to accept such trust.

Section 5. 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 1 of this article. 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 6. Insurance on Lots and Residences. An Owner may carry whatever personal liability, property damage liability, fire and casualty insurance with respect to his or her Lot, Residence, Condominium Unit and personal property as the Owner desires. The Association shall have no responsibility for the adequacy or extent of such insurance coverage.

ARTICLE XI Damage or Destruction

Section 1. Minor Damage and Destruction Affecting The Common Areas. If any portion of the Common Area or any Common Facility is damaged or destroyed by fire or other casualty, and the cost of repairing or rebuilding does not exceed the amount of available insurance proceeds and capital replacement reserves, if any, accumulated for the damaged Common Facility by more than Twenty Thousand Dollars (\$20,000); then the insurance proceeds shall be paid to the Association, to be held and disbursed as hereinafter provided. The Association shall thereupon contract to repair or rebuild the damaged portions of the Common Area or Common Facility substantially in accordance with the original condition thereof. If the insurance proceeds are insufficient to pay all of the costs of repairing or rebuilding, the Association shall levy a Special Assessment on all Members to make up any deficiency in accordance with Article IV, section 3 (a)(ii) of this Declaration.

Section 2. Major Damage or Destruction of Common Areas. If section 1 does not apply to an incident involving damage to or destruction of Common Areas or Common Facilities, then the following rules shall apply:

(a) All insurance proceeds shall be paid to an insurance trustee designated by the Board to be held for the benefit of the Members as their respective interests shall appear.

(b) The Board shall obtain firm bids (including a performance bond premium) from at least two responsible contractors to rebuild the damaged or destroyed Common Facilities substantially in accordance with its original condition; provided, however, that if the facility is determined to be a total loss, a different design may be used for a facility serving the same or similar functions and uses.

As soon as the Board has obtained bids, it shall call a special meeting of the Members to consider the bids. At such meeting, the Members may, by vote of sixty-six and two-thirds percent (66 2/3%) of the total voting power entitled to vote, elect to reject all of such bids. Failure of the Members to reject all such bids shall authorize the Board to accept the bid its considers most favorable.

Section 2. Nuisance. Without limiting the generality of the foregoing section 1, 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 3. Costs and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party hereto under this Declaration, the court may award to any party to such action such attorneys' fees and other costs as it may deem just and reasonable.

Section 4. 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 5. Failure Not a Waiver. The failure of 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 Association or the Board, or any of its officers or agents.

Section 6. Rights and Remedies of the Association.

(a) **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 appropriately 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 recreational Common Facilities or suspension of the Owner's voting rights as a Member; 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 Board or its duly authorized enforcement committee. If the Association declines to take action in any

instance, any Owner shall have such rights of enforcement as exist by virtue of section 1354 of the California Civil Code or otherwise by law.

(b) Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular offenses 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). Once imposed, a fine or penalty may be collected as a Special Individual Assessment. 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.

(c) 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.

(d) Limitations of Disciplinary Rights.

(i) Loss of Rights; Forfeitures. 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 or Unit 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 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) Hearings. No penalty or temporary suspension or 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, the Common Facilities or to improvements on any Lot not owned or leased by the violator; 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. If no timely request is made, the fine shall be immediately due and payable.

(e) 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.

(f) Rules Regarding Disciplinary Proceedings. The Board, or a Covenants Committee appointed by the Board to conduct and administer disciplinary hearings and related proceedings pursuant to section 7, below, 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. Any such rules shall also be drafted consistent with the alternative dispute resolution provisions of Civil Code section 1354, to the extent such provisions are applicable to any particular covenant enforcement action by the Association.

Section 7. Covenants Committee.

(a) Appointment of Committee. Acting pursuant to Article X, section 1 of the Bylaws, the Board of Directors may 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.

(b) Jurisdiction and hearing Procedures of the Committee. The Covenants Committee shall review written complaints from Owners, the General Manager, or the Design Review Committee (for violations other than those relating to specific Improvement projects within the jurisdiction of the Design Review Committee) regarding alleged violations of the Governing Documents or Association Rules, and, when determined appropriate, conduct hearings and make findings regarding 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. Notwithstanding the foregoing, enforcement of specific violations of architectural requirements relating to Improvement projects submitted to, and reviewed by, the Design Review Committee shall remain the jurisdiction of the Design Review Committee pursuant to Article V, section 11.

(c) 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 Association Rules.

Section 8. Court Actions. Court actions to enforce the Governing Documents may only be initiated on behalf of the Association upon approval of the Board. Prior to initiating any court action seeking declaratory relief 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 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.

Section 9. Enforcement By County of Placer. The provisions of this Declaration have been approved by the County of Placer as an integral part of

the Development Plan for the benefit of said County and the property thereof affected or to be affected by the development of the Properties. The provisions hereof shall be enforceable at law and in equity by the County and, in the event that the Association fails or refuses to perform the obligations on its part to be performed hereunder, performance thereof may be enforced by the County by appropriate legal or equitable action.

**ARTICLE XIV
Notices**

Section 1. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternate to personal service, by mailing the same as follow:

If to any Owner: To the street address of his or her Lot or Unit or to such other address as he or she may from time to time designate in writing to the Association.

If to the Association: Northstar Property Owners 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). As of the effective date of this Declaration, the Association's mailing address is 2200 North Village Lane, Truckee, California 96161

Section 2. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-Owners of any Lot or Unit, to any general partner of a partnership which is the Owner of Record of the Lot or Unit, or to any officer or agent for service of process of a corporation which is the Owner of Record of the Lot or Unit, shall be deemed delivered to all such co-Owners, to such partnership, or to such corporation, as the case may be.

Section 3. 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 XV
Amendment of Declaration**

Section 1. Amendment in General. This Declaration may be amended or revoked in any respect by the vote or assent by written ballot of the holders of

not less than a majority of the Voting Power of the Members. Notwithstanding the foregoing, the percentage of the Voting Power necessary to amend a specific clause or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

Section 2. Approval By the County of Placer. With the exception of any amendment of this Declaration which is intended solely to reflect requirements imposed on common interest developments by State law which affect the content of this Declaration, any amendment of this Declaration shall also require approval of the County of Placer.

Section 3. Effective Date of Amendment. The amendment will be effective upon Recordation of a Certificate Amendment, duly executed and certified by the president and secretary of the Association, setting forth in full the amendment so approved and that the approval requirements of section 1 and 2 (if applicable), above, have been duly met. If the consent or approval of any governmental authority 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 4. 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.

ARTICLE XVI General Provisions

Section 1. 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, Units and the Common Areas comprising the Properties, as herein provided, and shall inure to the benefit of and be binding upon the Owners, 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 term of this Declaration 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 recordable 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 2. Annexation of Additional Property.

(a) **Scope of Article/Nature of Annexation.** For purpose of this section 2, an annexation is defined as any addition of property to the lands now covered by this Declaration. Once annexation occurs, the newly annexed territory, and the Owners of property therein, shall have the same rights, duties, and obligations as the Owners of any other property included within the Properties; subject to any modification of those rights, duties and/or obligations imposed by a Declaration of Annexation recorded pursuant to subparagraph (e), below. Any owner ("Annexation Proponent") of real property which is contiguous to any border of the Properties can make a written request to the Board of Directors that a proposed annexation be submitted to the Members for approval in accordance with subparagraphs (b) through (d), below. For purposes of this section, a parcel or parcels of property shall be considered contiguous to the Properties and, thus, eligible for annexation if the property shares a common boundary with any portion of the Properties or with any other parcel ("adjoining parcel") which shares a common boundary with the Properties and is proposed for annexation contemporaneously with the adjoining parcel. Parcels proposed for annexation (the "Annexation Parcel(s)") must be separate legal parcels and all governmental approvals required as a condition for annexation must be obtained by the Annexation Proponent at his or her sole cost and expense.

(b) **Application for Annexation.** In order to initiate a membership vote on the proposed annexation, the Annexation Proponent(s) shall present a written proposal for annexation to the Board of Directors which shall include at least the following information:

(i) A copy of the proposed Declaration of Annexation (see subparagraph (e), below) which shall be Recorded upon approval of the proposed annexation by the Board and the Members;

(ii) A reasonably detailed description of the intentions of the Annexation Proponent(s) with respect to the development, subdivision, and use of the Annexation Parcel, including, without limitation, the number of residential lots or units, the type and location of any commercial areas, any special development conditions imposed by any local governmental agency in connection with the approval of a subdivision map for the Annexation Parcel, and any proposal to create any local districts with jurisdiction over the Annexation Parcel or any portion thereof;

(iii) If any additional Common Areas or Common Facilities are proposed within the Annexation Parcel, detailed financial budgets and projections disclosing the maintenance, repair, operations, and capital reserve obligations which are likely to be incurred by the Association as a result of the annexation and the proposed method of allocating assessments to defray those anticipated expenses; and,

(iv) Any proposals for the formation of other community associations with jurisdiction over all or any portion of the Annexation Parcel.

(c) Board Approval. Upon receipt of a complete application for annexation, the Board shall have a period of 60 days to evaluate and act upon the proposal. If requested by the Annexation Proponent, a copy of the Annexation application shall be mailed to the Association's Members at the Proponent's sole expense within the first 30 days of the Board's evaluation period, together with a request for Member comments. At the conclusion of the 60 day evaluation period the Board shall take one of the following actions: (a) approve the proposal and call for a membership vote thereon by written ballot in accordance with subparagraph (d), below; (b) disapprove the proposal; or (c) approve the proposal subject to the satisfaction of specified conditions. Unless Board approval is obtained, the Association shall not be obligated to present the annexation proposal to the Members unless a petition requesting a membership vote on the matter, signed by at least five percent of the membership, is presented to the Board (see Article V, section 3 of the Bylaws).

(d) Membership Approval Required. In addition to receiving Board approval in accordance with subparagraph (c), above, any proposed annexation must also be approved by at least a majority of the Voting Power of the Members of the Association. The annexation proposal shall be submitted to the Members within 30 days following Board approval or receipt of a Member petition meeting the requirements specified in subparagraph (c), above. The Member vote shall be conducted by written ballot in accordance with Article IV section 6 of the Bylaws. The solicitation materials accompanying the ballot shall include a copy of the proposed Declaration of Annexation, any financial analysis prepared in accordance with subparagraph (b)(iii), above, and any other information considered by the Board to be necessary or appropriate for an informed decision by the Members. Nothing in this subparagraph (d) shall be construed so as to prevent the Association from conducting one or more membership meetings to discuss a particular annexation proposal or to enable the Members to hear from the Annexation Proponents regarding their proposal.

(e) Declaration of Annexation. Any annexations of real property to the Properties authorized under subparagraphs (c) and (d), above, shall be effected by Recording a Declaration of Annexation, or other similar instrument, with respect to the Annexation Parcel. The Declaration of Annexation: (i) shall be executed by the Annexation Proponent; (ii) shall extend the general plan and scheme of this Declaration to the Annexation Parcel; and (iii) may contain such additions to, and modifications of, the covenants, conditions, easements and restrictions contained in this Declaration as may be necessary to reflect the different character or nature of development, if any, of the Annexation parcel (such as the construction of townhomes, condominiums or commercial structures or matters unique to new Common Facilities), or any allocation of Assessments which differs from the allocation provided in Article IV, above, so

long as the supplemental restrictions were submitted to the Members for consideration at the time their votes were solicited and the supplemental restrictions are consistent with the general plan and scheme of this Declaration and all applicable laws and governmental regulations. Supplemental restrictions may also be set forth in a separate Supplemental Declaration recorded contemporaneously with the Declaration of Annexation. Any such Supplemental Declaration may set forth use restrictions and the design and building standards which shall apply to the Annexation Parcel or may give blanket approval for development of the Annexation Parcel by the Annexation Proponent in accordance with specific architectural plans and drawings which are submitted to the Association Board and the Members by the Annexation Proponent together with the proposed supplemental declaration.

The Recording of a Declaration of Annexation shall constitute and effectuate the annexation of the Annexation Parcel to the Properties and thereafter the annexation Parcel shall be subject to, and encompassed within, the general plan and scheme of this Declaration. Lots and/or Units within the Annexation Parcel shall thereupon become subject to Assessment by the Association and to the functions, powers, and jurisdiction of the Association, and the Owners of Lots or Units within the Annexation Parcel shall automatically become Members of the Association.

Any Association Common Areas or Common Facilities which are included within the Annexation Parcel shall be conveyed to the Association, free of all liens and encumbrances, other than liens, rights-of-way, or other encumbrances disclosed on the preliminary title report for the Annexation Parcel and approved by the Association. The conveyance to the Association of any Common Areas included within the Annexation Parcel shall occur immediately following Recordation of the Declaration of Annexation unless otherwise agreed in writing by the Annexation Proponent and the Board of Directors and the California Department of Real Estate.

Section 3. Construction.

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

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

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

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

(e) References to State Statutes. Any references in this Declaration to State Statutes shall be to the referenced statute as in effect on the date that this Declaration is Recorded. In the event that any referenced statute is subsequently amended or superseded, all such references shall thereupon mean and refer to the referenced statute as so amended, modified or superseded, so long as the amended statute continues to regulate or pertain to the same subject matter.

(f) Effective Date. References herein to the effective date of this Declaration shall mean the date that the Declaration has been recorded in the Official Records of the Placer County Recorder's Office, except that any minimum construction standards set forth in Article VI which are not a part of the Original Declaration or the Design Guidelines as the effective date shall not apply to any Improvement project that has been duly approved by the Design Review Committee but which has not yet commenced or which remains uncompleted as of the effective date.

(g) Exhibits. All exhibits to which reference is made herein are deemed to be incorporated herein by reference, whether or not actually attached.

DATED: _____, 1996.

NORTHSTAR PROPERTY
OWNERS ASSOCIATION,
a California nonprofit mutual
benefit corporation

By: _____
Gail Anderson, President

By: _____
James Nakada Secretary/Treasurer