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WHEN RECORDED RETURN TO:**

RIMROCK RANCH LLC
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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
RIM ROCK RANCH VINEYARD ESTATES**

THIS DECLARATION CONTAINS A BINDING ARBITRATION PROVISION IN ACCORDANCE WITH CALIFORNIA LAW. YOU SHOULD READ THE ARBITRATION PROVISION CAREFULLY AND SHOULD CONSULT LEGAL COUNSEL WITH ANY QUESTIONS.

IF THIS DOCUMENT CONTAINS ANY RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, FAMILIAL STATUS, MARITAL STATUS, DISABILITY, NATIONAL ORIGIN, OR ANCESTRY, THAT RESTRICTION VIOLATES STATE AND FEDERAL FAIR HOUSING LAWS AND IS VOID, AND MAY BE REMOVED PURSUANT TO SECTION 12956.1 (b) OF THE CALIFORNIA GOVERNMENT CODE.

02/09/07

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INDEX

	PAGE
ARTICLE I: DEFINITIONS	2
ARTICLE II: DESCRIPTION OF PROJECT, DIVISION OF PROPERTY, AND CREATION OF PROPERTY RIGHTS	4
ARTICLE III: OWNERS' ASSOCIATION, MEMBERSHIP AND VOTING RIGHTS	4
ARTICLE IV: DUTIES AND POWERS OF THE ASSOCIATION AND INDIVIDUAL LOT OWNERS	6
ARTICLE V: ASSESSMENTS	11
ARTICLE VI: EASEMENTS	15
ARTICLE VII: USE RESTRICTIONS	17
ARTICLE VIII: ARCHITECTURAL CONTROL	21
ARTICLE IX: DAMAGE, DESTRUCTION OR CONDEMNATION OF EASEMENT AND MAINTENANCE AREAS	25
ARTICLE X: GENERAL PROVISIONS	28
EXHIBIT A: RIM ROCK RANCH BEST MANAGEMENT PRACTICES	39

02/09/07

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
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THIS DECLARATION is made on the date hereinafter set forth by RIM ROCK RANCH, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY AND RRR VINEYARD ESTATES, INC., A CALIFORNIA CORPORATION (hereinafter called "Declarant").

WHEREAS, Declarant is the owner of all that certain real property located in the town of Middletown within the unincorporated area of Lake County, State of California, more particularly described as follows:

All of the real property shown on the Subdivision Map entitled Rim Rock Ranch Vineyard Estates, filed in Book 17 of Subdivision Maps at pages 1-12, inclusive, in the Official Records of Lake County, State of California, on OCTOBER 19, 2007, (hereinafter referred to as "the Map).

WHEREAS, it is Declarant's intention to impose upon the property mutually beneficial restrictions under a common scheme for the improvement, maintenance and benefit of all of said lots and the owners thereof; and

WHEREAS, Declarant hereby establishes by this Declaration a plan for the individual ownership of the real property estates, consisting of those certain parcels of land together with those single-family residential improvements thereon as well as the "easement and maintenance areas" as hereafter defined.

NOW THEREFORE, Declarant hereby declares that the property is held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved, subject to the following limitations, restrictions, covenants and conditions, all of which are declared and agreed to be in furtherance of a plan for the improvement of the property and are established and agreed upon for the purpose of enhancing and perfecting the value, desirability and attractiveness of the Project and every part thereof. All of the limitations, covenants, restrictions, and conditions shall run with the real property and shall be binding upon all parties having or acquiring any right, title, or interest therein or any part thereof, and shall be for the benefit of each owner of any portion of said Project or any interest therein, and shall inure to the benefit of and be binding upon each successor in interest.

ARTICLE I

DEFINITIONS

1. **The "Association" means the Rim Rock Ranch Vineyard Estates Owners' Association, a non-profit unincorporated association, membership in which shall be limited to owners (as hereinafter defined) and in which all owners have a membership interest.**
2. **"Beneficiary" means and refers to a mortgagee under a mortgage or a beneficiary under a deed of trust encumbering a lot, as hereafter defined.**
3. **"Board" or "Board of Directors" means the governing body of the Association.**
4. **"By-Laws" shall mean the By-laws of the Association which are or shall be adopted by the Board.**
5. **"Declarant" means and refers to Rim Rock Ranch, LLC, a California limited liability company, and RRR Vineyard Estates, Inc., a California corporation and any successor(s) in interest of Declarant, if (i) such successor(s) in interest acquires all or any portion of Declarant's interest in the Project for the purposes of development, sale, and/or rental and (ii) a certificate, signed by Declarant, has been recorded in the County in which the successor(s) in interest assumes the rights and duties of Declarant to the portion of the Project so acquired. There may therefore be more than one Declarant.**
6. **"Declaration" means and refers to this Declaration of Covenants, Conditions and Restrictions, as amended or supplemented from time to time.**
7. **"Director" means and refers to a member of the Board of Directors.**
8. **"Easement and Maintenance Areas" means and refers to the roadways within the project (Ranch Road, Vineyard Drive, Sage Court, and Buckeye Court), the main entry gate facility and area, the gate associated with the roadway easement for emergency access to Spruce Grove Road (contiguous to Lots 21 & 22), the private roadways, water towers and any other areas for which the Association has an easement right or maintenance responsibility pursuant to this Declaration.**
9. **"Eligible Mortgage Holder" means and refers to those holders of a first mortgage on a Lot who have requested the Association to notify them on any proposed action that requires the consent of a specified percentage of eligible mortgage holders.**

10. "Institutional Lender" shall mean any bank, savings and loan association, insurance company, or other financial institution holding a recorded first mortgage on any Lot.
11. "Lots" mean those certain parcels of land together with the single-family residential improvements attached thereto, described Lots 1-26, inclusive, as shown on the Map of Rim Rock Ranch Vineyard Estates, Lake County, State of California.
12. "Map" refers to that Subdivision Map entitled "Rim Rock Ranch Vineyard Estates" filed in Book 17 of Subdivision Maps at pages 1-12, inclusive, in the Official Records of Lake County, State of California, on OCTOBER 19, 2007.
13. "Member" means and refers to those lot owners who are members of the Association pursuant to Article III hereof.
14. "Mortgage" means a deed of trust as well as a mortgage.
15. "Mortgagee" means a beneficiary under or holder of a deed of trust as well as a mortgage.
16. "Owner" or "Owners" mean the record owner or owners, whether one or more persons or entities, of a fee simple title to a lot, and a contract vendee of a Lot, but excluding any person or entity having such interest merely as security for the performance of an obligation.
17. "Project" and "Property" means the entire parcel of real property described above, and such additions thereto as may later be brought within the jurisdiction of the Association.
18. "Public Report" or "Final Subdivision Public Report" means the public report(s) issued for the project by the California Department of Real Estate pursuant to the provisions of the California Business and Professions Code Sections 11000 et. seq.
19. "Rim Rock Ranch Best Management Practices" means the guidelines for post-construction maintenance, clearing of vegetation and firebreaks, as well as grading and dust control, revegetation and rangeland management, marked Exhibit "A" and attached to this Declaration and made part hereof.
20. "Rules" means the Rules, if any, adopted by the Association pursuant to this Declaration.

ARTICLE II

DESCRIPTION OF PROJECT, DIVISION OF PROPERTY, AND CREATION OF PROPERTY RIGHTS

Section 1 Property Subject to Declaration: All of the real property shown on the Map of Rim Rock Ranch Vineyard Estates, Lake County, California, is hereby declared to be subject to this Declaration.

Section 2 Partition Prohibited: Judicial partition by sale of a single lot owned by two or more persons and division of the sale proceeds is not prohibited hereby but physical partition of a single lot is prohibited.

Section 3 Easement and Maintenance Areas: The Association shall maintain the roadways, entry gate areas, designated water towers, and any other areas deemed necessary for the benefit of the owners within the project. Every owner shall have a right and easement of ingress, egress, use and enjoyment over and upon such Easement and Maintenance Areas which shall be appurtenant to and shall pass with the title to every Lot subject to the provisions in this Declaration.

ARTICLE III

OWNERS' ASSOCIATION, MEMBERSHIP AND VOTING RIGHTS

Section 1 Organization: The Association is a non-profit unincorporated association charged with the duties and empowered with the rights set forth herein. Its affairs shall be governed by the laws of the State of California, this Declaration, the By-laws, and the Rules of the Association, if any.

Section 2 Membership: The owner of a Lot shall automatically, upon taking title to a Lot, be a member of the Association and shall remain a member thereof until such time as his ownership ceases for any reason, at which time his membership in the Association will automatically cease. Membership is to be held in accordance with the laws of the State of California, this Declaration, and the Rules of the Association, if any.

Section 3 Transferred Membership: Membership in the Association may not be transferred, pledged, or alienated in any way, except upon the sale or encumbrance of the Lot to which it is appurtenant, and then only to the purchaser, in the case of a sale, or mortgagee, in the case of

an encumbrance of such a Lot. A mortgagee does not have membership rights until he becomes an owner by foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer is void.

Section 4 Voting Classes: The Association shall have two (2) classes of voting membership:

- (1) Class A: Class A members shall be all owners with the exception of the Declarant, and Class A members shall be entitled to one vote for each Lot owned. When more than one person holds an ownership interest in any Lot, all such persons shall be members; provided, however, that with respect to any matter requiring the vote or consent of members, no more than one vote shall be cast with respect to any Lot. The vote for such Lot shall be exercised as the members holding an interest in such Lot among themselves determine. In the event of disagreement, the decision of members holding a majority of interest shall govern. In the event two or more persons have equal interests in a Lot, the vote shall be determined by a coin flip.**

- (2) Class B: The Class B member shall be the Declarant, and Declarant shall be entitled to three (3) votes for each Lot owned. The Class B membership shall be irreversibly converted to Class A membership on the first to occur of the following:**
 - a. the total outstanding votes held by Class A member equal the total outstanding votes held by Class B members;**
 - b. the third anniversary of the first conveyance of a Lot within the Rim Rock Ranch Vineyard Estates project.**

Any action by the Association (with the exception of enforcing a bond) which must have the approval of the members other than the Declarant before being undertaken shall require the vote or written assent of fifty-one percent (51%) of each class of membership during the time that there are two outstanding classes of membership. When only a single class exists after conversion of Class B to Class A, any action by the Association which is subject to the approval of members other than the Declarant shall require the vote or written assent of fifty-one percent (51%) of the total voting power of the Association as well as the vote or written assent of fifty-one percent (51%) of the total voting power of members other than the Declarant. Voting rights attributable to Lot ownership shall not be vested until assessments against the particular Lot have been levied by the Association.

Section 5 Voting Procedures and Meetings: Voting procedures and the notice, quorum requirements and location of meetings of the Association shall be as provided for in the Rules and/or By-Laws of the Association, if any.

Section 6 Board of Directors: The Board shall undertake all duties and responsibilities of the Association and the management and conduct of the affairs thereof, except as expressly is reserved herein to a vote of the Members. The initial Board of the Association consisting of

three (3) Directors shall be appointed by Declarant, and shall hold office until the first regular meeting of the members is held pursuant to the By-Laws. At said meeting a new Board of three (3) Directors shall be elected by secret written ballot to serve until the next regular annual meeting of the Association members or until their successors are elected. The number of Directors may be changed by amendment of the By-Laws.

ARTICLE IV

DUTIES AND POWERS OF THE ASSOCIATION AND INDIVIDUAL LOT OWNERS

Section 1 Duties of the Association With Respect to Maintenance of the Easement and Maintenance Areas:

The Association shall replace, repair and maintain in good repair the easement and maintenance areas including but not limited to, the main entry gate, the gate associated with the roadway easement for emergency access to Spruce Grove Road (contiguous to Lots 21 & 22), the private roadways, water towers, lighting, landscaping, postal facility, and any other facilities within such easement and maintenance areas which are for the benefit of the entire project.

The Association shall also be responsible for repairing, replacing, or maintaining the easement and maintenance areas with respect to any damage caused by the presence of wood-destroying pests or organisms.

The Association shall adhere to and enforce the "Rim Rock Ranch Best Management Practices" guidelines for post-construction maintenance, clearing of vegetation and firebreaks, as well as grading and dust control, revegetation and rangeland management, marked Exhibit "A" and attached to this Declaration and made part hereof.

Section 2 Duties of Individual Lot Owners: Each Lot owner shall be responsible for maintaining all landscaping located within his Lot in a neat and orderly condition. Such landscaping is to be maintained in a manner consistent with the standards of design and quality as originally established or approved by Declarant.

Maintenance shall include pruning, mowing, weeding, cleaning of debris and trash, fertilizing and regular watering. Any diseased or dead lawns, trees, ground cover or shrubbery shall be removed and replaced.

Each Lot owner shall be responsible for maintaining the fencing, entrance gate and columns upon his Lot in a neat, orderly and functioning condition consistent with the standards, quality, color and materials as originally established or approved by Declarant.

If any Owner fails, in the judgement of the Board of Directors, to perform the maintenance required as forth in the above paragraphs, the Association may send a letter of non-compliance and schedule a hearing to accomplish compliance, in accordance with the provisions of Section 10 of this Article IV of this Declaration.

Each Lot owner shall bear the costs of any damage to his Lot or residence caused by the presence of wood-destroying pests or organisms.

It is noted that the owner(s) of Lot 1 shall be required to maintain an alternative type septic system.

Section 3 Insurance: The Association (or Declarant until the election of the first Board of Directors) shall purchase and maintain certain insurance policies and the following shall apply with respect to insurance:

(a) The Association shall purchase and maintain, if possible, a master blanket comprehensive liability, bodily injury and property damage policy insuring the interests of the Board and the Owners against public liability as a result of their responsibility to maintain the easement and maintenance areas with a combined single limit of not less than Two Million Dollars (\$2,000,000.00) per occurrence (such limits and coverage shall be reviewed at least annually by the Board and adjusted at its discretion).

Such liability insurance shall not cover the personal bodily injury and property damage exposure of each Owner within his Lot or in any other Lot in the project. Obtaining such insurance coverage by each Owner is optional.

(b) The Association shall notify each Owner annually as to the amount and type of insurance carried and whether such coverage complies with the levels specified by California law.

(c) Workers' Compensation Insurance shall at all times be carried as required by law with respect to the employees, if any, of the Association.

(d) The Association shall purchase and maintain a fidelity bond or insurance covering loss or theft of funds, naming the Board of Directors and other persons as may be designated by Declarant as principals and the Owners as obligees in an amount equal to at least the sum of three months' assessments on all lots within the project. Separate bank accounts should be maintained for the working and reserve accounts, or any management company must maintain separate records and bank accounts for each owners' association that uses its services and the management company does not have the authority to draw checks on, or to transfer funds from, the owners' association, or two Board members must sign any checks written on the reserve account.

(e) Should the Board of Directors, despite its reasonable efforts to do so, be unable to obtain insurance coverage meeting all of the specifications set forth above, it shall observe such

specifications as closely as possible, and where forms of coverage or insuring agreement specified above are unavailable, the Board shall substitute available forms of coverage and insuring agreements which in its judgment are the nearest equivalent to those specified.

(f) Proceeds of all insurance policies owned by the Association shall be received by the Association, held in a separate account and distributed to the Association and the Owners and their mortgagees subject to the provisions of this Declaration as their interest may appear; provided, however, whenever repair or reconstruction is required the proceeds of any insurance received by the Association as a result of any loss shall be applied to such repair or reconstruction. Upon the vote or written assent of a majority of the voting power of the Association residing in members other than Declarant, the Board shall levy a special assessment against all Owners to make up for any deficiency in making necessary repairs or reconstruction.

(g) Each Owner shall be deemed to appoint the Association as his true and lawful attorney-in-fact to act in connection with all matters concerning the maintenance of the Master (insurance) Policy. Without limitation on the generality of the foregoing, the Association as said attorney shall have full power and authority to purchase and maintain such insurance, to collect and remit the premiums therefor, to collect proceeds and to distribute the same to the Association, the Owners and their respective mortgagees (subject to the provisions of this Declaration) as their interests may appear, to execute releases of liability and to execute documents and to do all things on behalf of the Owners as shall be necessary or convenient to the accomplishment of the foregoing, and any insurer may deal exclusively with the Association in regard to such matters. The Association shall not be responsible for procurement or maintenance of any insurance covering the contents or the interior of any residence nor the liability of any Owner for occurrences therein not caused by or connected with the Association's operation, maintenance, or use of the easement and maintenance Areas.

Section 4 Assessments: The Association shall fix, collect and enforce assessments as set forth in Article V hereof.

Section 5 Payment of Expenses: The Association shall pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes or governmental charges levied or imposed against the Association.

Section 6 Enforcement: The Association shall enforce this Declaration, and the rules of the Association, if any.

Section 7 Power of Access: The Board and its agents or employees shall have the exclusive right to enter the easement and maintenance areas as necessary in connection with construction, maintenance or emergency repair for the benefit of such areas or the Lot owners.

Section 8 Manager: The Association shall have the authority to employ a manager or other persons and to hire independent contractors or employees to perform all or any part of the

duties and responsibilities of the Association, provided that any contract with a firm or person appointed as a manager or managing agent, or any contract providing for services by the developer, sponsor or builder, shall not exceed a one (1) year term, shall provide for termination by either party without cause on ninety (90) days written notice, and shall provide for the right of the Association to terminate the same for cause on thirty (30) days written notice.

Section 9 Association Rules: The Board may, from time to time, and subject to the provisions of this Declaration, adopt such Rules as the Board may deem necessary for the management of the Project.

A copy of any Rules adopted shall be furnished to each Owner, and each Owner, his family, guests, employees, invitees, licensees and tenants shall comply with such Rules.

Section 10 Enforcement of Rules and Restrictions: The Board shall have the power, obligation and duty to enforce the provisions of this Declaration and the Rules, if any. In the event of a breach of any of the restrictions contained in this Declaration or of any Rules by an Owner, his family, guests, employees, invitees, licensees or tenants, the Board may enforce the obligations of each Owner to obey such Rules or restrictions in any manner provided by law or in equity, including but not limited to, appropriate legal action, suspension of the Owner's voting right, provided, however, such suspension may not be for a period in excess of thirty (30) days, and may not be imposed without notice and hearing as herein provided, for an infraction of such Rules. In addition to the other remedies herein set forth, the Board, by majority vote, may levy a fine against such Owner, after appropriate notice and hearing as herein provided. The right to levy fines, hold disciplinary hearings or otherwise impose discipline on members under this section is vested solely in the Board and may not be delegated to any Director, officer, or manager or other employees of the Board or Declarant.

When the Board of Directors is to meet to consider or impose discipline upon a member, the Board shall notify the member in writing, by either personal delivery or first-class mail, at least ten (10) days prior to the meeting. The notification shall contain, at a minimum, the date, time, and place of the meeting, the nature of the alleged violation for which a member may be disciplined, and a statement that the member has a right to attend and may address the Board at the meeting. The Board shall meet in executive session if requested by the member being disciplined. If the Board imposes discipline on a member, the Board shall provide the member a written notification of the disciplinary action, by either personal delivery or first-class mail, within fifteen (15) days following the action. A disciplinary action shall not be effective against a member unless the Board fulfills the requirements of this subdivision.

The Board of Directors shall adopt and distribute to each member, by personal delivery or first-class mail, a schedule of the monetary penalties, including those related to activities of a guest or invitee of a member, that may be assessed for any violation of this Declaration or any Association Rules adopted. The Board is not required to distribute any additional schedules of monetary penalties unless there are changes from the previous schedule adopted and distributed.

Notwithstanding anything to the contrary in this Declaration, neither the Board nor the Association of Members shall have the power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his individually owned Lot including access thereto over and across the Easement and Maintenance Areas, because of such Owner's failure to comply with the provisions of this Declaration or any Rules adopted by the Association except when such loss or forfeiture is the result of a judgment of a court, a decision out of arbitration, or on account of a foreclosure. In the event legal action is instituted by the Board pursuant to this section, any judgment rendered in any such action shall include costs of collection, court costs and reasonable attorneys' fees.

Section 11 Contracts: The Association shall have the power to contract for goods and/or services for the Easement and Maintenance Areas, subject to limitations elsewhere set forth in this Declaration or the Association rules, if any.

Section 12 Power of Attorney: Each owner, for himself, his successors and assigns, shall be deemed upon purchasing his Lot to have appointed the officers of the Association, or any of them, as his true and lawful attorney, in his name, place and stead, to prosecute, settle and/or release any claims arising out of the maintenance of the Easement and Maintenance Areas. Such power shall be utilized only upon express authorization of the Board given by resolution adopted by the Board at a meeting for which all members are given advance written notice specifying the nature of the proposed action for which the power of attorney is to be utilized.

Section 13 Litigation/Arbitration: The Association, subject to Article X of this Declaration, shall have the power to institute, defend, settle or intervene in litigation, arbitration, mediation or administrative proceedings on behalf of the Association pursuant to California Code of Civil Procedure Section 383. The Board of Directors may enter into a fee arrangement contract with an attorney in a matter involving the easement and maintenance areas, only after getting the vote at a duly noticed and properly held membership meeting, of a majority of a quorum of the Members other than Declarant.

If, and to the extent that, there is any inconsistency between this subsection and applicable provisions of California law pertaining to the commencement of an action by the Association, the applicable provisions of the California statutes shall control.

ARTICLE V

ASSESSMENTS

Section 1 Covenants for Maintenance Assessments: Declarant hereby covenants and agrees for each Lot owned by it within the Project, and each Owner of any Lot by acceptance of a deed is deemed to covenant and agree, to pay to the Association the assessments levied pursuant to this Article. Declarant and each Owner thereby vest in the Association the right to bring all actions for the collection of such charges.

Each assessment levied by the Association under this Article constitutes a separate assessment. Each assessment, together with interest thereon, costs of collection and reasonable attorneys' fees, will be a charge on the Lot. Each charge for any particular quarterly period will also secure interest thereon, if the same is not paid when due, and costs of suit and reasonable attorneys' fees to be fixed by the court if action or suit is brought to collect such charge.

A regular or special assessment, and any late charges, reasonable costs of collection, and interest, shall be a debt of the Owner of the Lot at the time when the assessment or other sums are levied.

The personal obligation for delinquent assessments will not pass to a Lot Owner's successor in title unless expressly assumed by such successor.

Section 2 Regular Quarterly Assessments: The Board shall establish regular quarterly assessments for operation and maintenance of the Project by the procedures established in this Section.

The assessments for a Lot shall be due and payable in quarterly installments on dates which shall be established by the Association, following conveyance of the first Lot within the Rim Rock Ranch Vineyard Estates Project.

Regular assessments shall be levied equally against all Lots.

The Association shall not impose or collect an assessment or fee that exceeds the amount necessary to defray the costs for which it is levied.

The Declarant and any Lot owner may defer the payment of any portion of assessments which are for the purpose of defraying expenses and reserves directly attributable to the existence and use of any easement and maintenance area that is not complete at the time assessments

commence. Any exemption from the payment of assessments attributed to such facilities shall be in effect only until the earliest of the following to occur:

- (1) A notice of completion of the facility has been recorded; or**
- (2) The facility has been placed into use.**

Not less than sixty (60) days prior to the beginning of each fiscal year, the Board shall estimate the total charges to be paid out of the maintenance fund during such year (including a reasonable reserve for contingencies) and distribute a copy of a pro forma operating statement (budget) to each member. All funds budgeted, allocated, assessed and collected for deferred maintenance and capital improvements shall be designated and used solely for those specific purposes.

Within one hundred and twenty (120) days after the end of each fiscal year, the owners shall receive an accounting of assessment receipts and disbursements for that fiscal year.

Section 3 Special Assessments: In addition to the regular assessments authorized herein, the Board may levy a special assessment for capital improvements, correction of inadequacy of the maintenance fund, defraying, in whole or in part, the cost of any construction or unexpected repair or replacement of improvements in the easement and maintenance areas and such other matters as the Board may deem appropriate.

Notwithstanding any other provisions contained in this Article, the Board may increase assessments necessary for emergency situations. Any such special assessment shall be levied among all Lots in equal amounts.

Section 4 Reimbursement Charges: The Board shall levy a reimbursement charge against any Owner and the Lot owned by such Owner whose failure to comply with this Declaration or the Association's Rules has necessitated an expenditure of monies by the Association from the maintenance fund to bring such Owner and Lot into compliance with said instruments or in otherwise performing its functions under this Declaration. Such charge shall be for the purpose of reimbursing the Association and shall be due and payable to the Association when levied.

Section 5 Non-Waiver of Assessments: The omission by the Board, before the expiration of any year, to fix the assessments for that or the next year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration or a release of any Lot Owner from the obligations to pay the assessments, or any installment thereof, for that or any subsequent year. In the instance of such omission, the assessment fixed for the preceding year shall continue until a new assessment is fixed. No Lot Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the easement and maintenance areas, abandonment of the Lot or any attempt to renounce rights in the Easement and Maintenance Areas.

Section 6 Enforcement: Each Owner of a Lot, upon becoming such Owner, shall be deemed to covenant and agree to pay to the Association every assessment provided for in this Declaration and shall be deemed to agree to the enforcement of all such assessments in the manner specified herein.

In the event an attorney is employed for collection of any assessment or to enforce compliance with the terms and conditions of this Declaration, each Lot Owner agrees to pay reasonable attorneys' fees and any other costs thereby incurred, in addition to any other amounts due or any other relief or remedy to which the Association is entitled.

Any assessment not paid when due will be deemed to be delinquent. Any assessment not paid within thirty (30) days after the date on which it becomes due shall thereafter earn interest from the date of delinquency at the maximum rate permitted by Article XV of the California Constitution.

In addition to any other remedies herein or by law provided, the Association, or its representative, may enforce the obligations of the Owners to pay the assessments provided for in this Declaration, in any manner provided by law or in equity, and particularly, California Civil Code Section 845.

The Association may commence and maintain a suit at law against any Lot Owner or Owners personally obligated to pay assessments for such delinquent assessments and such suit will be maintained in the name of the Association. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon, costs of collection, court costs and reasonable attorneys' fees in such amount as the court may adjudge against the delinquent Lot Owner. The Association may not recover more than once in connection with a single delinquent assessment.

When an owner makes a payment, he or she may request a receipt, and the Association is required to provide it. On the receipt, the Association must indicate the date of payment and the person who received it. The Association must inform members of a mailing address for overnight payments.

An owner may dispute an assessment debt by giving the Association a written explanation, and the Association must respond within 15 days if certain conditions are met. An owner may pay assessments that are in dispute in full under protest, and then request alternative dispute resolution.

An owner is not liable for charges, interest, and costs of collection if it is established that the assessment was paid properly on time.

A member may request the Association to consider a payment plan to satisfy a delinquent assessment. The Association must inform owners of the standards for payment plans if any exist.

The Association or its manager(s) must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the Association, if they exist.

Section 7 Association Funds: The assessments collected by the Association shall be held by the Association for and on behalf of each Lot Owner and shall be used solely for the operation, care and maintenance of the easement and maintenance areas within the Project as provided in this Declaration. The Board shall allocate a portion of said funds as collected for the annual maintenance and operation of the Project as specified in the annual budget and the Board shall allocate a portion of said funds as collected as reserves for contingencies, replacement and deferred maintenance of the capital improvements of the Project as specified in the annual budget. Said funds shall be deposited, as allocated, into the appropriate bank accounts and said accounts shall be separately maintained by the Association. Upon sale or transfer of any lot by any Owner, the Owner's interest in the funds shall be deemed automatically transferred to the successor or transferee of such Owner.

In the event that the Board retains a professional management service, the Board may delegate the authority to deposit or withdraw funds to responsible representatives of the professional management agent so retained. The professional management agent may additionally be authorized to establish a common trustee account for deposit of assessments as collected. Any funds deposited in such a common trustee account shall be allocated as previously specified herein.

Section 8 Books of Account: The Board shall maintain full, complete and correct books of account of the operation of the Project and vouchers supporting expenditures. Any Lot Owner, or the duly authorized representative thereof, may at any time and at his own expense cause an audit or inspection to be made of the books and records of the Association.

ARTICLE VI

EASEMENTS

Section 1 Generally: There are hereby specifically reserved for the benefit of the Lots and Lot Owners, individually and severally, and for the Association, as their respective interests apply, the easements and rights of way identified in this Article.

Section 2 Easements for Utilities and Maintenance: The rights and duties of the owners of Lots within the Project with respect to sanitary sewer, drainage, water, electricity, heating, gas, telephone, cable television lines, connections and/or facilities, shall be as follows:

(a) Whenever sanitary sewer, drainage, water, electricity, heating, air-conditioning, gas, telephone, cable television lines, internet or related services, connections and/or facilities, are installed within or upon any Lots owned by other than the owner of a Lot served by said connections, the owners of any Lot served by said lines, connections and/or facilities shall have the right, and are hereby granted a non-exclusive easement to the full extent necessary therefore, to enter upon the Lot to repair, replace and generally maintain said lines, connections and/or facilities as and when necessary.

(b) Whenever sanitary sewer, drainage, water, electricity, heating, gas, telephone, cable television lines, internet or related services, connections and/or facilities, are installed within the property which connections serve more than one Lot the owner of each Lot served by said connection shall be entitled to the full use and enjoyment of such portions of said connections as service his Lot.

(c) In the event of a dispute between owners with respect to the repair or rebuilding of said connections, or with respect to the sharing of the cost thereof, then upon written request of one of such owners addressed to the Association, the matter shall be submitted to the Board of Directors who shall decide the dispute, and the decision of the Board shall be final and conclusive on the parties.

(d) Easements over and under the property for the installation, repair, and maintenance of sanitary sewer, drainage, water, electricity, heating, gas, telephone, cable television lines, internet or related services, connections and/or facilities, are hereby reserved by Declarant and its successors and assigns, including the Association. Following the sale of the first Lot, the Declarants and its successors and assigns shall only have those powers which result from their its voting rights.

Section 3 Easements as Shown on the Map of Rim Rock Ranch Vineyard Estates: The easements, dedications, and reservations delineated on the Map of Rim Rock Ranch Vineyard Estates, including but not limited to, the public use easements for public service utilities and facilities, are recognized and affirmed.

Section 4 Ingress and Egress: There is hereby reserved to each Lot, as dominant tenement, a non-exclusive easement appurtenant to each Lot over and across the easement and maintenance areas, as servient tenement, for ingress, egress, use and enjoyment of said Easement and maintenance areas subject to the limitations provided in this Declaration.

Section 5 Encroachment Easements: Each Lot within the Project is hereby declared to have an easement over all adjoining Lots and the easement and maintenance areas for the purpose of accommodating any minor encroachment due to engineering errors, errors in original construction, settlement or shifting of any building. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an owner or owners if said encroachment occurred due to the willful misconduct of said owner or owners.

In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the owners of each Lot agree that minor encroachments over adjoining lots or easement and maintenance areas shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

ARTICLE VII

USE RESTRICTIONS

In addition to all of the covenants contained herein, the use of the property and each Lot therein is subject to the following:

Section 1 Lot Use: Residents shall be limited as follows: No Lot shall be occupied and used except for residential purposes by the owners and their family members, tenants, and social guests, except those uses approved in writing by the Declarant or the Board of Directors.

No trade or business shall be conducted within or upon any Lot, except the on-going vineyard operations upon Lot 26, any future vineyard expansion on Lot 26, and any future operation of a winery, wine tasting room or similar operation on Lot 26, or any other Lot owned by Patrick and Christine Taylor and their heirs and assignees, and except those other uses which are approved in writing by the Declarant or the Board of Directors.

The Declarant, its successors or assigns, may use any Lot owned by Declarant for a model home site and display and sales office until the last Lot is sold by Declarant. No tent, shack, trailer, basement, garage, outbuilding or structure of a temporary character shall be used at any time as a residence, either temporarily or permanently.

Section 2 Nuisances: No noxious, illegal, or offensive activities shall be carried on in any Lot or residence nor on any part of the property, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each of the owners of his respective Lot or which shall in any way increase the rate of insurance for the project, or cause any insurance policy to be canceled or to cause a refusal to renew a policy, or which will impair the structural integrity of any building.

Section 3 Vehicle and Parking Restrictions: Parking within the project shall be permitted within designated locations only. The easement and maintenance areas shall be so posted. Vehicles parked contrary to this paragraph shall be removed from the project by the Rim Rock Ranch Vineyard Estates Owners' Association.

All vehicles such as boats, campers, motorhomes, trailers, and all commercial heavy duty farm equipment and similar equipment, are permitted and garaging of such vehicles is not required. No noisy or smokey vehicles shall be operated within the project. No off-road unlicensed motor vehicles, except for property maintenance and agricultural use vehicles are permitted within the project. All vehicles described above in this paragraph must be stored out of view of other Lots within the project.

Section 4 Signs: No sign of any kind except existing Cimarron Vineyards signs, shall be displayed to the public view on or from any portion of the project without the approval of the Board of Directors except (a) one sign of customary and reasonable dimensions advertising a Lot for sale, lease, rent or exchange displayed from a Lot in compliance with California Civil Code Sections 712 & 713 and (b) such signs as may be used by Declarant or its assignees in connection with the development and sale of the Lots and (c) such other signs or notices as are required by law or as are otherwise necessary to perfect a right provided by law.

Notwithstanding the above, the Association may not prohibit posting or displaying of non-commercial signs, posters, flags, or banners on or in any Lot, except as required for the protection of public health or safety or if the posting or display would violate a local, state or federal law.

A non-commercial sign, poster, flag, or banner may be made of paper, cardboard, cloth, plastic, or fabric, and may be posted or displayed from the yard/deck, window, door, (balcony), or outside wall of the Lot, but may not be made of lights, roofing, siding, paving materials, flora, or balloons, or any other similar building, landscaping, or decorative component, or include the painting of architectural surfaces.

The Association may prohibit non-commercial signs and posters that are more than nine (9) square feet in size and noncommercial flags or banners that are more than fifteen (15) square feet in size.

All signs displayed within the Project shall be attractive and compatible with the design of the Project and shall comply with the requirements in this section and all applicable local ordinances.

Section 5 Livestock and Pets: Only the livestock as approved by Lake County and California law shall be permitted on any Lot or kept in any household, except that no pit bull dogs (or dog with predominantly pit bull pedigree), peacocks, peahens, hogs, pigs, mules, cows, steers or bulls shall be permitted within the Project. Any animals which are permitted shall not be kept, bred, or raised for commercial purposes.

The raising, feeding, maintaining and breeding of animals shall be permitted only according to the following densities:

- (1) Six (6) horses per Lot; or
- (2) Six (6) goats, sheep, or similar animals per Lot; or
- (3) Twelve (12) chickens, ducks, rabbits or similar animals or fowl per Lot, or
- (4) Any combination of the above which is determined to be of the same approximate density per Lot as (1) through (3) above.

No pets or animals shall be allowed in the easement and maintenance areas except as may be permitted by rules of the Board. No animal shall enter the Easement and Maintenance Areas except when accompanied by a person capable of controlling it. Declarant or any owner may cause any loose animal within the Easement and maintenance areas to be removed to a pound or animal shelter under the jurisdiction of Lake County. No animal noise which disturbs other owners shall be permitted within the project, and no pet may be kept on the property which results in a nuisance as prohibited in Section 2 of this Article.

Prior to any decision by the Board pursuant to this section that an Owner is responsible for the maintenance of a nuisance or any decision to remove an animal or pet from the Project, the Owner shall be provided with written notice specifying the nature of the infraction and an opportunity for a hearing before the Board. The remedies for an alleged nuisance shall not include any measures which may be characterized as "private self-help action" and any Board action in connection with this section shall be in compliance with the provisions of Article IV, Section 10 of this Declaration.

Section 6 Garbage and Refuse Disposal: All rubbish, trash and garbage shall be regularly removed from the Project, and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall not be kept except in sanitary containers. Garbage and recycling bins shall be stored in garages or backyards and shall be placed at the curb no sooner than the evening prior to the scheduled pickup day and removed from the curb no later than the evening of the pickup day. Arrangements should be made to comply with the above requirements notwithstanding vacations or other circumstances.

Section 7 Antennas and Satellite Dishes: No outside television antenna, microwave or satellite dish, aerial, or other such device with a diameter or diagonal measurement in excess of one (1) meter shall be erected, constructed or placed on any Lot. Any permitted device shall conform with Lake County requirements, if any, and be placed on the Lot so as not to be visible from, or be screened from view from, the street and/or the Easement and Maintenance areas.

No owner shall be permitted to install, construct and/or operate a video or television antenna, including a satellite dish, having a diameter or diagonal measurement greater than 36 inches, which interferes with any other Lot Owner's phone, television and/or radio reception. In the event of a disagreement between Lot owners, the matter shall be submitted to the Board of Directors which shall make a final decision.

All wiring must be hidden from view of the Easement and Maintenance areas. If this is not possible, all visible wiring shall be minimized and painted to match the existing color scheme. Exterior wires must be securely fastened to not swing free or blow in the wind, and such fastening shall not damage the residence. If a roof installation is proposed, the Board of Directors shall have the right to hire a roofer, at the Owner's expense, to inspect the roof before and after the installation. Individual Owners shall be responsible for any necessary repairs to the dwelling or roof as a result of any installation.

Section 8 Right To Lease: The Lots shall not be rented for transient or hotel purposes, which shall be defined as (a) rental for any period less than thirty (30) days, or (b) any rental if the occupants of the Lot are provided customary hotel service such as room service for food and beverage, maid service, or furnishing laundry and linen. Subject to the foregoing restrictions, the owners of the Lot shall have the absolute right to lease same provided that any lease shall expressly state that such lease is subject to the covenants, conditions, restrictions, limitations and uses contained in this Declaration, and the Association rules.

Section 9 Power Equipment and Car Maintenance: With the exception of power equipment used in connection with the on-going vineyard operations on Lot 26, no major power equipment, hobby shops, or car maintenance (other than emergency work) shall be permitted within the Project which unreasonably causes disruption to any Lot Owner. In the event of a dispute between Lot Owners, the decision of the Board shall be final. In reaching a final decision, the Board shall consider the effects of noise, air pollution, dirt or grease, fire hazard, interference with radio, television or phone reception, and similar objections.

Section 10 Liability of Owners for Damage to Easement and Maintenance areas: Lot Owners shall be liable to the Association for any damage to the Easement and Maintenance areas or improvements caused by such owner or any occupant of his Lot or guest. Liability of an owner shall be established only after notice to the owner and a hearing before the Board.

Section 11 Drainage: There shall be no interference with the established drainage pattern over any Lot within the project, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the Board of Directors. For the purposes hereof, "established drainage" is defined as the drainage which exists at the time that such Lot is conveyed to a purchaser from Declarant, or that which is shown on any plans approved by the Architectural Committee or the Board, and which may include drainage from the Easement and Maintenance areas over any Lot(s) within the project. Each Owner shall keep clear from rubbish and debris all catch basins which are located on the Lot unless such responsibility is assumed by the Association.

Section 12 Hazardous Materials: With the exception of fuel and fuel storage utilized for the power equipment used in connection with the on-going vineyard operations on Lot 26, storage of any material which may be considered hazardous (excepting reasonable amounts of paint and fuel for power tool use upon the lots) including but not limited to, flammable, corrosive and poisonous material, on any portion of the project, is prohibited.

Section 13 Fuel Burning Devices: All wood or solid fuel burning devices utilized anywhere within the project shall comply with current California emissions standards.

ARTICLE VIII

ARCHITECTURAL CONTROL

Section 1 Approval Required for Construction, Change or Alteration: Any Owner who wishes to perform any construction upon or make any change or alteration to a Lot (including changes to exterior materials and colors of residences), or alteration of any front-yard landscaping, is required, prior to making any such alteration or addition, to obtain the written approval of the Board of Directors, which shall act as the project's Architectural Control Committee (for the control of structural and landscaping architecture and design). The Board of Directors (the Architectural Control Committee) shall act in a fair, reasonable and expeditious manner, pursuant to this Article. Nothing in this Article authorizes a physical change to the Easement and Maintenance areas in a manner that is inconsistent with this Declaration or governing California law.

Section 2 Standards: Rim Rock Ranch Vineyard Estates is a unique Project. Much of its desirability stems from the natural and attractive terrain and views it offers. In order to retain such features in the future, the Board of Directors is hereby given the power, subject to the constraints of California law, to order the removal (or correction) of any condition upon any Lot which the Board deems to be detrimental to the Project.

The Board of Directors shall establish, interpret and implement guidelines for architectural design, placement of buildings, color schemes, and exterior finishes and materials and similar features which may be used within the Project.

The following minimum standards shall apply to any improvements constructed, painted, altered or changed within the project, unless written approval for an exception is obtained from the Board of Directors:

(a) All improvements shall be constructed, painted and changed in compliance with the applicable zoning laws, building codes, subdivision restrictions, and all other laws, ordinances and regulations applicable to project improvements, including compliance with all conditions as set forth in the Lake County approval of the subdivision map for the project.

(b) Minimum foundation requirements shall be concrete perimeter foundation or integrated slab foundation.

(c) A landscape plan detailing the portions of the Lot to be left in their existing natural state, the portions of the Lot to be landscaped and the landscaping to be placed upon the Lot must be submitted to the Architectural Control Committee (Board of Directors) for its approval prior to the installation of any landscaping.

All lots shall be landscaped with a combination of trees, shrubs, ground cover, lawn, natural vegetation, and limited decorative rock and bark. Berming may be utilized so long as it does not disrupt proper drainage within the project. Landscaping shall be designed so as to complement, protect and harmonize with the natural terrain, existing trees and vegetation and shall be consistent with generally accepted, customary and conventional landscape designs. No oak trees larger than five (5) inches in diameter shall be removed.

Each Lot owner shall be responsible for maintaining all landscaping located within his Lot in a neat and orderly condition. Such landscaping is to be maintained in a manner consistent with the standards of design and quality as originally established or approved by Declarant.

Maintenance shall include pruning, mowing, weeding, cleaning of debris and trash, fertilizing and regular watering. Any diseased or dead lawns, trees, ground cover or shrubbery shall be removed and replaced.

(d) All exterior and decorative lighting shall be placed in such a manner that the source of the light is not visible from any portions of the project. Colored landscape lighting is prohibited.

(e) All solar collection devices shall be integrated aesthetically and screened so they are not visible from any other portions of the project.

(f) All residences shall not exceed two stories and shall have a minimum size of 2200 square feet (excluding garages, carports, accessory buildings, covered or uncovered patios and porches), and there shall be a minimum of two enclosed parking spaces upon each Lot.

The minimum roof pitch for a residence shall be 5 in 12.

In addition to one residence, a granny unit not to exceed one story in height or one story above a garage and not to exceed 1000 square feet shall be permitted on any Lot.

(g) All road frontage fencing is to be split oak rail, natural, at standard 5' height. All non-frontage property line fencing is to be wooden post 32' on center, 6' tall, rectangular galvanized wire with metal stakes.

(h) The following minimum dimensions shall govern for front, side, and rear setbacks on all Lots, (except fences or walls where approved or required by the Board of Directors):

- 1. One-hundred (100) feet from the front line of each Lot abutting the street; and**
- 2. Seventy-five (75) feet from all side and rear lot lines.**

(i) In reviewing proposed improvements for approval, the Board of Directors shall consider at least the following:

- 1. Does the proposed improvement conform to the provisions of the project documents ?**
- 2. Is the proposed improvement of a quality of workmanship and materials comparable to other improvements that are proposed or existing within the project ?**
- 3. Is the proposed improvement of a design and character which is harmonious with proposed or existing improvements and with the natural topography to the immediate vicinity?**
- 4. Will the proposed improvement unreasonably interfere with or otherwise impair the view or solar access of other portions of the project ?**

Section 3 Appointment, Removal and Term of Office: Declarant may appoint all of the original members of the Board of Directors (Architectural Control Committee) and all replacements until the first anniversary of the issuance of the original public report for the project. The Declarant may reserve the power to appoint a majority of the members of the Board until 90% of the Lots within the Project have been sold or until the fifth anniversary date of the original issuance of the final public report for the project.

Section 4 Duties of the Architectural Control Committee (Board of Directors): It shall be the duty of the Architectural Control Committee to consider and act upon such proposals or plans submitted to it (pursuant to the terms of Section 5 hereof of this Article) in a fair, reasonable and expeditious manner, and to carry out all other duties imposed upon it by this Declaration or the Board of Directors. ten (10) years, agreeing to change said covenants and restrictions in whole or in part or to terminate the same.

Section 5 Meetings: The Architectural Control 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 shall constitute an act by the Committee. The Committee shall keep and maintain a record of all actions taken by it at such meeting or otherwise. The Architectural Control Committee and its members shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred in the performance of any Architectural Control Committee function.

Section 6 Application for Approval of Proposed Change: Any Lot Owner, except Declarant and its designated agents, proposing to perform any work of any kind which requires the prior approval of the Architectural Control Committee shall apply to such Committee for approval of a change to a Lot or the Easement and maintenance areas by notifying the Architectural Control Committee of the nature of the proposed change in writing and furnishing such information as the Committee may require. The Committee shall submit its recommendation for approval or denial to the Board of Directors.

If a proposed change is disapproved, the written decision shall include an explanation of why the proposed change is disapproved, and notice that the applicant is entitled to reconsideration of the Committee's decision by the Board of Directors.

Section 7 Final Approval By Board of Directors: The Board of Directors shall have the power of final approval or denial in response to an application for approval of change to an Owner's Lot or the Easement and maintenance areas, and the Board is not obligated to accept the recommended decision of the Architectural Control Committee.

The procedure utilized by the Board regarding an application for approval of a change to an Owner's Lot or the Easement and Maintenance Areas shall at least include the following requirements:

- (1) The Board shall provide a fair, reasonable, and expeditious procedure for making its decision;
- (2) The Board's decision shall be made in good faith and may not be unreasonable, arbitrary or capricious;
- (3) The Board's decision shall be consistent with any governing provisions of law, including, but not limited to, the Fair Employment and Housing Act (commencing with Section 12900) of Division 3 of Title 2 of the California Government Code;
- (4) The Board's decision shall be in writing.

Any request for approval not rejected within sixty (60) days from the date of submission thereof to the Architectural Control Committee shall be deemed approved.

Section 8 Unauthorized Changes: Any Owner (or resident) who makes or allows an alteration or addition to a Lot or the Easement and maintenance areas without the prior written approval of the Board of Directors shall be deemed to be in non-compliance and in violation of this Declaration.

The Board, upon its own motion, shall notify the Lot Owner in writing of the non-compliance which shall specify the particulars of such non-compliance and shall require the Lot Owner to remedy the non-compliance.

If a Lot Owner fails to remedy the non-compliance, the Board shall, after thirty (30) days from the date of notification of non-compliance, provide notice and hearing to consider the Owner's continuing non-compliance. At the hearing, if the Board finds that there is no valid reason for the continuing non-compliance, the Board shall determine the estimated costs of correcting it.

The Board shall then require the Owner to remedy or remove the same within a period of not more than forty-five (45) days from the date of the Board's determination. If the Owner does not comply with the Board's ruling within such period, the Board may either remove the non-complying improvement or otherwise remedy the non-compliance. The costs of such action shall be assessed against the Owner as a Reimbursement Charge pursuant to Article V of this Declaration.

Section 9 Liability: Neither the Architectural Control Committee, Board of Directors, nor any member thereof shall be liable to the Association or to any Lot Owner for any damage, loss or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective, (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (c) the development of any property within the Project, or (d) the execution and filing of an estoppel certificate, 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 may be possessed by him.

Section 10 Notice to Members: The Association shall annually provide its members with notice of the requirements for approval of any physical changes to a Lot or the Easement and maintenance areas. Such notice shall describe the types of changes that require Association approval and shall include a copy of this Article VIII of this Declaration.

ARTICLE IX

DAMAGE, DESTRUCTION OR CONDEMNATION OF EASEMENT AND MAINTENANCE AREAS

Section 1 Damage and Destruction: In the event of damage or destruction of the Easement and Maintenance Areas, or any part thereof, it shall be the responsibility of the Association to repair or replace the same in substantial accordance with the original plans and specifications of the Project.

Subsection 1.1 Insured Losses: If the damage or destruction to the Association property is an insured loss the loss shall be handled as follows:

A. Minor Casualties: If the insurance proceeds initially offered or paid by the insurer do not exceed Fifty Thousand Dollars (\$50,000) such insurance proceeds shall be paid to the Association in accordance with Article IV, Section 1, Subsection 1.3 of this Declaration. The Board shall then contract to repair or rebuild the damaged portions of the Easement and Maintenance Areas in substantial accordance with the original plans and specifications of the Project, obtain bids in accordance with the following paragraphs, and the insurance funds held by the Association shall be used for such reconstruction.

B. Major Casualty: If the insurance proceeds initially offered or paid by the insurer exceed Fifty Thousand Dollars (\$50,000), the following shall apply:

(1) All insurance proceeds shall be paid to the Association and deposited in a newly-created account, and held for the benefit of the Owner(s) of the relevant Lot and their mortgagees as their respective interests may appear.

(2) The Board shall obtain firm bids from two or more responsible contractors to rebuild the relevant portion of the Project in accordance with its condition prior to damage and destruction, modified at the direction of the Board to comply with the building codes and construction standard in effect at the time of the rebuilding. To be considered, any contractor's bid shall include the premium payable for a performance, labor and material payment bond from a reputable bonding company.

(3) The Board shall then call a meeting of all affected Owners to review all submitted bids. A simple majority vote of the affected Owners will be required to accept or reject any bid. The failure by such Owners to either accept a bid or reject all bids shall authorize the Board to accept an unrejected bid it considers most favorable, or seek further bids.

Subsection 1.2 Uninsured or Insufficiently Insured Losses: If any damage or destruction is uninsured or if the insurance proceeds are insufficient to cover the cost of repairs or replacement of the property damaged, the Board will make a Special Assessment, in accordance with the provisions outlined in Article V, Section 3 of this Declaration, to cover such cost. Such special assessment is in addition to any other regular assessments and is subject to the rules herein relating to Special Assessments. Any Special Assessment for the rebuilding or major repair work of the easement and maintenance areas shall be levied equally against all Lots to be assessed.

Subsection 1.3 Full Insurance Settlement: Notwithstanding any provision of this Article X, if the insurance carrier offers the full amount required to repay and restore all of the damage, then the Board shall contract to repair or rebuild the damaged portions of all affected residences in the manner provided in this Article X, Subsection 1.1 for a minor casualty.

Subsection 1.4 Emergency Repairs: Without waiting to obtain insurance settlements or bids, the Board may undertake such emergency repair work after a casualty as it may deem necessary or desirable under the circumstances, and the Board may charge the operating accounts for the cost thereof. In the event of a casualty, there is a substantial possibility that immediate emergency repairs will be required to eliminate defective or dangerous conditions and to comply with applicable laws, ordinances and regulation, pending settlement of insurance claims and prior to procuring bids for performance of restoration work.

Subsection 1.5 Decision Not to Rebuild: The decision not to rebuild will require the affirmative vote or written assent of not less than seventy-five percent (75%) of each class of Owner. Upon conversion of Class B membership to Class A membership as provided in this Declaration, a vote in accordance with this Declaration, Article III, Section 4, shall be required for the decision not to rebuild. In the event the membership elects not to rebuild, the proceeds received by the Association as a result of such decision shall be distributed by the Association among the Owners of Lots and their respective mortgagees according to the respective fair market values of the Lots at the time of destruction. The fair market value shall be determined by taking the average of two appraisals as commissioned by the Board.

Section 2 Condemnation: The Association shall represent the Lot owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the easement and maintenance areas(s) or any part thereof. In the event of a taking or acquisition of part or all of the Easement and Maintenance Areas by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or any trustee appointed by the Association, for the use and benefit of the Lot owners and their mortgagees as their interests may exist.

In the event of an award for the taking of any Lot within the Project by eminent domain, the owner(s) of such Lot shall be entitled to receive the award for such taking and after acceptance thereof, the owner and the mortgagee, if any, shall be divested of all interest in the Project if such owner vacates his Lot as a result of such taking. The remaining owners shall decide by majority vote whether to rebuild or repair the Project, or take other action. The remaining portion of the Project shall be resurveyed, if necessary, and the Declaration shall be amended to reflect such taking and to readjust proportionately the percentages of undivided interest of the remaining owners in the Project.

In the event of a taking by eminent domain of any part of the Easement and Maintenance Areas, the Association shall participate in the negotiations, and shall propose the method of division of the proceeds of condemnation, where Lots are not valued separately by the condemning authority or by the court. Proceeds of condemnation shall be distributed among Lot owners and their respective mortgagees according to the relative values of the Lots affected by the condemnation. The fair market values of the Lots shall be determined by taking the average of two independent appraisals as commissioned by the Association. If any owner or first lender disputes the Board's determination, the dispute shall be submitted to arbitration pursuant to the rules agreed upon by the parties, or the American Arbitration Association (or equivalent organization), and the decision of the arbitrator shall be conclusive and binding on all owners and their mortgagees.

ARTICLE X

GENERAL PROVISIONS

Section 1 Enforcement of Declarant's Obligation to Pay Assessments: Where the Association is obligee under a bond or other arrangement (hereafter "bond") to secure performance of the commitment of Declarant to pay assessments on Lots owned by Declarant, the Board shall consider and vote on the question of action by the Association to enforce the obligations under the bond with respect to any of Declarant's assessments which are delinquent for thirty (30) days. A special meeting of Members of the Association for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the bond or such a meeting to consider the failure of the Board to consider and vote on the question shall be held not less than ten (10) days nor more than twenty (20) days after receipt by the Board of a petition for such a meeting signed by Members representing five percent (5%) or more of the total voting power of the Association. At such special meeting a vote of a majority of Members of the Association other than the Declarant shall be required to take action to enforce the obligations under the bond and a vote of a majority of the voting power of the Association, excluding Declarant, shall be deemed to be the decision of the Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

Upon satisfaction of the Declarant's obligation to assure the availability of funds to pay assessments upon unsold Lots, the escrow holder holding the bond shall return the bond to Declarant, after delivery to said escrow holder of Declarant's written request for release of the bond, and Declarant's written statement that (1) Declarant has paid, as and when due, all regular and special assessments levied by the Association against Lots owned by the Declarant and eighty percent (80%) of the Lots within the Project have been conveyed by Declarant, unless the Association delivers to said escrow holder its written objection to the return of the bond to Declarant within forty (40) days after delivery of notice of Declarant's request from release and the statement to the Association. The Association shall not condition its approval of the release of the bond on the satisfaction of any condition other than the payment of assessments.

If the Association delivers to the escrow holder of the bond a demand for remittance of the bond or a portion thereof, or the proceeds thereof to the escrow holder of the bond, which demand is accompanied by a written statement signed by an officer of the Association that the Declarant is delinquent in the payment of regular or special assessments which have been levied by the Association against Lots owned by the Declarant, then all or some specified portion of the security as demanded shall be remitted to the Association upon the Declarant's failure to give the escrow holder within forty (40) days after receipt of delivery of the demand

by the escrow holder, the Declarant's written objection to remittance of the security. Both the Declarant and the Association shall adhere and comply with the terms of escrow instructions with the escrow depository of the bond, which shall be in the form approved by the Department of Real Estate, with respect to the holding of the bond, the return or remittance of the bond and other disposition of matters set forth in said escrow instructions with respect to the bond. Any dispute between the Declarant and the Association regarding the question of satisfaction of the conditions for exoneration or release of the security shall, at the request of either party, be submitted to arbitration as provided in Section 9 D. of this Article X.

Section 2 Invalidity of any Provision: Should any provision or portion hereof be declared invalid or in conflict with any law of the jurisdiction where this project is situated, the validity of all other provisions and portions hereof shall remain unaffected and in full force and effect.

Section 3 Term: The covenants and restrictions of this Declaration shall run with and bind the property, and shall inure to the benefit of and shall be enforceable by the Association or the owner of any Lot subject to this Declaration and his legal representatives, heirs, successors and assigns, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by a majority of the then owners of the Lots has been recorded within the year preceding the beginning of any successive period of ten (10) years, agreeing to change said covenants and restrictions in whole or in part or to terminate the same.

Section 4 Amendments: This Declaration may be amended only by the affirmative vote or written assent of seventy-five percent (75%) of each class of the owners. After conversion of Class B membership to Class A, this Declaration may be amended only by the affirmative vote or written assent of: (1) seventy-five percent (75%) of the total voting power of the Association; and (2) seventy-five percent (75%) of the votes of members other than the Declarant. The percentage of voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for the action to be taken under that clause or provision.

Any amendment must be recorded and shall become effective upon being recorded in the Recorder's Office of Lake County.

Section 5 Development Rights: Declarant is undertaking the work of developing for sale Lots and certain improvements within the Project. The completion of that work and the sale, rental and other disposal of said Lots is essential to the establishment and welfare of the property as a residential community. In order that this work may be completed and said property be established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

(a) Prevent Declarant, its contractors or subcontractors from obtaining reasonable access over and across the easement and maintenance areas of the Project or from doing within any unsold Lot owned by Declarant whatever is reasonably necessary or advisable in connection with the completion of said work;

(b) Prevent Declarant or its representatives from erecting, constructing and maintaining within the easement and maintenance areas such structures as may be reasonably necessary for completing said work and conducting its business of establishing said property as a residential community and disposing of the same in parcels by sale, lease, or otherwise;

(c) Prevent Declarant from maintaining such signs on Lots still owned by Declarant or on the easement and maintenance areas as may be necessary for the sale, lease or disposition of the Lots therein; or

(d) Prevent Declarant from maintaining model home sales offices, storage facilities or related such facilities in any unsold Lots within the Project necessary or reasonable, in the opinion of Declarant, for sale or disposition of the Lots. Declarant shall be entitled to reasonable use of the easement and maintenance areas and any facilities thereon for undertaking its sale of the Lots.

Section 6 Enforcement: Notwithstanding any other provision in this document:

(a) Except as otherwise provided herein, the Association or any Owner shall have the right to enforce any and all of the covenants, conditions and restrictions now or hereafter imposed by this Declaration, or Association Operating Rules, if any, upon the owners or upon any property within the Project; and

(b) Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within the Project is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures herein set forth; and

(c) Each remedy provided by this Declaration is cumulative and not exclusive; and

(d) The failure to enforce the provisions of any covenant, condition or restriction contained in this Declaration shall not constitute a waiver of any right to enforce any such provisions or any other provision here.

Section 7 Fair Housing: No Owner shall, either directly or indirectly, forbid or restrict the conveyance, encumbrance, leasing, mortgaging, or occupancy of his Lot to any person for reasons of race, color, religion, sex, ancestry, marital status, national origin, adulthood of any vendee, lessee or occupant.

Section 8 Legal Standing of the Association: The Association has (legal) standing to institute, defend, settle or intervene in litigation, arbitration, mediation, or administrative proceedings in its own name as the real party in interest and without joining with it the individual owners and members of the Association, in matters pertaining to the following:

(A) Enforcement of the governing documents;

(B) Damage to the Easement and Maintenance Areas;

(C) Damage to a Lot that the Association is obligated to maintain or repair; or

(D) Damage to a Lot that arises out of, or is integrally related to, damage to the Easement and Maintenance Areas, that the Association is obligated to maintain or repair.

Section 9 Dispute Resolution: This Section 9 is intended to comply with the provisions of applicable California law, including but not limited to, Civil Code Sections 1354, Civil Code Sections 1363.810 et seq. and Civil Code Sections 1369.510 et seq., regarding dispute resolution procedures.

If any provision in this Section 9 is found to be in conflict or non-compliance with any California law including the above-referenced Civil Code sections and Code of Civil Procedure sections, then the provisions of such California law and Civil Code and Code of Civil Procedure sections shall prevail.

The procedures that the Association establishes shall apply to a dispute between the Association and a member involving their rights, duties, or liabilities under this Declaration, the By-laws or applicable California law, including but not limited to, Civil Code Section 1363.810 et seq., and are intended to provide a fair, reasonable, and expeditious procedure for resolving disputes.

The Board of Directors is authorized to resolve any civil claim or action through alternative dispute resolution proceedings such as mediation, binding arbitration, or non-binding arbitration proceedings.

A. Claims for Declaratory Relief or Enforcement of Project Documents or Applicable Law: Prior to the filing of an enforcement action for declaratory, injunctive, or writ relief in conjunction with a claim for monetary damages not in excess of Five Thousand Dollars (\$5,000), the Board of Directors, or any Owner who seeks such relief, shall first endeavor to submit the matter to alternative dispute resolution in compliance with the provisions of California Civil Code Section 1369.510 through 1369.580.

The Board of Directors shall comply with the requirements of California Civil Code Sections 1369.590 by providing Members of the Association annually with a summary of the provisions of Article 2 (commencing with California Civil Code Section 1369.510) of Chapter 7 of Title 6 (Division 2, Part 4) of the California Civil Code, including the following language:

“Failure of a Member of the Association to comply with the alternative dispute resolution requirements of Section 1369.520 of the California Civil Code may result in the loss of your right to sue the Association or another Member of the Association regarding enforcement of the Governing Documents or the applicable law.”

B. Design or Construction Defect Claims: Actions by the Association pertaining to or based upon a claim for defects in the design or construction of improvements within the Project against the Declarant, or any architect, engineer or other consultant, or any contractor, subcontractor or materials supplier engaged by or on behalf of Declarant for the design and/or construction of the Project, or any element thereof, or otherwise defined in Civil Code Sections 896 and 897 as an Actionable Defect (a “Claim”) shall be resolved and administered in

accordance with Civil Code Sections 895 through 945.5, and Civil Code Sections 1375 and 1375.05, as such sections may be amended, revised or superseded, from time to time.

If a Claim is subject to pre-litigation procedures in Civil Code Sections 910 through 938, or any successor statutes, each Owner, and the Declarant, prior to filing any civil action, arbitration or action in judicial reference regarding such Claim shall comply with the prelitigation procedures of Civil Code Sections 910 through 938. Notices of Claims shall specify all of the matters as set forth in Civil Code Sections 1368.5 and 1369 and/or Civil Code Sections 910 through 938, as applicable, and any successor statutes or laws.

The Association and not the individual Members shall have the power to pursue any Claims for alleged construction defects in the Common Area or other improvements or property within the Project that the Association is obligated to maintain or repair under this Declaration. Any recovery by the Association with respect to any damage or defect in the Common Area or other improvements or property within the Project that the Association is obligated to maintain or repair under this Declaration shall be utilized solely for the purpose of paying for the costs of obtaining the recovery and for correcting such damage or defect.

If the Claim is not resolved by and pursuant to the prelitigation procedures of Civil Code Sections 910 through 938, subject to the provisions of Civil Code Section 1375 and 1375.05, then notwithstanding the provisions of California Code of Civil Procedure Section 1298.7, the Claim shall be resolved in accordance with the provisions of Paragraph D of this Section 9 (Judicial Reference) or Paragraph E of this Section 9 (Arbitration of Disputes).

C. Notices to Members of Legal Proceeding Against Declarant:

In accordance with Civil Code Section 1368.5, at least thirty (30) days prior to filing of any civil action, including arbitration, against the Declarant or other builder or developer of the project, if any, for alleged damage to the common area, alleged damage to any separate interests that the Association is obligated to maintain or repair, or alleged damage to the separate interest that arises out of, or is integrally related to, damage to the common area or separate interests that the Association is obligated to maintain or repair, the Board of Directors shall provide written notice to each member of the Association who appears on the records of the Association when the notice is provided. This notice shall specify all of the following:

- (1) That a meeting will take place to discuss problems that may lead to the serving of a binding resolution claim; and
- (2) The options that are available to address the problems; and
- (3) The time and place of the meeting.

Notwithstanding the above, if the Association has reason to believe that the applicable statute of limitations will expire before the Association is able to give notice, hold the meeting and file the civil action, the Association may file the civil action first and then give the notice, as described above, within thirty (30) days after the filing of the action.

D. Judicial Reference for Certain Disputes: For any action by the Association or any Owner against the Declarant or any architect, engineer or other consultant, or any contractor, subcontractor or materials supplier engaged by or on behalf of Declarant for the design and/or construction of the Project, or any element thereof ("Developer Parties"), subject to the provisions of Civil Code Sections 895 through 938, Civil Code Sections 1375 and 1375.05, or any other action by the Association or any Owner against the Declarant, except as otherwise provided herein, such claim shall be submitted to Judicial Reference as hereinafter provided:

(1) The dispute shall be submitted to binding general judicial reference pursuant to California Code of Civil Procedure Sections 638 through 645.2, or any successor statutes thereto pertaining to proceedings under judicial reference ("Judicial Reference"). The parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the Judicial Reference proceeding. Declarant shall not be required to participate in the Judicial Reference proceeding unless it is satisfied that all necessary and appropriate parties will participate. The parties shall share the fees and costs of the Referee for the Judicial Reference proceeding as determined by the Referee.

(2) The Referee shall have the authority to try all issues, whether of fact or law, and to report a statement of decision to the court. The parties shall use the procedures adopted by Judicial Arbitration and Mediation Services ("JAMS") for judicial reference (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties) provided that the following rules and procedures shall apply in all cases unless the parties agree otherwise:

(a) If the Declarant is a party to the Judicial Reference, than any fee to initiate the Judicial Reference shall be paid by Declarant, provided however, that the cost of the judicial reference shall ultimately be borne as determined by the Referee;

(b) The proceeding shall be heard in Lake County, California;

(c) The Referee must be a neutral and disinterested party who is a retired judge or a licensed attorney with at least ten (10) years' experience in relevant real estate matters;

(d) Any dispute regarding the selection of the Referee shall be resolved by JAMS or the entity providing the reference services, or if no entity is involved, by the court with appropriate jurisdiction;

(e) The Referee may require one or more pre-hearing conference;

(f) The parties shall be entitled to discovery, and the Referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge;

(g) A stenographic record of the Judicial Reference proceedings shall be made, provided that the record shall remain confidential except as may be necessary for post-hearing motions and any appeals;

(h) The Referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable;

(i) The Referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge;

(j) The Referee shall be authorized to provide all recognized remedies available in law or equity for any cause of action that is the basis of the Judicial Reference; and

(k) The statement of decision of the Referee, upon all of the issues considered by the Referee shall be binding upon the parties, and upon filing of the statement of decision with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the Referee shall be appealable as if rendered by the court.

(l) If submission of a disputed matter (referenced in Section 9 above) to Judicial Reference is not permitted under the then applicable law, then notwithstanding California Code of Civil Procedure Section 1298.7, if the dispute is not resolved through mediation, each Owner, the Association and Declarant shall resolve such dispute exclusively through binding arbitration conducted in accordance with the Commercial Arbitration Rules of the Judicial Arbitration and Mediation Services ("JAMS") pursuant to the above provisions of this Section 9.

(3) Judicial Reference shall only proceed for any matter that is subject to the requirements of California Civil Code Section 1354 after the parties have attempted to reasonably comply with the alternative dispute resolution requirements set forth in Civil Code Section 1359.510 et seq. as such sections may be amended from time to time.

(4) Notwithstanding the foregoing, any dispute, under Article XI, Sections 1 & 2 of this Declaration, between the Declarant and the Association regarding the question of satisfaction of the conditions for exoneration or release of the security shall, at the request of either party, be submitted to arbitration pursuant to the following Section 9E. of this Article.

E. Arbitration of Disputes: If a dispute is the subject of binding arbitration under this Declaration, the following shall apply:

(1) Costs and fees of the arbitration, including ongoing costs and fees of the arbitration shall be paid as agreed by the parties, and if the parties cannot agree, as determined by the arbitrator; provided, however, if the Declarant is a party to the arbitration, then any fee to initiate arbitration shall be paid by Declarant, but the cost of arbitration shall ultimately be borne as determined by the arbitrator;

(2) A neutral and impartial individual shall be appointed to serve as arbitrator, with the arbitrator to be selected by mutual agreement of the parties. If the parties are unable to agree on an arbitrator with fifteen (15) days after any party initiates the arbitration, a neutral and impartial arbitrator shall be selected by JAMS. In selecting the arbitrator, the provisions of Code of Civil Procedure Sections 1297.121 shall apply. An arbitrator may be challenged for any of the grounds listed in Section 1297.121, or 1297.124 of the Code of Civil Procedure;

(3) Venue of the arbitration to be in Lake County, California;

(4) The arbitration shall commence in a prompt and timely manner in accordance with (i) the Commercial Rules of JAMS, or if the rules do not specify a date by which arbitration is to commence, then (ii) by a date agreed upon by the parties, and if they cannot agree as to a commencement date, (iii) a date determined by the arbitrator. The arbitrator shall apply California substantive law in rendering a final decision. The arbitrator shall have the power to grant all legal and equitable remedies and award compensatory damages. When the arbitrator is prepared to make the award, the arbitrator shall first so inform the parties, who shall have ten (10) days to attempt to resolve the matter by a binding agreement between them. If the parties resolve the matter, the arbitrator shall not make any award. If the parties do not so resolve the matter within the ten (10) day period, the arbitrator shall make the award on the eleventh day following the arbitrator's notice of being prepared to make the award;

(5) The arbitration shall be conducted in accordance with the Commercial Rules of JAMS;

(6) The arbitration shall be conducted and concluded in a prompt and timely manner;

(7) The arbitrator shall be authorized to provide all recognized remedies available in law or equity for any cause of action that is the basis of arbitration;

(8) A judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of the award and an order of enforcement. The parties agree to be bound by the decision of the arbitrator, which shall be final and non-appealable;

(9) Preliminary Procedures: If state or federal law requires an Owner, the Association or Declarant to take steps or procedures before commencing an action in arbitration, then the Owner, the Association or Declarant must take such steps or follow such procedures, as the case may be, before commencing the arbitration. For example, any claim or dispute pursuant to Civil Code Section 895 et seq., as hereafter amended, may be subject to the non-adversarial procedures set forth in California Code Section 910 through 938, prior to the initiation of any arbitration. In addition, nothing contained herein shall be deemed a waiver or limitation of the provisions of California Civil Code Sections 1368.510 et seq. and 1375;

(10) Participation by Other Parties: An Owner, the Association and Declarant, to such extent any such party is defending a claim in the arbitration, may if it chooses, have all necessary and appropriate parties included as parties to the arbitration;

(11) Federal Arbitration Act: Because many of the materials and products incorporated into the homes are manufactured in other states, the development and conveyance of the Project evidences a transaction involving interstate commerce and the Federal Arbitration Act (9 U.S.C. Section 1 et seq.) now in effect and as it may be amended will govern the interpretation and enforcement of the arbitration provisions set forth herein;

(12) ARBITRATION OF DISPUTES: BY EXECUTING THIS DECLARATION, DECLARANT AND BY ACCEPTING A DEED TO ANY PORTION OF THE PROPERTY, EACH OWNER, AND THE ASSOCIATION SHALL BE DEEMED TO HAVE AGREED TO HAVE ANY DISPUTE DECIDED BY NEUTRAL ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT AND THE CALIFORNIA ARBITRATION ACT, TO THE EXTENT THE CALIFORNIA ARBITRATION ACT IS CONSISTENT WITH THE FEDERAL ARBITRATION ACT, AND DECLARANT, THE ASSOCIATION AND EACH OWNER ARE GIVING UP ANY RIGHTS DECLARANT, THE ASSOCIATION AND EACH OWNER MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT TRIAL.

DECLARANT, THE ASSOCIATION AND EACH OWNER ARE GIVING UP JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION. IF DECLARANT, THE ASSOCIATION OR ANY OWNER REFUSES TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, DECLARANT, THE ASSOCIATION OR SUCH OWNER MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE.

If any provision in this Section 9 is determined by the referee or by a court of competent jurisdiction to be unenforceable or to have been waived, the remaining provisions shall be deemed to be severable therefrom and enforceable according to their terms.

If any provision in this Section 9 is found to be in conflict or non-compliance with any California law including the above-referenced Civil Code sections and Code of Civil Procedure sections, then the provisions of such California law and Civil Code and Code of Civil Procedure sections shall prevail.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this Declaration this 2nd day of October, 2007.

RIM ROCK RANCH LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

BY: Pat Taylor BY: Chris Taylor
PAT TAYLOR MANAGING MEMBER Chris Taylor, Managing Member

RRR VINEYARD ESTATES, INC., A CALIFORNIA CORPORATION

BY: Pat Taylor BY: Chris Taylor
PAT TAYLOR PRESIDENT Chris Taylor, Secretary/Treasurer

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) ss
COUNTY OF Lake)

On 10/2, 2007, before me, Bruce Allinder, a Notary Public in and for the County and State, personally appeared
Pat Taylor and Chris Taylor

~~known to me or~~ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and seal.

Bruce Allinder
Notary Public

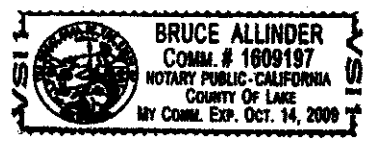


EXHIBIT "A"

RIM ROCK RANCH BEST MANAGEMENT PRACTICES

Rim Rock Ranch Best Management Practices

Post Construction Maintenance

Inspection Scheduling:

- **Prior to the rainy season**
- **After 2 year storm event (5" of rain in 24 hours)**
- **Monthly – October to April**

Maintenance Items:

- **Culvert slotted outlets.**
Remove all debris, repair any erosion.
- **Rock Aprons**
Remove all debris, repair any erosion.
- **Roadside Drainage Ditches**
Remove all debris, replace missing rocks, repair any erosion.
- **Drop Inlets**
Remove all debris.
- **Watercourses**
Remove all debris, repair any erosion.
- **Culvert Inlets and Culvert Inlet Protection**
Remove all debris, repair any erosion.
- **Road Banks**
Repair landslides or erosion, stabilize.
- **Road Shoulders**
Replace and compact gravel to original specifications.

Clearing of Vegetation

Native vegetation shall be retained and protected, where its removal is not necessary to implement the grading project or to meet fire codes.

Where vegetation must be removed, the method shall be one that minimizes the erosive effects of the removal.

When vegetation is to be removed, the location of large trees (greater than 35" d.b.h) that are to be removed and retained shall be clearly indicated. Vegetation to be preserved shall be clearly flagged or fenced off before any clearing or land disturbance begins.

Clearing shall be staged so as to minimize soil exposure during any one time, particularly during the winter season.

Disposal of cleared vegetation shall be disposed of by chipping and spreading as possible.

If vegetation disposal is proposed to be accomplished through burning, material to be burned shall be piled in a manner and in such locations as will cause the least fire risk and damage to adjacent vegetation as well as neighboring residences. Burning shall comply with the Lake County Air Quality Management District and local fire regulations and permits.

Fire Breaks

Clearing of vegetation for the purpose of creating a firebreak shall be exempt from a grading permit provided that the clearing conforms to the standards set forth in California Public Resource Code Section 4291 as follows:

Clearing is of no less than 30 feet from the building or structure to be protected or to the property line, whichever is nearer. The distance to be cleared may be extended up to 100 feet from the structure if 30 feet is not sufficient to provide reasonable fire safety.

Clearing beyond 100 feet from a structure may require a grading permit if it meets the criteria set forth in the "Permit Requirements" section of the Grading Ordinance.

Rangeland Management

Land management practices including but not limited to burning, chipping, chaining and grubbing, that are related to fire control and clearing of "understory" vegetation without disturbing mature trees as defined by exceeding 5" DBH. Rangeland management activities do not constitute agricultural activities under this ordinance and past range management activities do not fall under the definition of ongoing agriculture.

Revegetation

Disturbed areas shall establish vegetation as soon as practicable after grading but no later than October 15th or as specified in the approved erosion and sediment control plan or SWPPP.

Whenever possible, topsoil onsite shall be separated and stored, protected from erosion, in preparation of revegetation.

All soil disturbance that is not intended to support a structure shall be revegetated, preferably with native species.

Temporary vegetation such as annual grasses and legumes shall be planted on sites that will not be brought to final grade by October 15th or for sites that are likely to be re-disturbed.

Whenever practical, mulching, seeding, plantings of shrubs and trees and/or other stabilization measures shall be used for slope protection and for stabilization of soil storage areas and sediment mulch wherever containment systems. Preference shall be given to using native, locally adapted grasses, shrubs and trees whenever feasible. Drought tolerant and fire-resistant native plants species shall be encouraged. Plants shall be maintained and watered at intervals sufficient to assure survival and growth.

The permittee shall maintain revegetation until permanent establishment is achieved. Temporary or permanent irrigation shall be provided where necessary to assure the successful establishment of vegetation.

Dust Control

Dust control measures shall be implemented on all sites to minimize fugitive dust emissions from the project site.

Dust control is considered a temporary measure and shall be used as an interim treatment between site disturbance and final construction, paving or revegetation.

Dust control measures may consist of approved chemical, structural, or mechanical methods and shall be reapplied at the necessary intervals to prevent wind erosion.

Proper equipment and adequate water and/or dust palliatives, minimized vehicular speeds, installation and maintenance of cover crops and avoidance of work during periods of sustained high winds shall be used to minimize airborne particulates.

Adequate dust control measures shall prevent dust from exiting the project site and prevent the occurrence of detriment, nuisance, or annoyance or endanger the comfort, repose, health, safety of any considerable number of persons or the public or cause, or have the tendency to cause, injury or damage to business or property.

All grading operations on a project should be suspended when winds carry dust beyond the project site property lines despite the implementation of dust control measures.

If grading will involve disturbance of serpentine materials, the Lake County Air Quality Management District shall be contacted. If serpentine soils contain greater than 0.25% asbestos, grading activities would be regulated under District Rule 467 and applicants shall submit a serpentine dust mitigation plan to the LCAQMD. Serpentine materials shall not be used for surfacing and are required to be encapsulated under a minimum of six (6) inches of non-serpentine materials.

Grading Season

Excavation, filling, vegetation clearing or other disturbance of the soil shall not occur between October 15 and April 15 unless authorized by the administrative official. The actual dates of this defined grading period may be adjusted according to weather conditions at the discretion of the administrative official. All temporary erosion control measures shall be in place prior to the end of the normal grading season or the first significant storm event, whichever is first.

Emergency Grading

Emergency grading activities shall conform to the aforementioned standards and shall implement Best Management Practices with regards to erosion control and sediment retention.

Winter Grading

All sites shall have erosion control measures in place by October 15 of any given year. Onsite construction slash and debris shall be removed and any remaining spoil piles shall be stabilized or removed.

If the site will be active during the Winter Period, permanent sediment and erosion control BMPs shall be in place including, but not limited to paving or rocking of the site entrance or driveway.

The smallest practicable area of land shall be exposed at any one time and the time of exposure shall be minimized.

Temporary erosion control measures shall be in place at the end of each workday.

The site shall be regularly monitored by the applicant, especially following all weather events, to monitor the effectiveness of erosion control measures. Erosion control measures which fail or prove to be ineffective shall be modified so as to create an effective means of erosion control and/or sediment retention.

During the winter period, any disturbed area that is to remain exposed for more than 14 days or during a significant storm event shall have temporary or permanent erosion control measures in place.

Temporary erosion control measures shall be in place at the end of each workday and during storm events. No grading activities shall take place during storm events.

Maintenance of BMPs shall be in accordance with California Stormwater Quality Association (CASQA) Handbook guidelines.