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MENDOCINO COUNTY RECORDER

DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS
OF
SURFWOOD IV

A Common Interest Development

DECLARATION OF COVENANTS,
 CONDITIONS AND RESTRICTIONS
 OF
 SURFWOOD IV
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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
OF
SURFWOOD IV
A Common Interest Development

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF SURFWOOD IV ("Declaration") is made by SURFWOOD IV, a California general partnership, ("Declarant").

ARTICLE I
INTENTION OF DECLARATION

1.1 FACTS: This Declaration is made with reference to the following facts:

1.1.1 Property Owned by Declarant: Declarant is the owner of all the real property and Improvements thereon located in the County of Mendocino, State of California, described as follows:

Lots 1 through 50, inclusive, and Parcels A, B and C as shown on the subdivision map of Tract 230 filed for record on August 24, 1989, in Case 2, Drawer 48 at Page 53, et. seq., in the Official Records of the County of Mendocino, State of California.

1.1.2 Nature of Project: Declarant intends to develop the Subject Property as a Common Interest Development which shall be a planned development as defined in California Civil Code Section 1351(k). The Project is intended to be created in conformity with the provisions of the Davis-Stirling Common Interest Development Act (California Civil Code, Sections 1350-1372, inclusive). To establish the Project, Declarant desires to impose on the Subject Property, these mutually beneficial restrictions, easements, assessments and liens under a comprehensive general plan of improvement and development for the benefit of all of the Owners, the Lots and Common Area within the Subject Property.

1.2 APPLICABILITY OF RESTRICTIONS: Pursuant to California Civil Code Sections 1353 and 1354, Declarant hereby declares that the Project and all Improvements thereon are subject to the provisions of this Declaration. The Project shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the covenants, conditions and restrictions stated in this Declaration. All such covenants, conditions and restrictions are declared to be in furtherance of the plan for the subdivision, development and management of the Project as a Common Interest Development. All of the limitations, easements, uses, obligations, covenants, conditions, and restrictions stated in this

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Declaration shall run with the Project and shall inure to the benefit of and be binding on all Owners and all other parties having or acquiring any right, title or interest in any part of the Project.

ARTICLE II
DEFINITIONS

Unless otherwise defined or unless the context clearly requires a different meaning, the terms used in this Declaration, the Map and any grant deed to a Lot shall have the meanings specified in this Article.

- 2.1 ADDITIONAL CHARGES: The term "Additional Charges" shall mean costs, fees, charges and expenditures, including without limitation, attorneys' fees, late charges, interest and recording and filing fees actually incurred by the Association in collecting and/or enforcing payment of assessments, fines and/or penalties.
- 2.2 ARCHITECTURAL COMMITTEE: The term "Architectural Committee" shall mean the Committee charged with exercising the rights and responsibilities set forth in Article XI of this Declaration.
- 2.3 ARTICLES: The term "Articles" shall mean the Articles of Incorporation of Surfwood IV Owners' Association, which are or shall be filed in the Office of the Secretary of State of the State of California.
- 2.4 ASSOCIATION: The term "Association" shall mean Surfwood IV Owners' Association, its successors and assigns, a nonprofit mutual benefit corporation incorporated under the laws of the State of California.
- 2.5 BOARD: The term "Board" shall mean the Board of Directors of the Association.
- 2.6 BUILDING ENVELOPE AND VIEW CORRIDOR PLAN: The term "Building Envelope and View Corridor Plan" shall mean the plan attached as Exhibit "A" to this Declaration.
- 2.7 BYLAWS: The term "Bylaws" shall mean the Bylaws of the Association and any amendments thereto.
- 2.8 COMMON AREA: The term "Common Area" shall mean Parcels A, B and C, as shown on the Map. Common Area includes all Improvements situated thereon or therein.
- 2.9 COUNTY: The term "County" shall mean the County of Mendocino, State of California.
- 2.10 DECLARANT: The term "Declarant" shall mean Surfwood IV, a California general partnership. The term "Declarant" shall also mean successors in interest of Declarant, if (i) such successor(s) in interest acquires all or any portion of Declarant's interest in the Subject Property 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

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assumes the rights and duties of Declarant to the portion of the Subject Property so acquired. There may be more than one Declarant.

2.11 DECLARATION: The term "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions of Surfwood IV and includes any subsequently recorded amendments.

2.12 ELIGIBLE HOLDER: The term "Eligible Holder" shall mean any Institutional Mortgagee who has delivered a written notice to the Association which contains its name, address and the number or address of the Lot encumbered by the Mortgage and requests that the Association deliver written notice to it of any or all of the events specified in Section 9.5.

2.13 FIRST MORTGAGE: The term "First Mortgage" shall mean a Mortgage which has priority under the recording statutes of the State of California over all other Mortgages encumbering a specific Lot.

2.14 FIRST MORTGAGEE: The term "First Mortgagee" shall mean the Mortgagee of a First Mortgage.

2.15 IMPROVEMENTS: The term "Improvements" shall mean everything constructed, installed or planted on property subject to this Declaration, including without limitation, buildings, streets, fences, walls, paving, pipes, wires, grading, landscaping and other works of improvement as defined in Section 3106 of the California Civil Code, excluding only those Improvements or portions thereof which are dedicated to the public or a public or quasi-public entity or utility company, and accepted for maintenance by the public, such entity or utility company.

2.16 INSTITUTIONAL MORTGAGEE: The term "Institutional Mortgagee" shall mean a First Mortgagee which is (i) a bank, savings and loan association, insurance or mortgage company or other entity or institution chartered under or regulated by any federal and/or state law; (ii) an insurer or governmental guarantor of a First Mortgage including without limitation the Federal Housing Authority and the Veteran's Administration; or (iii) the State of California.

2.17 INVITEE: The term "Invitee" shall mean any person whose presence within the Project is approved by or is at the request of the Association or a particular Owner, including, but not limited to, lessees, tenants, and the family, guests, employees, licensees or invitees of Owners, tenants or lessees.

2.18 LOT: The term "Lot" refers to a Separate Interest as defined in California Civil Code Section 1351(1) and shall mean Lots 1 through 50, inclusive, as shown on the Map. Lot includes all Improvements situated thereon or therein.

- 2.19 MAP: The term "Map" shall mean the subdivision map of Tract 230 recorded on August 24, 1989, in Case 2, Drawer 48, at Page 53, et. seq., in the Official Records of the County, including any subsequently recorded amended final maps, certificates of correction, lot line adjustments and/or records of survey.
- 2.20 MEMBER: The term "Member" shall mean an Owner.
- 2.21 MORTGAGE: The term "Mortgage" shall mean any duly recorded mortgage or deed of trust encumbering a Lot.
- 2.22 MORTGAGEE: The term "Mortgagee" shall mean a Mortgagee under a Mortgage as well as a beneficiary under a deed of trust.
- 2.23 NOTICE AND HEARING: The term "Notice and Hearing" shall mean the procedure which gives an Owner notice of an alleged violation of the Project Documents and the opportunity for a hearing before the Board.
- 2.24 OWNER: The term "Owner" shall mean the holder of record fee title to a Lot, including Declarant as to each Lot owned by Declarant. If more than one person owns a single Lot, the term "Owner" shall mean all owners of that Lot. The term "Owner" shall also mean a contract purchaser (vendee) under an installment land contract but shall exclude the contract vendor and any person having an interest in a Lot merely as security for performance of an obligation.
- 2.25 PARTY FENCE: The term "Party Fence" shall mean any portion of a fence which is constructed and placed approximately on the common boundary of two (2) or more Lots.
- 2.26 PROJECT: The term "Project" shall mean the Subject Property.
- 2.27 PROJECT DOCUMENTS: The term "Project Documents" shall mean the Articles, Bylaws, this Declaration and the Rules.
- 2.28 PUBLIC REPORT: The term "Public Report" shall mean a Final Subdivision Public Report issued by the Department of Real Estate of the State of California for the Project.
- 2.29 RESIDENCE: The term "Residence" shall mean a dwelling situated on a Lot, including any attached garage also situated on a Lot.
- 2.30 RULES: The term "Rules" shall mean the rules adopted by the Board, including architectural guidelines, restrictions and procedures.
- 2.31 SUBJECT PROPERTY: The term "Subject Property" shall mean Lots 1 through 50, inclusive, and Parcels A, B and C, as shown on the Map and all Improvements thereon.

ARTICLE III
OWNERSHIP AND EASEMENTS

3.1 NON-SEVERABILITY: The interest of each Owner in the use and benefit of the Common Area shall be appurtenant to the Lot owned by the Owner. No Lot shall be conveyed by an Owner separately from the interest in the Common Area. Any conveyance of any Lot shall automatically transfer the right to use the Common Area without the necessity of express reference in the instrument of conveyance. There shall be no judicial partition of the Common Area. Each Owner, whether by deed, gift, devise or operation of law, for his own benefit and for the benefit of all other Owners and each successor of each Owner, specifically waives and abandons all rights, interests and causes of action for judicial partition of any interest in the Common Area and does further agree that no action for judicial partition shall be instituted, prosecuted or reduced to judgment. The ownership interests in the Common Area and Lots described, granted or reserved in this Article are subject to the easements granted and reserved in this Declaration. Each of the easements described, granted and/or reserved herein shall be deemed to be established upon the recordation of this Declaration and shall be enforceable as equitable servitudes and as covenants running with the land for the use and benefit of the Owners and their Lots superior to all other encumbrances applied against or in favor of any portion of the Project.

3.2 OWNERSHIP OF LOTS: Title to each Lot in the Project shall be conveyed in fee to an Owner.

3.3 OWNERSHIP OF COMMON AREA: Title to or a legal ownership interest in the Common Area shall be conveyed to the Association prior to or concurrently with the conveyance of the first Lot to an Owner.

3.4 OWNERSHIP OF PARTY FENCES: Each Owner of a Lot upon which a Party Fence is situated shall own to the center of the Party Fence.

3.5 EASEMENTS: The easements and rights specified in this Article are hereby created and shall exist whether or not they are also set forth in individual grant deeds to Lots.

3.5.1 Easements On Map: The Common Area and Lots are subject to the easements and rights of way shown on the Map.

3.5.2 Easements For Common Area: Every Owner shall have a non-exclusive right and easement for the ingress, egress, use and enjoyment of the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the right of the Association to dedicate and/or grant easements over all or any portion of the Common Area.

3.5.3 Party Fences: Each Owner of a Lot containing a Party Fence shall have a reciprocal non-exclusive easement over and across such portions of the contiguous Lot as are necessary to maintain the Party Fence.

3.5.4 View Easement: Lot 4, Lots 6 through 9, inclusive, Lot 14, Lots 19 through 23, inclusive, Lots 28 through 31, inclusive, Lot 38 and Lot 44 are hereby made subject to view easements for the benefit of all other Lots. The portion(s) ("View Corridor") of each such Lot subject to a view easement is identified on the Building Envelope and View Corridor Plan. Within each View Corridor the height of plant material is restricted so that the plant material does not block or obstruct the view from another Lot. An Owner who violates this restriction may be required to remove or selectively prune or thin plant material to preserve existing view corridors. The View Easements hereby created are for the benefit of all other Lots in the Project and these restrictions may be enforced by the Association and/or by any Owner.

3.5.5 Utilities: Each Owner shall have a non-exclusive right and easement as dominant tenement, over, under, across and through the Project (including the Common Area and each other Lot, jointly), as the servient tenement, for utility lines, pipes, wires and conduits installed by Declarant.

3.5.6 Encroachment: Non-exclusive rights and easements are reserved and granted (i) for the benefit of each Lot, as dominant tenement, over, under and across each other Lot and the Common Area, as servient tenements, and (ii) for the benefit of the Common Area, as dominant tenement, over, under and across each other Lot, as servient tenement. Such easements shall be for the purposes of encroachment, support, occupancy and use of such portions of Lots and/or Common Area as shall be encroached upon, used and occupied by the dominant tenement as a result of any original construction design, accretion, erosion, deterioration, decay, errors in original construction, movement, settlement, shifting or subsidence of any building or structure or any portion thereof. If any portion of the Project is partially or totally destroyed, the encroachment easement shall exist for any replacement structure which is rebuilt pursuant to the original construction design. The easement for maintenance of the encroaching Improvement shall exist for as long as the encroachment exists; provided, however, that no easement for encroachment shall be created due to the willful misconduct of the Association or any Owner. Any easement for encroachment may but need not be cured by repair or restoration of the Improvement.

3.5.7 Support, Maintenance and Repair: The Association and each Owner shall have a non-exclusive right and easement appurtenant to the Common Area and to all Lots, as dominant tenements, through each Lot and the Common Area, as

servient tenements, for the support, maintenance and repair of the Common Area and all Lots.

3.5.8 Easement to Governmental Entities: All governmental and quasi-governmental entities, agencies and utilities and their agents shall have a non-exclusive easement over the Common Area for the purposes of performing their duties within the Project.

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

3.5.10 Additional Easements: Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of the Project.

ARTICLE IV
USES AND RESTRICTIONS

4.1 ALTERATIONS: No Improvement shall be constructed, performed, installed, altered or demolished, nor shall the color of any Improvement be changed ("Alteration") until plans have been submitted and approved pursuant to Article XI. For purposes of this Declaration, the term "Alteration" shall not include repainting or refinishing any Improvement in the same color or repairing any Improvement with the same materials.

4.2 CONSTRUCTION RESTRICTIONS: The following minimum construction restrictions shall apply to all Lots:

4.2.1 All Improvements shall be constructed or altered in compliance with the applicable zoning laws, building codes and all other applicable laws and ordinances.

4.2.2 All structures constructed upon a Lot must be located within the building envelope as designated on the Building Envelope Plan. All structures shall be located so as to bear an overall relation to the adjacent Lots which creates an aesthetically pleasing overall appearance, in the opinion of the Architectural Committee.

4.2.3 All exterior and decorative lighting shall be placed, whenever possible, in such a manner that the source of the light is not visible to adjacent portions of the Project. Colored landscape lighting is prohibited.

4.2.4 All solar collection devices shall be integrated aesthetically and screened as much as possible from adjacent portions of the Project.

4.2.5 All fences, including the location, style, material, color height and function thereof shall be in accordance with the Master Fencing Plan developed by George Girvin & Associates.

4.2.6 No garbage disposal shall be installed or used that is connected or which empties into the common leach field.

4.2.7 Each Residence shall have a total ground floor area, exclusive of open porches, garages, patios, exterior stairwells and landings, of at least one thousand five hundred (1,500) square feet.

4.2.8 No used materials shall be utilized in the construction of any portion of the Residence which is visible from the exterior of the Residence.

4.2.9 The Residences on Lots 18, 19, 20, 21, 22, 23, 29, 30, 41, 43 and 46 are limited in height to one (1) story above

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the surface of the ground. No Residence on any other Lot shall be constructed in excess of two (2) stories in height unless the Architectural Committee determines that the visual and view impacts are appropriately mitigated.

4.3 USE AND OCCUPANCY OF RESIDENCES: Each Residence shall be used solely for residential purposes. Except for uses within Residences permitted by local ordinances, and except for the business of Declarant in completing the development and disposition of the Lots in the Project, no business of any kind shall be established, maintained, operated, permitted or constructed in any portion of the Project. No Residence shall be permanently occupied by any more than two (2) persons per bedroom. No Owner may permit or cause anything to be done or kept upon, in or about his Lot which might obstruct or interfere with the rights of other Owners or which would be noxious, harmful or unreasonably offensive to other Owners. Each Owner shall comply with all of the requirements of all federal, state and local governmental authorities, and all laws, ordinances, rules and regulations applicable to his Lot.

4.4 RENTAL OF LOTS: An Owner shall be entitled to rent or lease his Lot, if: (i) there is a written rental or lease agreement specifying that the tenant shall be subject to all provisions of the Project Documents and a failure to comply with any provision of the Project Documents shall constitute a default under the agreement; (ii) the period of the rental or lease is not less than thirty (30) days; and (iii) the Owner gives each tenant a copy of the Project Documents. Upon satisfaction of the foregoing conditions all rights to the use and enjoyment of the Common Area shall be exercised by the tenant rather than by the Owner of the leased or rented Lot.

4.5 ANIMALS: An Owner may keep two (2) customarily uncaged household pets within his Lot. Each Owner may also maintain a reasonable number of small caged animals, birds or fish. The Rules may increase the number and type of animals which may be kept. The Board shall have the right to prohibit the maintenance of any pet which, after Notice and Hearing, is found to be a nuisance to other Owners. No animals may be kept for commercial purposes. No dog shall be allowed in the Common Area unless it is under the control of a responsible person by leash or other means. Each Owner or his Invitee shall restore the Common Area to the condition it was in immediately preceding its use by any dog permitted on the Common Area by the Owner or Invitee.

4.6 USE OF COMMON AREA: All use of Common Area is subject to the Rules. There shall be no use of the Common Area except by Owners and their Invitees. All persons residing within the Project may enjoy the use of all facilities in the Common Area as long as they abide by the terms of the Project Documents. There shall be no obstruction of any part of the Common Area. Nothing shall be stored or kept in the Common Area without the prior consent of the Board. Nothing shall be done or kept in the Common Area which will

increase the rate of insurance on the Common Area without the prior consent of the Board. No Owner shall permit anything to be physically done or kept in the Common Area or any other part of the Project which might result in the cancellation of insurance on any part of the Common Area, which would interfere with rights of other Owners, or which would be a nuisance, noxious, harmful or unreasonably offensive to other Owners. No waste shall be committed in the Common Area.

4.7 PARKING: Vehicles shall not be parked anywhere in the Project except wholly within garages, upon public streets, and in areas designed and established for the parking of passenger motor vehicles ("Parking Areas"). All Parking Areas shall be used solely for the parking of motor vehicles used for personal transportation. No part of the Common Area shall be used for repair, construction or reconstruction of any vehicle. No resident in the Project shall park in any Parking Area designated as "guest parking". As long as applicable ordinances and laws are observed, including the requirements of Section 22658.2 of the California Vehicle Code, any vehicle which is in violation of this Declaration may be removed.

4.8 SIGNS: All signs displayed in the Project shall be attractive and compatible with the design of the Project and shall comply with all applicable local ordinances. The only signs of any kind which may be displayed to the public view on or from any Lot or the Common Area shall be as follows:

4.8.1 Sale or Rent: One (1) sign of reasonable dimensions may be placed on a Lot advertising the Lot for sale or rent;

4.8.2 Declarant: Signs may be displayed by Declarant on Common Area or unsold Lots, as Declarant deems appropriate, advertising Lots owned by Declarant for sale or rent;

4.8.3 Project Identification: Appropriate signs may be displayed by the Association to identify the Project;

4.8.4 Approved By Board: Other signs, posters and notices approved by the Board or specified in the Rules or in this Declaration may be posted in locations designated by the Board; and

4.8.5 Legal Proceedings: Signs required by legal proceedings may be displayed.

4.9 STORAGE OF WASTE MATERIALS: All garbage, trash and accumulated waste material shall be placed in appropriate covered trash containers, which may be placed on Common Area or where visible only on the night before and the day that pick-up is to occur.

4.10 ANTENNAS: No outside television antenna, microwave or satellite dish, aerial, or other such device shall be erected,

constructed or placed on any Common Area or any Lot, unless first approved in accordance with the provisions of Article XI.

4.11 INVITEES: Each Owner shall be responsible for compliance with the provisions of the Project Documents by his Invitees. An Owner shall promptly pay any Reimbursement Assessment levied and/or any fine or penalty imposed against an Owner for violations committed by his Invitees.

4.12 RULES: The Board shall promulgate rules concerning the use of the Common Area by Owners and their guests. The Board shall have the right to limit the number of an Owner's guests that may use any recreational facilities. Neither an Owner nor its Invitees shall violate any provision of this Declaration, the Bylaws or the Rules as the same may be amended from time to time.

4.13 MINERAL EXPLORATION: No Lot shall be used to explore for or to remove any water, oil, hydrocarbons or minerals of any kind without the approval of the Board and only if permitted by local ordinances.

4.14 CLOTHESLINES: No exterior clotheslines or other outside clothes drying or airing facility shall be erected or maintained on any Lot unless approved pursuant to Article XI.

4.15 PREVIOUSLY EXISTING DWELLING: At the time of recordation of this Declaration there are previously existing structural Improvements on Lots 42 and 44. The previously existing structural Improvements shall be permitted to remain, notwithstanding their lack of compliance with provisions of the Project Documents, until the first to occur of the following: (i) fifty percent (50%) or more of the structure is destroyed; or (ii) the exterior of the structure is altered so as to substantially change its appearance. When either event occurs, the structural Improvements must then be brought into substantial compliance with the provisions of the Project Documents.

4.16 RIPARIAN BUFFER AREA: Those portions of Lots 11 through 17, inclusive, and Lots 32 through 40, inclusive, designated on the Map as "Riparian Buffer Area -- Open Space Area" shall be kept open and free from structures and other Improvements (except landscaping) except for those Improvements related to improvements made by the Water District.

4.17 VIEW: The Project is a view oriented project and the intent of this development is to preserve and maximize views for all Lots. In addition to the designated view corridors described in Section 3.5.4 of this Declaration, all Owners shall control existing trees and plant materials through selective removal, pruning, topping or similar means so as to minimize visual blockage or obstruction of views from other Lots. Within each Lot, any new landscape planting shall be specifically selected in terms of material, size and quantity so as to minimize visual blockage or obstruction of views from other Lots.

ARTICLE V
MAINTENANCE, REPAIR AND RECONSTRUCTION OF IMPROVEMENTS

5.1 MAINTENANCE OF COMMON AREA: The Association shall be responsible for the maintenance, repair, replacement, management, operation, painting and upkeep of Common Area and Improvements thereon. The Association shall keep the Common Area and Improvements thereon in good condition and repair, provide for all necessary services and cause all acts to be done which may be necessary or proper to assure the maintenance of the Common Area in first class condition. The Association shall also maintain, operate, repair and replace, as necessary, the common leach field, holding tanks and pumps serving certain Lots in the Project in compliance with the conditions and procedures of the Engineer's Report for Surfwood IV, dated May 19, 1989, as approved by the Mendocino County Division of Environmental Health, as the same may be amended from time to time with the consent of the Division of Environmental Health. The maintenance, repair, operation and replacement shall also conform with all terms and conditions of the permit issued by the Division of Environmental Health on July 19, 1989, as it may be amended from time to time. All costs of maintaining, operating, repairing and replacing the common leach field shall be included in the Regular Assessments payable by Owners in accordance with the provisions of Section 6.2.3 of this Declaration.

5.2 ALTERATIONS TO COMMON AREA:

5.2.1 Approval: Only the Association shall construct, reconstruct, refinish or alter any improvement situated upon the Common Area. A proposal for any construction of or alteration, maintenance or repair to an Improvement may be made at any meeting. A proposal may be adopted by the Board, subject to the limitations contained in the Bylaws.

5.2.2 Funding: Expenditures for maintenance, repair or replacement of an existing capital Improvement for which reserves have been collected may be made from the Reserve Account. Subject to the limitations contained in the Bylaws, the Board may levy a Special Assessment to fund any construction, alteration, repair or maintenance of an Improvement for which no reserve has been collected or to alter existing Improvements.

5.3 MAINTENANCE OF LOTS AND RESIDENCES: Except as otherwise specifically provided in this Declaration, each Owner shall maintain and care for his Lot, his Residence, and all other Improvements located in or on his Lot in a manner consistent with the standards established by the Project Documents and other well maintained residential areas in the vicinity of the Project. Special architectural design standards may be established in the Rules.

5.4 ALTERATIONS TO LOTS AND RESIDENCES: Owners may alter or remodel the interiors of their Residences, if the alterations do not impair the structural integrity of the Residence and if the Owner complies with all laws and ordinances regarding alterations and remodeling. Any proposals for alterations, additions or other Improvements on Lots or to the exteriors of Residences shall be made in accordance with the provisions of Article XI.

5.5 MAINTENANCE AND REPAIR OF EASEMENTS AND FENCES:

5.5.1 Easements: The Association shall be responsible for maintaining, repairing and replacing all Improvements within those portions of Lots 7, 10, 11, 24, 25, 26, 28, 29, 30, 35, 36, 38, 39, 42, 43 and 47 which are designated on the Map as S.E. ("Slope Easement") or as D.E. ("Drainage Easement").

5.5.2 Party Fences: The Owners of a Party Fence shall be responsible for maintaining, repairing and replacing it. The costs of such maintenance, repair and/or replacement shall be shared equally by the Owners; provided, however, that all costs of any maintenance, repair or replacement necessitated by the negligent or willful action of an Owner shall be borne by that Owner. In the absence of negligent or willful conduct, any necessary maintenance, repair or replacement performed by an Owner shall entitle that Owner to a right of contribution from the other Owners of the Party Fence. The right of contribution shall be appurtenant to the Lot and shall pass to the successor(s) in interest of the Owner entitled to contribution.

5.5.3 Fences Separating Common Area and Lots: Each fence which separates a Lot from Common Area shall be maintained, repaired and replaced by the Owner of the Lot. Maintenance shall include refinishing the exterior surface of the fence if that surface was previously finished with paint or stain.

5.6 LANDSCAPING: All landscaping in the Project shall be maintained and cared for in a manner consistent with the standards of design and quality as originally established by Declarant and in a condition comparable to that of other well maintained residential areas in the vicinity of the Project. All natural landscaping which the Owner desires to retain shall be sufficiently maintained so as to avoid unnecessary fire hazards. All landscaping which is installed by an Owner shall be maintained in a neat and orderly condition and diseased or dead lawn, trees, ground cover or shrubbery shall be removed and replaced. All lawn areas shall be mowed. Other specific restrictions on landscaping may be established in the Rules.

5.6.1 Association: The Association shall be responsible for all landscaping located on Common Area.

3. The third priority shall be funds raised by a Special Assessment against all Owners levied by the Board up to the maximum permitted without a vote of the Members in accordance with the limitations set forth in the Bylaws.

4. The fourth priority shall be any funds raised by a Special Assessment against Owners levied by the Board pursuant to a vote of the Members pursuant to Section 5.8.3

5.8.3 Special Assessment: If the total funds available to restore the Common Area pursuant to the first three priorities described in Section 5.8.2 is insufficient to restore the Common Area, then a special meeting of the Members shall be called for the purpose of voting whether to impose an additional Special Assessment and deciding upon the amount thereof. The Board shall then contract for the restoration of the Common Area as described above, making use of whatever funds are then available to it.

5.9 DAMAGE OR DESTRUCTION TO RESIDENCES AND/OR LOTS: If all or any portion of a Lot or Residence is damaged by fire or other casualty, the Owner shall either (i) restore the damaged Improvements or (ii) remove all damaged Improvements, including foundations, and leave the Lot in a clean and safe condition. Any restoration under (i) preceding must be performed so that the Improvements are in substantially the same condition in which they existed prior to the damage, unless the provisions of Article XI are complied with by the Owner. The Owner must commence such work within sixty (60) days after the damage occurs and must complete the work within one (1) year thereafter.

5.10 CONDEMNATION OF COMMON AREA: If all or any portion of the Common Area is taken for any public or quasi-public use under any statute, by right of eminent domain or by purchase in lieu of eminent domain, the entire award shall be deposited into the Current Operation Account until distributed. The Association shall distribute such funds proportionately to all Owners as their interests appear according to the respective fair market values of their Lots at the time of condemnation, as determined by an independent appraisal made by an independent real estate appraiser with a Member of the Appraisal Institute certificate or the equivalent, selected by the Board. The Association shall represent the interests of all Owners.

shall immediately terminate for that fiscal year. Regular Assessments shall commence for all Lots on the first day of the first month following the month in which the first Lot is conveyed to an Owner and may commence prior to that date at the option of Declarant.

6.2.2 Budgeting: Regardless of the number of Members or the amount of assets of the Association, each year the Board shall prepare, approve and make available to each Member a pro forma operating statement (budget) containing: (i) estimated revenue and expenses on an accrual basis; (ii) the amount of the total cash reserves of the Association currently available for replacement or major repair of Common Area and for contingencies; (iii) an itemized estimate of the current replacement cost of the estimated remaining life of, and the methods of funding to defray repair, replacement or additions to, major components of the Common Area; and (iv) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Common Area. The Association shall also include in its annual budget an amount sufficient to provide reasonable reserves for the replacement of the common leach field system. The amount to be collected for such reserves shall be calculated to provide an accumulated reserve of not less than Ten Thousand Dollars (\$10,000.00) by the sixth (6th) anniversary of the commencement of Regular Assessments and the reserve account for repair and replacement for the common leach field system shall not be reduced below the ten thousand dollar (\$10,000.00) amount except to repair or replace components of the common leach field system. Not less than forty-five (45) and not more than sixty (60) days prior to the beginning of the fiscal year, the Board shall distribute either a copy or a summary of the approved budget to all Owners. If a summary of the budget is distributed, a written notice must accompany it. The written notice must be in at least 10-point bold type on the front page of the summary. It shall state that the budget is available at the Association's office (or at another suitable location within the Project) and that copies will be provided upon request and at the expense of the Association. If a Member requests a copy of the budget, the Board shall provide a copy to the Member by first class United States mail within five (5) days after the Association's receipt of the request. For the first fiscal year, the budget shall be based upon the budget accepted by the Department of Real Estate of the State of California.

6.2.3 Allocation of Regular Assessments: All costs attributable to the operation, maintenance, repair and replacement of the common leach field shall be assessed equally against Lots 1 through 10, inclusive, Lot 14, Lots 16 through 18, inclusive, Lots 20 through 40, inclusive, and Lots 47 through 50, inclusive. The remainder of the total amount of the Association's anticipated revenue attributable to Regular Assessments as reflected in the budget shall be allocated equally among all Lots.

6.5.2 Reserve Account: The Association shall pay out of the Reserve Account only those costs that are attributable to the maintenance, repair or replacement of capital Improvements for which reserves have been collected and held. No funds collected for the Reserve Account may be used for ordinary current maintenance and operation purposes. Withdrawal of funds from the Reserve Account shall require the signatures of either two (2) Directors or one (1) Director and one (1) officer of the Association who is not a Director.

6.5.3 Current Operation Account: All other costs properly payable by the Association shall be paid from the Current Operation Account.

6.6 FINANCIAL STATEMENTS AND RECONCILIATIONS:

6.6.1 Initial Six Month Statement: The Board shall prepare a balance sheet and an operating statement for the period ending on the last day of the sixth (6th) month from the date Regular Assessments were initially levied and distribute them to each Member within sixty (60) days after that date. The operating statement shall include a schedule of assessments received and receivable, identified by the Lot number and the name of the Member(s) assessed.

6.6.2 Annual Report: Within one hundred twenty (120) days after the close of each fiscal year, the Board shall cause to be distributed to each Member an annual report consisting of the following: (i) a balance sheet as of the end of the fiscal year; (ii) an operating (income) statement for the fiscal year; (iii) a statement of changes in financial position for the fiscal year; and (iv) any information required to be reported under Section 8322 of the California Corporations Code. If the report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association stating that the statements were prepared without independent audit or review from the books and records of the Association. Any annual report prepared for a fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars (\$75,000.00) shall be reviewed in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy and a copy of such review shall be distributed as part of the annual report.

6.6.3 Statement of Outstanding Charges: Within ten (10) days of a written request by an Owner, the Association shall provide to the Owner a written statement which sets forth the amounts of delinquent assessments, penalties, attorneys' fees and other charges against that Owner's Lot. A charge for the statement may be made by the Association, not to exceed the reasonable costs of preparation and reproduction of the statement.

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BYLAWS
OF
SURFWOOD IV OWNERS' ASSOCIATION

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BYLAWS
OF
SURFWOOD IV OWNERS' ASSOCIATION

ARTICLE I

NAME

The name of this nonprofit mutual benefit corporation is "SURFWOOD IV OWNERS' ASSOCIATION" (the "Association").

ARTICLE II

DEFINITIONS

The terms used herein shall have the meanings set forth in the Declaration of Covenants, Conditions and Restrictions of Surfwood IV, a planned development, recorded on _____, 19____, as Recorder's Series No. _____, in the Official Records of the County of Mendocino, State of California (the "Declaration").

ARTICLE III

POWERS AND DUTIES OF ASSOCIATION AND BOARD

3.1 POWERS OF ASSOCIATION: The Association has the general power to do any and all things that a nonprofit mutual benefit corporation organized under the laws of the State of California may lawfully do for the benefit of its Members. These powers include any and all lawful actions which may be authorized, required or permitted to be done under and by virtue of the Project Documents or which may be necessary and proper for or incidental to the exercise of any of the express powers of the Association or for the peace, health, comfort, safety or general welfare of the Members. The Association shall have all of the powers and duties set forth in the Project Documents, subject to the limitations stated in the Project Documents.

3.2 POWERS OF BOARD: Except for the powers specifically reserved to the Members by the Project Documents and except as limited by the laws of the State of California, the Board shall have the authority to exercise all powers and undertake all duties of the Association. The Board may delegate any of its powers to any committee, officer or employee as the Board deems necessary and proper except that no committee shall have the power to: (i) approve any action which requires the approval of the Members as provided in the Declaration or these Bylaws; (ii) fill vacancies on the Board or any committee; (iii) amend or repeal these Bylaws or adopt new Bylaws; (iv) amend or repeal any resolution of the Board; or (v) appoint Directors, committees of the Board or members thereof. The Board may also appoint or hire any qualified person or entity as manager of the Project. No employment contract with

a manager shall be for a period longer than one (1) year except as provided in Section 3.3. Except as expressly prohibited, the Board may delegate to the manager any of its duties, powers or functions, including the authority to deposit or withdraw funds from the accounts of the Association, but excluding the right to take any action described in Corporations Code Section 7236 and excluding the right to withdraw from any Reserve Account. The manager may additionally be authorized to establish a common trustee account for the deposit of assessments collected.

3.3 LIMITATIONS ON POWERS OF BOARD:

3.3.1 Approval of Each Class: Without the approval of each class of Members, the Board shall be prohibited from taking any of the following actions:

(a) Entering into a contract with a third person for goods or services for the Common Area or the Association for a term longer than one (1) year, with the following exceptions:

(i) A management contract, the terms of which have been approved by the Federal Housing Administration or the Veterans Administration;

(ii) A contract with a public utility if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(iii) Prepaid casualty or liability insurance of not more than three (3) years duration, provided that the policy permits for short rate cancellation by the insured;

(iv) Lease agreements for laundry room fixtures and equipment and/or agreements for cable television services not to exceed five (5) years in duration provided that the lessor/supplier under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more; and

(v) Agreements not to exceed five (5) years in duration for the sale or lease of burglar alarm and/or fire alarm equipment, installation and services provided that the supplier(s) is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(b) During any fiscal year, selling property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(c) Paying compensation to Directors or officers of the Association for their services as Directors or as officers; provided, however, that the Board may cause a Director or officer to be reimbursed for reasonable expenses actually incurred in carrying on the business of the Association.

(d) Incurring aggregate expenditures for Improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(e) Filling a vacancy on the Board created by the removal of a Director.

3.3.2 Approval of the Members: Without the approval of the Members at a meeting at which more than fifty percent (50%) of the Members are present, the Board shall be prohibited from (i) levying a Regular Assessment which is more than twenty percent (20%) greater than the Regular Assessment per Lot for the immediately preceding fiscal year or (ii) levying a Special Assessment within a single fiscal year which in the aggregate exceed five percent (5%) of the budgeted gross expenses for said fiscal year. Any meeting of the Association at which either action is taken must be conducted in compliance with Chapter 5 (commencing with Section 7510) of Division 2 of Title I of the Corporations Code and Section 7613 of the Corporations Code. Notwithstanding the first sentence of this Section 3.3.2, the Board may increase assessments necessary for the following emergency situations: (i) extraordinary expenses required by an order of a court; (ii) extraordinary expenses necessary to repair or maintain the Project or any part of it for which the Association is responsible where a threat to personal safety on the Project is discovered; or (iii) extraordinary expenses necessary to repair or maintain the Project or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board when it prepared and distributed the budget. Prior to the imposition or collection of an assessment for emergency situations pursuant to this Section, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expenses involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Members with the notice of the increased assessment.

3.4 BOOKS AND RECORDS: The Board shall cause a complete record of all of its acts and corporate affairs to be kept. The membership register, including mailing addresses and telephone numbers and all books, records and papers of the Association, including minutes of meetings of the Board, Association and committees of the Association, and the Project Documents shall be available for inspection and copying by any Member or his duly appointed representative during reasonable business hours. The Board shall establish rules regarding (i) notice to be given to

the custodian of the records by a Member desiring to make the inspection; (ii) hours and days of the week when an inspection may be made; and (iii) payment for costs of making copies of documents requested by a Member. Every Director shall have the absolute right to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association at any reasonable time. A Director is entitled to make extracts and copies of documents.

3.5 DISTRIBUTION OF PROJECT DOCUMENTS: Within ten (10) days of a written request by a Member, the Association shall provide to the Member current copies of the Project Documents. A charge for the copies may be made by the Association, which shall not exceed the reasonable costs of preparation, reproduction and mailing.

3.6 NOTICE AND HEARING:

3.6.1 Procedure: If a Member appears to be in violation of any provision of the Project Documents and the provisions of any of the Project Documents require that Notice and Hearing be provided, the Association shall give written notice to the Member specifying the nature of the violation (and providing any other appropriate information) and stating the time, date and place that the Member will have an opportunity to be heard. If the Member's failure to correct a violation, within a reasonable period of time specified by the Association, results in the expenditure of funds by the Association to correct the violation, the notice shall also state that the Association may levy a Reimbursement Assessment if the Association finds that a violation has occurred. Written notice shall be given at least fifteen (15) days prior to the date set for the hearing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after it has been deposited in the United States mail, first class postage prepaid, addressed to the Member at the address given by the Member to the Board for the purpose of service of notice or to the address of the Member's Lot if no other address has been provided. Any address may be changed from time to time by giving written notice to the Board.

3.6.2 Determination: After the hearing has taken place, the Board shall (i) determine whether a violation has occurred and, if so, may impose a Reimbursement Assessment which shall become effective not less than five (5) days after the date of the hearing; or (ii) take such other action as may be appropriate. The determination of the Board shall be final. However, nothing herein shall be construed to prevent the Board from making any emergency repairs or taking any other emergency action it deems necessary and subsequently providing Notice and Hearing.

3.7 TAX EXEMPT STATUS: If the Board elects to obtain and maintain tax-exempt status for the Association, the Board shall

cause any annual election for tax-exempt status required under federal or state law to be filed timely and shall cause the Association to comply with the statutes, rules and regulations adopted by federal and state agencies pertaining to such exemptions.

ARTICLE IV MEMBERSHIP AND VOTING

4.1 CLASSES OF MEMBERSHIP: Until the conversion of Class B membership to Class A membership, the Association shall have two (2) classes of Members.

4.1.1 Class "A" Members: Each Owner, except Declarant, shall be a Class A Member. Declarant shall be a Class A Member after the expiration of Class B membership. One (1) vote for each Lot owned by a Class A Member may be cast.

4.1.2 Class "B" Member: Until the expiration of Class B membership, Declarant shall be a Class B Member. Three (3) votes for each Lot owned by a Class B Member may be cast. Class B membership shall expire and shall be converted to Class A membership on the first to occur of the following events:

(a) When the number of Class A votes equals the number of Class B votes; or

(b) The date which is the second (2nd) anniversary of the original issuance of the Public Report for the Project.

4.2 VOTING GENERALLY:

4.2.1 Casting Votes: The vote for each Lot shall be cast as a majority of co-Owners of the Lot shall determine. Any vote cast by a single Member shall be deemed the authorized vote for that Lot. If the majority of co-Owners present in person or by proxy at a meeting cannot agree as to how to cast the vote for the Lot, no vote shall be cast for that Lot. The power to cast a particular Member's vote may be exercised by (i) the Member's conservator; (ii) the guardian of his estate; (iii) the parent(s) entitled to custody of a Member if the Member is a minor; or (iv) the executor or administrator of a deceased Member's estate if the Member's interest in the Lot is subject to administration in his estate.

4.2.2 Vesting of Voting Rights: A Member's voting rights shall vest once payment of the Regular Assessment has commenced for the Member's Lot, but in no event before that time.

4.3 VOTING PROCEDURES: Any action required by law or by the Project Documents to be approved by the Owners, the Members or each class of Members shall be approved, if at all, in accordance with the procedures set forth in this Section.

4.3.1 Specified Percentage: All references in this Section 4.3 to the term "Specified Percentage" shall refer to the percentage vote expressly required by the Project Documents, unless no percentage is specified, in which case the action to be approved shall only require a majority vote.

4.3.2 Approval: Approval shall be obtained, if at all, either at a meeting or by written ballot in accordance with either of the following two procedures:

(a) Any action taken at a meeting shall be approved by the vote of the Specified Percentage of the total number of votes which may be cast by the Members who are present at the meeting or represented by proxy. If a quorum is not present after a quorum was initially established, any action taken shall be subject to the requirements of Section 7512 of the California Corporations Code.

(b) Action taken without a meeting shall be approved by the written ballot of the Specified Percentage of the total number of votes which may be cast by the Members; as long as the number of votes cast by written ballot is at least equal to a quorum. However, action without a meeting may only be utilized if done in full compliance with Section 7513 of the California Corporations Code. In no circumstances, may Directors be elected by using this procedure.

4.3.3 Of The Members: Each provision of the Project Documents or of law which requires the approval of the Members requires all Members to vote as a single group without regard to whether a Member is a Class A Member or a Class B Member.

4.3.4 Of Each Class: Each provision of the Project Documents which requires the approval of each class of Members shall be approved in accordance with one of the following provisions:

(a) Prior to the conversion of Class B membership to Class A membership, any action for which the Project Documents expressly require the approval of each class of Members shall require the separate approval of the Specified Percentage of each class of Members.

(b) After the conversion of Class B membership to Class A membership, but while Declarant still owns one or more Lots in the Project, any action for which the Project Documents expressly require the approval of each class of Members shall require the separate approval of (i) the Specified Percentage of the Members and (ii) the Specified Percentage of the Members, excluding the vote of Declarant.

(c) After Declarant no longer owns a Lot in the Project, any action for which the Project Documents expressly require the approval of each class of Members shall require the Specified Percentage of the Members.

4.4 PROXIES: Each Member may vote by proxy. Each proxy shall be in writing, signed and dated by the Member and filed with the Secretary of the Association. No proxy shall be valid as to those matters described in Corporations Code Section 7613(g) unless it sets forth the general nature of the matter as required by Section 7613(g). Every proxy shall be revocable and shall automatically cease upon actual notice to the Association of the conveyance by the Member of his interest in his Lot or the death or judicially declared incompetence of the Member. Any form of proxy or written ballot distributed by any person to the Members shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon except that a candidate for election as a Director need not be named in the proxy or written ballot. The proxy or written ballot shall provide that where the Member specifies a choice the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

4.5 CUMULATIVE VOTING: Cumulative voting applies only when electing or removing Directors. Class A Members shall be entitled to cast a number of votes equal to the number of Directors to be elected multiplied by the number of Lots owned. Class B Members shall be entitled to cast a number of votes equal to the number of Lots owned multiplied by three multiplied by the number of Directors to be elected. Every Member may cumulate his votes and give them to a single candidate or distribute them among as many candidates as he thinks fit, as long as the name of any candidate for whom the Member casts cumulated votes has been put into nomination prior to the commencement of voting and the Member announces his intention to cumulate votes prior to voting. If one Member announces his intention to cumulate votes, all Members may cumulate votes.

ARTICLE V DIRECTORS AND OFFICERS

5.1 GENERALLY: The affairs of the Association shall be managed by a Board of three (3) Directors who shall be Members in good standing, or officers, directors or employees of a Member in good standing, including Declarant. Each Director shall serve from the date appointed or elected until his successor is elected. Directors shall be elected at annual meetings. The officers of the Association shall be a President, who shall be a Director, a Secretary and a Chief Financial Officer (Treasurer). Each officer shall hold office until his successor is elected unless he resigns, is removed or otherwise is disqualified from serving. The Board may

appoint a person to fill a vacancy in any office and he shall serve the remainder of the term of the officer he replaces.

5.2 ELECTION OF DIRECTORS: The initial Board shall be appointed by Declarant and shall hold office until the first annual meeting of Members. Beginning at the first annual meeting, Directors shall be elected as provided in this Section.

5.2.1 Nomination: Nomination for election to the Board shall be made by a nominating committee. The nominating committee shall consist of a chairman, who shall be a Director, and two or more Members. The committee shall be appointed by the Board and shall be announced at each annual meeting. Members of the nominating committee shall serve from the close of the meeting at which their appointments are announced until the close of the next annual meeting. The nominating committee shall make as many nominations for election to the Board as it determines in its discretion; provided, however, that there must be at least as many nominations as there are vacancies to be filled. Nominations may also be made from the floor.

5.2.2 Election: Election to the Board shall be by secret written ballot. The persons receiving the largest numbers of votes shall be deemed elected. Each Member may cumulate his votes in the manner described in Section 4.4. However, as long as there are two (2) classes of Members, or as long as Declarant is entitled to cast a majority of the votes which may be cast by the Members, twenty percent (20%) of the Directors must be or have been separately elected solely by a vote of Members other than Declarant. The remaining Directors shall then be elected in the manner described in this Section.

5.2.3 Term of Office: Each Director elected shall serve a term of one (1) year.

5.3 REMOVAL AND RESIGNATION OF DIRECTORS: Unless the entire Board is removed from office by a vote of the Members, an individual Director shall not be removed prior to the expiration of his term if the number of votes cast against his removal is greater than the sum arrived at by using the following formula: $X/Y + 1$, where X equals the total number of votes cast at the election to remove the Director and Y equals the number of Directors authorized to be elected by these Bylaws. However, any Director who has been elected solely by Members other than Declarant may be removed from office prior to the expiration of his term only by the vote of not less than fifty-one percent (51%) of Members other than Declarant. When voting for the removal of a Director, each Member shall be entitled to cumulate his votes as described in Section 4.5. Any Director may resign by giving written notice to the Board. The resignation shall be effective on the date specified in the notice. Unless otherwise provided in the notice, the acceptance of a resignation shall not be necessary to make it effective.

5.4 ELECTION OF OFFICERS: Officers shall be elected by the Board at the first meeting held after each annual meeting of the Association. The Board may also elect a Vice President and/or such other officers as the affairs of the Association may require. Only a Director may be elected as Vice President. The terms of office shall be prescribed by the Board.

5.5 REMOVAL AND RESIGNATION OF OFFICERS: Any officer may be removed from office by the Board with or without cause. If a Director serving in the office of President or Vice President has been removed pursuant to Section 5.3, he shall also be automatically removed from his position as an officer. Any officer removed by the Board shall not be removed from the position of Director except pursuant to Section 5.3. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. The resignation shall be effective on the date specified in the notice. Unless otherwise specified in the notice, the acceptance of a resignation shall not be necessary to make it effective.

5.6 DUTIES OF OFFICERS: Unless otherwise (i) directed by the Board or (ii) required by law, officers shall perform the duties described herein:

5.6.1 President: The President shall (i) preside at all meetings of the Board; (ii) see that orders and resolutions of the Board are carried out; and (iii) sign all leases, mortgages, deeds, promissory notes and other written instruments.

5.6.2 Vice President: The Vice President, if any, shall act in the place and stead of the President in the event of the President's absence or his inability or refusal to act.

5.6.3 Secretary: The Secretary shall (i) record the votes and keep the minutes of all meetings and proceedings of the Board and the Association; (ii) serve notice of meetings of the Board and the Association; and (iii) keep appropriate current records showing the Members together with their addresses.

5.6.4 Chief Financial Officer: The Chief Financial Officer shall (i) receive and deposit into appropriate bank accounts all monies of the Association; (ii) disburse funds as directed by resolutions of the Board; (iii) keep proper books of account; and (iv) prepare or cause to be prepared all budgets and financial statements.

ARTICLE VI MEETINGS OF MEMBERS

6.1 ANNUAL MEETINGS: The first annual meeting of the Association shall be held within forty-five (45) days after the

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closing of the sale of the Lot which represents the fifty-first (51st) percentile of the total Lots in the Project authorized for sale under the first Public Report for the Project, but in no event later than six (6) months after the date of the closing of the sale of the first Lot in the Project. The second annual meeting of the Association, and every annual meeting thereafter, shall be held during the same month of the year that the first annual meeting was held, with the specific day and time to be determined by the Board. Meetings shall be held within the Project or at a location as close to the Project as possible. The Board shall specify the location of the meeting in the notice for the meeting.

6.2 SPECIAL MEETINGS: A special meeting of the Members must be promptly scheduled by the President, or, if the President refuses or is unable to, by any Director, upon (i) a vote of the Board itself; or (ii) receipt by the Board of a written request for such a meeting signed by Members entitled to cast not less than five percent (5%) of the total votes which may be cast by the Members. Special meetings of the Members may also be called at any time by the President or the Board.

6.3 NOTICE: Except where the Project Documents require otherwise, written notice of regular and special meetings of the Members shall be given by or at the direction of the Secretary or other person authorized to call the meeting. Notice of each meeting shall be given to each Member entitled to vote at the meeting and shall be addressed to the Member at either (i) the most recent address appearing on the books of the Association or (ii) the address supplied by the Member to the Association for the purpose of notice. Notices for a meeting called pursuant to Sections 6.1 or 6.2 (i) shall be personally delivered or mailed first class with postage prepaid at least ten (10) but not more than ninety (90) days before the meeting; however, notices for a meeting called pursuant to Section 6.2 (ii) shall be given at least thirty-five (35) but not more than ninety (90) days after receipt by the Board of the request. Notice by mail other than first class shall be made at least twenty (20) but not more than ninety (90) days before each meeting. Notices of meetings shall specify the place, day and hour of the meeting. Notices of special meetings shall also state the purpose of the special meeting. If mailed, notices shall be deemed to be delivered twenty-four (24) hours after their deposit in the United States mail, first class postage prepaid.

6.4 QUORUM: The presence at the meeting of Members and proxies entitled to cast fifty-one percent (51%) of the total number of votes which may be cast by the Members shall constitute a quorum for any action, except as provided in Section 3.3.2 of these Bylaws. If a quorum is not present or represented at any meeting, a majority of the Members present in person shall have the power to adjourn the meeting to another time with no notice other than an announcement at the meeting. If a time and place for the reconvened meeting is not fixed by those in attendance at the

original meeting or if for any reason a new date is fixed for the reconvened meeting after adjournment, notice of the time and place of the reconvened meeting shall be given to Members in the manner prescribed for regular meetings.

ARTICLE VII
MEETINGS OF DIRECTORS

7.1 REGULAR MEETINGS: Regular meetings of the Board shall be held quarterly unless the Board determines that the business to be transacted requires more frequent meetings. In that event, regular meetings shall be held at intervals determined by the Board but not less frequently than quarterly. Regular meetings shall be held at the time and place fixed by the Board.

7.2 SPECIAL MEETINGS: Special meetings of the Board shall be held when called by written notice signed by the President of the Association or by any two Directors other than the President.

7.3 NOTICE: Notice of any regular meeting of the Board shall be given to each Director not less than four (4) nor more than fifteen (15) days prior to the date fixed for such meeting. Notice shall be personally delivered or sent by mail or telegram to each Director at his address as shown in the records of the Association; provided, however, that notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to the holding of such meeting. The notice shall specify the time and place of the meeting. Notice of any special meeting shall be given in the same manner as notice for a regular meeting, except that notice shall be given to each Director not less than seventy-two (72) hours prior to the date fixed for the meeting. The notice shall specify the purpose of the meeting. If the notice is mailed, it shall be deemed to be delivered twenty-four (24) hours after deposit in the United States mail with first class postage fully prepaid. If notice is given by telegram, notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. The attendance of a Director at the meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

7.4 QUORUM: A majority of the Directors shall constitute a quorum for the transaction of business. Every action taken and every decision made by the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

7.5 ACTION WITHOUT A MEETING: In an emergency, the Directors shall have the right to take any action that may be required for the efficient and expeditious operation and conduct of the Association's business without a meeting if (i) the Board

would have the power and authority to act at a meeting and (ii) the written consent of all Directors to such action is first obtained. Unless mailed, written notice of the action taken without a meeting must be posted in a conspicuous place within the Common Area within three (3) days after the consent of all Directors is obtained. Any action taken by written consent shall have the same effect as if it were taken at a duly noticed meeting of the Board.

7.6 PARTICIPATION BY MEMBERS: Unless notice is mailed to all Members, the Secretary shall post a notice of all Board meetings in a conspicuous place within the Common Area. Notices shall be posted not less than four (4) days prior to the scheduled time of the regular meeting and not less than seventy-two (72) hours prior to the scheduled time of the special meeting. All meetings of the Board shall be open to all Members but Members who are not Directors shall have no right to participate in any deliberations or discussions of the Board unless expressly authorized by a vote of the Board. If the nature of the business is first announced in open session, the Board may vote to adjourn and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature.

ARTICLE VIII INDEMNIFICATION

8.1 GENERALLY: A Director, officer, committee member, employee or other agent of the Association who is a party to or is threatened to be made a party to any proceeding (including a proceeding by or on behalf of the Association) because he is or was a Director, officer, committee member, employee or agent of the Association shall be indemnified by the Association against all expenses and liabilities actually and reasonably paid or incurred in connection with the proceeding to the maximum extent permitted by the California Nonprofit Mutual Benefit Corporation Law. Terms used in this Article shall have the same meaning as in Section 7237 of the California Corporations Code.

8.2 APPROVAL: Upon written request to the Board by any person seeking indemnification, the Board shall promptly determine whether the applicable standard of conduct set forth in the California Nonprofit Mutual Benefit Corporation Law has been met. If so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because more than fifty percent (50%) of the Directors are parties to the proceeding for which indemnification is sought, the Board shall promptly call a special meeting of Members. At the meeting, the Members shall determine whether the applicable standard of conduct set forth in the California Nonprofit Corporation Law has been met. If so, the Members shall authorize indemnification. Members or other persons seeking to be indemnified shall not be entitled to vote on the question of indemnification.

8.3 ADVANCING EXPENSES: Except as otherwise determined by the Board in a specific instance, expenses incurred by a Director, officer, committee member, employee or agent seeking indemnification under Section 8.1 shall be advanced by the Association prior to the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the Director, officer, committee member, employee or agent to repay the amount unless it is ultimately determined that the person is entitled to be indemnified by the Association.

8.4 NON-LIABILITY OF OFFICIALS: To the fullest extent permitted by law, and except as may be limited by Section 7236 of the California Corporations Code, no Director, officer, or committee member, or the Board shall be liable to any Member, Owner, the Association or any other party for any damage, loss, claim, liability or prejudice suffered or claimed as a result of any decision, approval, disapproval, course of action, act, inaction, omission, error, or negligence which was (i) made in good faith and (ii) within which such person or entity reasonably believed to be the scope of his duties as a Director, officer or committee member.

ARTICLE IX CORPORATE REORGANIZATIONS

9.1 CONSOLIDATIONS AND MERGERS: To the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit corporations organized for the same purposes as this Association, as long as any merger or consolidation is approved by (i) a majority of the Board and (ii) each class of Members.

9.2 DISSOLUTION OF INCORPORATED ASSOCIATION: If the Association as a corporate entity is dissolved, then without further action or notice, a nonprofit, unincorporated association shall be deemed formed which shall succeed to all the rights and duties of the Association. The affairs of the unincorporated association shall be governed by the laws of the State of California and, to the extent not inconsistent therewith, by the Project Documents as though they had been prepared for an unincorporated association.

ARTICLE X AMENDMENTS

10.1 PROCEDURE: Except as provided in the Declaration, these Bylaws may be amended by the approval of each class of Members.

10.2 RECORDS OF AMENDMENTS: Whenever an amendment or a new Bylaw is adopted, it shall be added in the appropriate place in the

Association's minute book. If any Bylaw repeals any portion of these original Bylaws, either the date of the meeting at which the Bylaws or portion thereof was repealed or the date written consent was filed with the Secretary shall be stated therein.

ARTICLE XI
CONFLICT

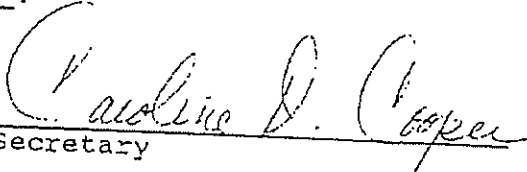
In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am duly elected and acting Secretary of SURFWOOD IV OWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation; and

That the foregoing Bylaws constitute the original Bylaws of the Association, as duly adopted by the Board thereof on the _____ day of _____, 19__.


Secretary

LITTLE & SAPUTO
ATTORNEYS AT LAW
QUAIL COURT, SUITE 311
WALNUT CREEK, CA 94396
(415) 944-3000

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SURFWOOD IV ARCHITECTURAL STANDARDS

The purpose of these design guidelines, the Architectural Standards, which were adopted pursuant to Section 11.4 of the Declaration of Covenants, Conditions and Restrictions (the "CC&Rs"), is to assure that building forms will be created by the owners and their architects which blend into the natural setting of the subdivision. While materials, colors and exterior finishings should be chosen with this objective, no restriction on architectural style is intended. These Architectural Standards are intended to be flexible. It is anticipated that they will change with experience and changing conditions at the subdivision. Owners and their architects are encouraged to submit ideas and plans which, though possibly at variance with portions of these design guidelines, act to further the design philosophy stated in the CC&Rs and in these Architectural Standards.

One of the primary considerations of the Committee is the enhancement and preservation of ocean views.

I. THE RESIDENCE

A. The structures on each of the lots in the subdivision are to be located within the designated building envelope as shown on the Building Envelope Plan attached as Exhibit "A" to the CC&Rs, unless otherwise approved by the Architectural Committee. Building materials, colors and finishes are to be chosen in order to be compatible with the overall atmosphere of the project, generally of earth tone colors that will blend well with the surrounding area.

1. The exterior surfaces of the residence should be either natural or stained wood of a dark brown, olive green or other earth tone color. Stucco finishings may be allowed on a case-by-case basis with the approval of the Architectural Committee.

2. Metal sash should be either anodized bronze or shop painted a dark color. Flashings, gutters and roof jacks must be painted.

3. Where exterior wood is to be painted, the paint should be a dull finish.

4. Roofs should be either fire treated shake, shingle, cement or asphalt tile. The quality and variety of the material must be approved by the Architectural Committee prior to construction. Not less than three (3) in twelve (12) pitch roofs for residential structures shall be used. No flat roofs or rock

roofs shall be permitted, except where the design concept in the opinion of the Architectural Committee is not detrimental to the environmental character of the adjacent property or the community.

5. All front yard concrete work shall be seated with rock, unless, in the opinion of the Architectural Committee, such seating would serve no useful purpose.

B. No temporary construction residence, whether trailer, tent or portable shed, is allowed during the construction. However, during the construction period, a shed or trailer may be used for the sole purpose of storing tools and supplies.

C. Excavation for the dwelling foundation should be kept to a minimum. Upon completion of the building project, the rocks and stumps removed from the excavation must be hauled from the site. Arrangements for this removal should be part of the building contract. The construction site should be returned to natural grade as much as possible and native grass seed should be planted in scarred areas. Driveway excavations should also be kept to a minimum.

D. All tree removal must be approved. Construction plans should indicate the existence of all trees greater than six (6) inches in diameter at the base of the trunk.

II. PARKING

A. All vehicles, including cars, trucks, trailers, boats, campers and the like that are stored and not in use must be stored in garages or other approved structures.

B. The CC&Rs provide that each dwelling shall have at least a two-car garage.

III. BUILDING ENVELOPE

A. The main residence on the lot, as well as service areas, swimming pools, outbuildings, animal containment areas and the like, are to be located in the building envelope.

1. The location of the building envelope is shown on the Building Envelope Plan attached to the CC&Rs. Building envelopes can be altered or changed only with the approval of the Architectural Committee.

2. It is the responsibility of the owner to ascertain the location of the building envelope on his lot and to make certain that all projects submitted for approval to the Committee are located within the boundaries of the building envelope.

Note: The Committee shall have no responsibility for making this determination, and owners should understand that construction of a project which is located in whole or in part outside the building envelope is a violation of the CC&Rs.

B. Service areas should be designed in such a way that they are both adjacent to residences or outbuildings and are adequately screened. The service areas should be used for maintenance or storage of garbage and trash containers, tools, incinerators, clotheslines or the like. It is suggested that the service areas be fenced, using approved material. Garbage can location must be shown on the building plans.

1. Storage tanks, whether for water or fuel, should be either placed within the service areas or integrated with the main residence and adequately screened.

C. Swimming pools must incorporate equipment for filtration and recirculation of the pool water. The pool, heaters and filters must be screened adequately. No domed pool covers will be allowed. Excavation debris from pools must be removed from the site upon completion of the project.

D. Outbuildings are to be constructed in the same manner as the main residence, with the exception of Lots 42 and 44, following the guideline set out in Part I, above. To the extent possible, the design and exterior finishing of outbuildings must be complimentary to the main residence.

E. Animal containment areas must be approved by the Architectural Committee. Generally, they should be located in such a manner as to minimize visual, audible and olfactory impact on neighboring lots. The Architectural Committee intends to minimize the visual impact of the usual dust bowl and mud sea effect that accompanies animal containment in small, sensitive areas. Therefore, these containment areas should be screened from adjacent portions of the property. Only approved fencing, as provided in the subdivision rules, may be used for pens.

IV. PROCEDURE

A. The procedures for the Architectural Committee approval process are outlined in Article XI of the CC&Rs.