

**DECLARATION OF  
COVENANTS, CONDITIONS AND RESTRICTIONS  
HILLS RANCH OWNERS' ASSOCIATION  
(As Amended in 2003)**

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**DECLARATION OF  
COVENANTS, CONDITIONS AND RESTRICTIONS  
HILLS RANCH OWNERS' ASSOCIATION  
(As Restated in 2003)**

This Declaration of Covenants, Conditions and Restrictions of HILLS RANCH OWNERS' ASSOCIATION. ("**Declaration**" or "CC&Rs") is a restated version of the original Declaration entitled "DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF HILLS RANCH A Planned Development Project (Tract 207)" which was recorded in the office of the Mendocino County Recorder on October 23, 1985 in Book 1528, Page 702, and as may have been subsequently amended (hereinafter "Former Declaration").

**RECITALS**

1. **Legal Description.** This **Declaration** governs all of the real property and **Improvements** located in the County of Mendocino, described as:

Lots 1 through 54, inclusive, and Parcel A as shown on the subdivision map filed for record on October 23, 1985, in Map Case 2 , Drawer 43 at Page 75 in the Official Records of the County of Mendocino, State of California.

2. **The Project.** There are 54 **Lots** in Hills Ranch which is a Planned Development within the meaning of the provisions of the California Davis-Stirling Common Interest Development Act (commencing at California Civil Code section 1350). Attached as **Exhibit A** is a site map generally depicting the **Project**. It is included for convenient reference and not as part of any legal description.

3. **This Restated Declaration.** The **Association** determined that its Former Declaration is outdated. Therefore the **Owners** have approved and recorded this **Declaration** which supersedes the Former Declaration. This **Declaration** is intended to enhance and protect the value, enjoyment, safety, desirability and attractiveness of Hills Ranch.

4. **Applicability of Restrictions.** As restated, these covenants, conditions and restrictions shall run with the **Project** and shall be binding on all parties having or acquiring any right, title or interest in any portion of the **Project** in the same manner as the Former Declaration, and shall be for the benefit of all **Owners**.

**ARTICLE I  
DEFINITIONS**

**Section 1.1 "Articles"** means the Articles of Incorporation of HILLS RANCH OWNERS' ASSOCIATION, which are filed in the Office of the Secretary of State of the State of California, as amended from time to time.

**Section 1.2. "Assessment"** means a Regular, Special, Emergency or Reimbursement **Assessment** made or assessed against an **Owner** and his or her **Lot** in accordance with the provisions of Article IV of this **Declaration**.

**Section 1.3. "Association"** means the HILLS RANCH OWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation, its successors and assigns.

**Section 1.4. "Board" or "Board of Directors"** means the governing body of the Association.

**Section 1.5. "Bylaws"** means the Bylaws of the Association as may be amended from time to time.

**Section 1.6. "Common Area"** means all of the real property and Improvements thereon owned by the Association, including mutual or reciprocal easement rights, for the common use and enjoyment of the Owners and more particularly described as Parcel A as shown on the Map.

**Section 1.7. "Declaration"** means this restated Declaration and any further revisions or amendments. The term Declaration is interchangeable with the term "Covenants, Conditions and Restrictions" or "CC&Rs".

**Section 1.8. "Environmental Mitigative Standards"** means the requirements placed upon construction activities within the Project by the County as a part of its approval of the Project, which are listed the attached Exhibit "B."

**Section 1.9. "First Mortgage"** means a Mortgage which has priority under the recording statutes of the State of California over all other Mortgages encumbering a specific Lot.

**Section 1.10. "Governing Documents"** means collectively this Declaration, the Bylaws, Articles, rules, and any formal policies or guidelines approved and adopted by the Board, and any amendments to such documents.

**Section 1.11. "Improvements"** means buildings, facilities, streets, driveways, fences, walls, structures and other alterations and all landscaping constructed or to be constructed upon property subject to this Declaration.

**Section 1.12. "Lot"** means any plot of land, whether improved or unimproved, shown on a recorded subdivision map of the Project, with the exception of the Common Area. Each Lot specifically includes any and all Improvements thereon, including the residence itself.

**Section 1.13. "Meadow Easement"** means the grant of easement entitled "Grant of Open Space Easement for Meadow Protection Zone" recorded on December 30, 1980 in Book 1288 at Page 69 *et seq.* in the Official Records of the County and shall include all duly executed and recorded amendments and/or modifications thereto. A copy of the Meadow Easement are attached as Exhibit "C."

**Section 1.14. "Member"** means every Person holding a membership in the Association and is synonymous with the term Owner.

**Section 1.15. "Mortgage"** any duly recorded Mortgage or deed of trust encumbering a Lot.

**Section 1.16. "Mortgagee"** means a beneficiary (such as a bank) under a **Mortgage** and/or Deed of Trust.

**Section 1.17. "Owner"** means the **Owner**, whether one or more **Persons** or entities, having an interest in a **Lot**. If the interest in a **Lot**, improved or unimproved, is not recorded in the chain of title, the **Board** may require reasonable evidence of an ownership interest before granting or acknowledging ownership rights or benefits. This includes contract purchasers, but excludes **Persons** having any interest merely as security for the performance of an obligation.

**Section 1.18. "Party Wall"** means any wall which is physically attached to or part of two homes. If the homes are offset along the common **Lot** line, the **Party Wall** shall include any wall within twelve (12) inches of the common boundary line of such adjacent **Lots** (regardless of whether or not such wall is located on one or both of such **Lots**). The **Party Walls** shall include the common foundation, common framing, common insulation and that point where the roofs join or abut neighboring roofs. (Note that some but not all homes are in a duplex configuration.)

**Section 1.19. "Person"** means a natural person, corporation, partnership, trustee or other legal entity. This term includes any **Owner**, **Member**, a family member, tenant, resident, guest or invitee.

**Section 1.20. "Project"** means all of the real property and **Improvements** of Hills Ranch Owners' Association and includes all **Lots** and **Common Area**.

**Section 1.21. "Riparian Vegetation Easement"** means the grant of easement entitled "Grant of Open Space Easement for Riparian Vegetation Protection Zone" recorded on December 30, 1980 in Book 1288 at Page 46 *et seq.* in the official Records of the County and shall include all duly executed and recorded amendments and/or modifications thereto. A copy of the **Riparian Vegetation Easement** are attached as **Exhibit "D."**

## **ARTICLE II** **PROPERTY RIGHTS**

**Section 2.1. 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 to the **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.

**Section 2.2. No Partition.** Except as provided by California Civil Code section 1359, there shall be no judicial partition of the **Common Area** or any part, nor shall any **Person** acquiring an interest in the **Property** or any part seek any judicial partition; provided, however, that if any **Lot** is owned by two or more co-tenants as tenants-in-common or as joint tenants, nothing in this **Declaration** shall be deemed to prevent a judicial partition as between co-tenants.

**Section 2.3. Easements.** The ownership interests in the **Common Area** and **Lots** described in this Article are subject to the easements granted and reserved in this **Declaration**. Each of the

easements reserved or granted herein are deemed to be 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**.

**2.3(a) Easements For Common Area.** Every **Owner** shall have a non-exclusive right and easement of use and enjoyment in and to the **Common Area** which shall be appurtenant to and shall pass with the title to every **Lot**, subject to the following provisions:

**2.3(a)(1)** The right of the **Board** to enact reasonable rules and regulations governing use of the **Common Area**; and

**2.3(a)(2)** The right of the **Board**, after Notice and Hearing to suspend an **Owner's** right to use any recreational **Common Area**; and

**2.3(a)(3)** The right of the **Association** to dedicate and or grant easements over all or any portion of the **Common Area**.

**2.3(a)(4)** The **Riparian Vegetation Easement**

**2.3(a)(5)** The **Meadow Easement**.

**2.3(b) Utilities.** There are reserved and granted for the benefit of each **Lot**, as dominant tenement, over, under, across and through the **Project** (including the **Common Area** and each other **Lot**, jointly), as the servient tenement, non-exclusive easements for utility services.

**2.3(c) Encroachment.** There are reserved and granted for the benefit of each **Lot**, as dominant tenement, over and across each other **Lot** and the **Common Area**, as dominant tenements, and for the benefit of the **Common Area**, as dominant tenement, over, under and across each **Lot**, as servient tenement, non-exclusive easements for 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, addition, deterioration, decay, errors in original construction, movement, settlement, shifting or subsidence of any building or structure or any portion thereof, or any other cause. In the event 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 valid 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 structure.

**2.3(d) Support, Maintenance and Repair.** There is hereby reserved and granted a non-exclusive easement appurtenant to the **Common Area** and to all other **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**.



**2.3(e) Association's Easements.** There are hereby reserved to the **Association** and its duly authorized agents and representatives such easements as are necessary to perform the duties and obligations of the **Association** set forth in the **Governing Documents**, including the right to enter upon **Lots**.

**2.3(f) Party Walls, and/or Party Roofs:** Each **Owner** of a **Lot** containing a **Party Wall**, and/or party roof and the **Lot** upon which such **Party Wall**, and/or party roof is located shall have a reciprocal non-exclusive easement over and across such portions of the contiguous **Lot** as is necessary to maintain such wall and/or roof .

**2.3(g) Landscaping Easement.** Each **Owner** is granted an easement over **Common Area** immediately adjacent to the **Owner's Lot** and measuring eighteen (18) feet width and length of each **Lot** and/or area landscaped for each property, whichever is greater. This easement is for the purposes of landscaping only.

**Section 2.4. Water Rights:** Notwithstanding anything in this **Declaration** to the contrary, there shall be permanently preserved, as part of each **Lot** and the **Common Area**, any existing groundwater rights and **Riparian Rights** which may be part of such **Common Area** or **Lot**, despite the fact that physical contiguity of the **Common Area** or **Lot** may be severed from the bodies of water to which they may be riparian by the sale, transfer or subdivision of all or any part of such **Common Area** or **Lot**; provided, that such groundwater and **Riparian Rights** shall be exercised only by the Hills Ranch Mutual Water Company, and its successors, assign and agents, as the sole and exclusive agent for the diversion, extraction, treatment, delivery and distribution of water, pursuant to the agreement between Peter J. Sidlow and the Hills Ranch Mutual Water Company entitled "Appointment of Water Rights Agent Agreement", recorded on October 17, 1985, in Book 1528 of Official Records at Page 128 , Mendocino County Records, State of California; further provided that no groundwater well shall be placed or installed on any **Lot**.

**Section 2.5. Development Rights.** The completion of the development work and the marketing and sale, rental and other disposition of the **Lots** is essential to the establishment and welfare of the **Project** as a residential community. In order that the work may be completed and the **Project** be established as a fully occupied residential community as rapidly as possible, the **Owner** of the remaining unimproved **Lots** shall have the following rights, subject to discretion of the **Board**:

**2.5(a) Rights of Access and Completion of Construction.** The **Owner** of the unimproved **Lots** (i.e., no completed dwelling) shall have the right to:

**2.5(a)(i)** Obtain reasonable access over and across the **Common Area** immediately adjacent to the unimproved **Lot(s)**;

**2.5(a)(ii)** Erect, construct and maintain on the **Common Area** and/or within any **Lot** owned by it such structures as may be reasonably necessary for the conduct of its business to complete the work, and dispose of the **Project** in parcels by sale, lease or otherwise. Once construction is commenced, an **Owner** has 18 months to complete the work, as further specified in Article XII.

**2.5(b) Association Approval.** All aspects of development of the unimproved Lots remain subject to the architectural control standards and processes as required by Article XII of this Declaration.

**ARTICLE III**  
**DUTIES AND POWERS**  
**OF THE ASSOCIATION**

The Board shall have the power and authority to conduct the business of the Association, except as may be limited by the Governing Documents or the law. The Bylaws identify certain Board powers and duties. Additionally, where appropriate or necessary, the Board, for the benefit of the Lots and the Owners, shall generally enforce the provisions of the Governing Documents and otherwise perform its duties, including the following:

**Section 3.1. Utilities:** The Association shall procure and pay for water, sewage, garbage, electrical, gas, telephone, fiberoptics, cable and other necessary utility service for the Common Area and (to the extent not separately metered or charged) for the Lots. The Association may procure or otherwise facilitate communications Improvements such as satellite, internet or bulk cable services and, if appropriate, allocate the charges equitably. The Association may grant easements across the Common Area to permit the installation and maintenance of cable, telephone, internet or other similar lines by private companies.

**Section 3.2. Common Area Services:** The Association shall procure and pay for gardening and landscaping services, as well as maintaining, and cleaning any portion of the Common Area. If economically feasible, the Board may install and/or maintain alternative landscaping water sources such as gray water or wells.

**Section 3.3. Insurance:** The Association shall obtain and maintain in effect the insurance described in Article VIII.

**Section 3.4. Professional Services:** The Association shall procure and pay for professional services, including legal and accounting.

**Section 3.5. Taxes:** The Association shall pay all taxes and assessments, if any, levied or assessed separately against the Common Area.

**Section 3.6. Discharge of Liens.** The Association shall pay, bond around or otherwise cause the discharge of any lien or encumbrance, including taxes, levied against the Common Area. The Association shall, however, levy a Reimbursement Assessment if such a cost is incurred related to any Lot.

**Section 3.7. Other Obligations of the Board.** The Association shall procure and pay for any other goods, materials, supplies, labor, services, painting, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Board is authorized to secure or pay for pursuant this Declaration or by law, or which is reasonably necessary in the discretion of the Board for the convenient and appropriate operation of the Common Area.

**Section 3.8. Authority for Reasonable Entry for Maintenance or Construction:** The Association, or its agents, may enter upon any Lot, whenever such entry is reasonably necessary in connection with the performance of any maintenance or construction for which the Association is responsible. Such entry shall be made with as little inconvenience to the resident as is practical.

**Section 3.9. Manager:** The Board may delegate the daily management duties to a manager or management company who is subject to the direction and control of the Board. This includes the authority to hire, as an employee or independent contractor, an "on-site" manager.

**Section 3.10. Dedication:** The Association, as the agent of all Owners, shall have the power to dedicate any of the Common Area to an appropriate public authority, utility or water company, provided that any such dedication shall have the assent of a majority of a quorum of the membership. The Board may grant Common Area easements or licenses to utility companies, water company, communication companies or public entities, so long as the grant, in whole or in part, benefits the Owners and/or does not significantly interfere with the Owners' use of the Common Area.

**Section 3.11. Rules:**

**3.11(a) Rule Making and Policy Making Power.** The Board may propose, enact and amend rules and/or policies of general application to the Owners relating to the use of any part of the Project by the Owners and other Persons including renters and guests. Such subjects may include provisions regarding parking, recreational vehicle and trailer parking, car washing, storage, trash and garbage disposal, laundry, pets, signs, holiday decorations, displays, rental or lease of lots, and/or activities which might adversely affect the Project or its appearance or might offend, inconvenience, annoy or endanger the Owners or residents. The rules shall not, however, be inconsistent with or materially alter any provision of the Articles, Bylaws or Declaration. In the event of any material conflict, the provision contained in the Articles, Bylaws or Declaration shall be deemed to prevail.

**3.11(b) Amendment and Distribution of Rules and Policies.** The rules and/or policies may be amended by majority vote of the Board. Rules and/or policies (and any amendments) shall be distributed to the Owners either by mail or delivered to each Lot, or posted in a conspicuous place at or near the Mail Kiosk. The Board shall not be obligated to provide more than one copy per Lot. Any amendment shall become effective upon distribution, posting, or at such later date as the Board may specify. A current copy shall be maintained with the Association's corporate records.

**3.11(c) Breach of Rules and/or Policies.** Any breach of the rules and/or policies shall give rise to the rights and remedies set forth in Article XIII.

**Section 3.12. Enforcement Generally.** Where appropriate and necessary, the Board shall, subject to its reasonable discretion, enforce the provisions of the Governing Documents for the benefit of all Members.

**Section 3.13. Maintenance of Association Records.** The Association shall maintain current and historic records in a central depository for safekeeping. The Board shall maintain these official records for inspection by any Member pursuant to the guidelines contained in the Bylaws.

## **ARTICLE IV** **ASSESSMENTS**

**Section 4.1. Assessments Generally.** Each Owner, by acceptance of a deed, is deemed to covenant and agree to pay to the Association Assessments, together with interest, late charges, costs, and legal fees, which shall be a charge on the Lots and may become a continuing lien upon the Lot against which each such Assessment is made. Each such Assessment and related charges shall also be a joint and several personal obligation of each Person who holds an Ownership interest in such property at the time when the Assessment becomes due and payable. All delinquent Assessments shall be subject to the provisions of Section 4.3 below.

**4.1(a) Regular Assessments.** The Board shall establish for each fiscal year an Annual Assessment to be allocated as follows: one rate assessed equally among all improved Lots and a lesser rate allocated equally among those Lots as yet unimproved. Unless otherwise provided, Regular Assessments shall be payable in twelve (12) equal monthly increments. Such monthly payments shall be due and payable on the first day of each month and be delinquent if not received by the Association by the 15th day of the month.

**4.1(b) Special Assessments.** Special Assessments shall be allocated in the same manner as Regular Assessments, unless otherwise determined by the Board for good cause. Special Assessments may be levied for the purpose of defraying, in whole or in part, actual or estimated revenue shortfalls or such other purposes as the Board deems appropriate, subject, of course, to the Assessment level increase provisions fo Section 4.2 below.

**4.1(c) Emergency Assessments.** An Emergency Assessment may be levied by the Board only in accordance with Civil Code section 1366, or any superseding provision of the California Civil Code which addresses Emergency Assessments.

**4.1(d) Reimbursement Assessments.**

**4.1(d)(1) Definition.** A Reimbursement Assessment is a charge against any Owner (and/or tenant) and the Owner's Lot. It may be levied by the Board where there is a violation of the Governing Documents or other misconduct by any Owner, or the lessees, guests, agents, employees, licensees, or invitees of an Owner, or condition created or caused by an Owner or Owner's predecessor in interest, which has required or will require the Association to spend money, resulted in the imposition of a fine or penalty against the Association, or caused any increase in the premiums for the Association insurance. It may also be levied by mutual agreement between an Owner and the Association.

**4.1(d)(2) Implementation.** Prior to levying a Reimbursement Assessment, the Association must provide the individual with due process pursuant to Article XIII, Section 13.4.

**4.1(d)(3) Collection.** A Reimbursement **Assessment** shall be due and payable to the **Association** when levied or such later time as may be set. A Reimbursement **Assessment** may be collected in the same manner as regular **Assessments**.

**Section 4.2. Assessment Level Increases.**

**4.2(a) Approval of Board of Directors.** The **Board** may impose a regular **Assessment** up to and including a twenty percent (20%) increase over the aggregate regular **Assessment** levied in the **Association's** preceding fiscal year. In order to exercise this discretionary power to increase regular **Assessments**, the **Association** must have complied with Civil Code section 1365(a) [See **Exhibit E**, at Section 1(a)]. The **Board** may impose special **Assessments** which in the aggregate do not exceed five percent (5%) of the budgeted gross expenses of the **Association** for that fiscal year. The **Board** also has the power to levy an Emergency **Assessment** pursuant to Section 4.1(c).

**4.2(b) Approval of the Owners.** **Assessments** may be increased above the amounts set forth in Section 4.2(a) above, only with the approval of a majority of a quorum of **Owners**. For purposes of this section, quorum means more than fifty percent (50+%) of the **Owners** of the **Association**. (Based on 54 **Lots**, this would require participation by the voting power of at least 28 **Lots** and the approval by a majority of those participating in the vote.)

**4.2(c) Notice.** The **Association** shall provide notice by first-class mail to **Owners** of any increase in the regular **Assessments** or special **Assessments**, not less than thirty (30) days nor more than sixty (60) days prior to the increased **Assessment** becoming due.

**Section 4.3. Enforcement of Assessments.**

**4.3(a) Delinquency.** The **Association** shall adopt and distribute a collection policy which shall provide for the enforcement of **Assessments**, including the provisions set forth below. If an **Assessment** is delinquent, the **Association** may require payment of all of the following:

**4.3(a)(1)** reasonable costs incurred in collecting the delinquent **Assessment**, including reasonable attorney's fees,

**4.3(a)(2)** a late charge not exceeding ten percent (10%) of the delinquent **Assessment**, or Ten Dollars (\$10), whichever is greater.

**4.3(a)(3)** interest on all sums imposed, including the delinquent **Assessment**, reasonable costs of collection, and late charges, at an annual percentage rate not to exceed twelve percent (12%) interest, commencing thirty (30) days after the **Assessment** becomes due.

**4.3(b) Returned Checks.** An **Owner** who writes a check to the **Association** which is returned for any reason shall pay a reasonable charge set by the **Association** for processing such check. If the check cannot be negotiated, payment shall be demanded in accordance

with California Civil Code section 1719, which is entitled "Treble Damages for Failure to Pay Amount of Dishonored Check."

**4.3(c) Acceleration of Assessment.** If any **Assessment** is delinquent for a period of more than sixty (60) days or an **Owner** is delinquent three (3) or more times for any duration within a twelve month period, the **Association** may declare the entire balance of the annual **Assessment** (plus any other outstanding **Assessment**) immediately due and payable in full, together with any other delinquent amounts. Upon acceleration, interest and a late charge on the full accelerated balance, will accrue.

**4.3(d) Lien.** The amount of the delinquent **Assessments**, plus any cost of collection, late charges and interest, shall be a lien on the **Owner's Lot** from and after the time the **Association** causes to be recorded with the Mendocino County Recorder a Notice of Delinquent Assessment. This includes all additional charges and sums which become due and payable after the date of recordation of a notice of delinquent **Assessment**. Except for the transfer of a **Lot** by foreclosure proceeding, the sale or transfer of a **Lot** shall not affect such a lien.

**4.3(e) Non-judicial Foreclosure.** The **Association** shall have the power to conduct non-judicial foreclosure in order to collect delinquent **Assessments**. Each **Owner** hereby appoints as trustee the **Person** designated by the **Association** as "trustee" in the Notice of Delinquent Assessment, or such substitute trustee as is designated pursuant to Civil Code section 2934(a). Additionally, such **Owner** empowers such trustee to enforce the lien and to foreclose the lien by the private power of sale provided in Civil Code section 1367(d), or by judicial foreclosure. Each **Owner** further grants to the trustee the power and authority to sell the **Lot** of any defaulting **Owner** to the highest bidder to satisfy such lien.

**4.3(f) Lender Notification.** In the event an **Owner** becomes delinquent in payment of **Assessments**, the **Association** may notify that **Owner's Mortgage** holder(s) of such delinquency.

**4.3(g) Other Recourse.**

**4.3(g)(1)** The **Association** may bring an action at law against the **Owner** personally obligated to pay the delinquent **Assessments**, and/or foreclose (whether by judicial or non-judicial foreclosure) its lien against the **Owner's Lot**.

**4.3(g)(2)** Further, the **Association** may exercise any and all legal rights it may also have to cause the collection of delinquent **Assessments**. The **Association**, acting on behalf of the **Owners**, shall have the power to bid for the **Lot** at the foreclosure sale and to acquire and hold, lease, **Mortgage** and convey the **Lot**.

**4.3(g)(3)** In the event an **Owner** is sixty (60) or more days delinquent, any tenant during that period who continues to rent the **Lot** shall become jointly and severally liable for all new regular, special, reimbursement and emergency **Assessments** as they come due.

If the tenant makes such payment to the **Association**, the **Owner** acknowledges it shall be deemed a credit or offset against rents otherwise due from tenant to **Owner**.

**Section 4.4. Grantee Liability.**

**4.4(a) Voluntary Conveyance.** Where an **Owner** voluntarily conveys part or all of that **Owner's** interest in a **Lot**, the **Person** acquiring the interest takes subject to all **Assessments** and charges (delinquent or not) outstanding against the **Lot** at the time of the conveyance. Upon request of an **Owner**, the **Association** shall provide a true statement in writing from an authorized representative of the **Association** as to any **Assessments** and/or other charges levied upon the **Owner's Lot** which are unpaid on the date of the statement. The statement shall also include true information on late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the **Owner's Lot**.

**4.4(b) Conveyance by Foreclosure.** In the event of a foreclosure of a first **Mortgage** and Trustee sale, the **Person** acquiring title, and his or her successors and assignees, shall not be liable for **Assessments** chargeable to such **Lot** which became due and payable prior to the acquisition of title by such acquirer. Nothing in this section shall be construed to relieve any **Person(s)** acquiring a **Lot** by foreclosure from their obligation to pay any **Assessment** otherwise due and payable subsequent to their acquisition.

**4.4(c) Priorities.** When a Notice of Delinquent Assessment has been recorded, such **Assessment** shall constitute a lien on the **Lot** prior and superior to all other liens except (1) all taxes, bonds, and other governmental levies which by law would be superior thereto, and (2) the lien or charge of any **Mortgage** of record made in good faith, for value, and recorded prior to the **Association's** lien. Any foreclosure shall not relieve such **Lot** from liability for the pro rata share of the annual or other **Assessment** that would otherwise be payable after the foreclosure.

**Section 4.5. No Waiver or Offset.** No **Owner** may exempt himself or herself from personal liability or release his or her **Lot** from liens and charges by waiver of any **Owner** rights or by abandonment or non-use of any **Lot**. Each **Owner**, to the extent permitted by law, waives the benefit of any homestead or exemption law of California in effect at the time that any **Assessment** or installment hereof becomes delinquent or any lien is imposed (see generally *Lien Exception to Homestead Right - Code of Civil Procedure Section 703.010(b)*). No offsets or deductions against any assessment shall be permitted for any reason, including, without limitation, any claim that the **Association** is not properly discharging its duties.

**ARTICLE V**  
**RESPONSIBILITIES FOR MAINTENANCE, REPAIR**  
**AND REPLACEMENT**

**Section 5.1. Association Responsibilities - Common Area.** The **Association** shall control and pay for the maintenance, repair and replacement of all **Common Area Improvements** including landscaping, lighting, walkways, retaining walls, fencing, sewer building, sewer lift station, mail shed, power generator, entry sign, sloped drainage facilities, water and sewer lines,

sewer pump station, mailboxes, streets, open space areas, and storm drains. Those portions of the **Common Area** subject to the **Meadow and Riparian Vegetation Easements** shall be maintained in accordance with the terms and provisions of the easements and the **Environmental Mitigative Standards**.

**Section 5.2. Association and Owner Responsibilities for Maintenance, Repair and Replacement - Owners' Lots.** Hills Ranch is a Planned Development wherein each **Owner** actually owns a **Lot** and all **Improvements** on the **Lot**, including the residence. **Owners** are responsible for all maintenance, repair, and replacement of **Improvements** on the **Lot** unless specifically assigned to the **Association**. As to those components for which an **Owner** is responsible for maintenance, repair and/or replacement, any work or change which would alter the exterior appearance from the original construction or configuration must be approved in advance by the **Association** pursuant to the provisions of Article XII of this **Declaration**. The **Association** shall not be responsible for any damage to the interior of buildings unless it can be shown there was gross negligence in the maintenance, repair or replacement of those components for which the **Association** is responsible. **Owners** are required to make routine monthly inspections of **Improvements**, paying particular attention to water leaks and dry rot, immediately reporting any potential problems with components for which the **Association** may be responsible to the **Association**. Such routine inspections are especially important for absentee **Owners** who don't reside at the **Project** year round. If the origin of a problem is inside a home and causes or is a contributing cause to damage to siding or roofing, the **Owner** (who is responsible for the rest of the structure) shall be responsible for any related repair costs incurred by the **Association**.

The following sets forth **Association** and **Owner** responsibilities for certain components and systems. It also addresses responsibility for damages caused by wood destroying organisms and pests. Any component not addressed herein may be the subject of a policy adopted by the **Board**.

To the extent that there are **Association** insurance proceeds, the **Association** may, at the discretion of the **Board**, administer those funds and the repairs to any part of the building.

**5.2(a) Walls and Trim.**

**5.2(a)(1)** The **Association** shall be responsible for maintenance, repair and replacement of building exterior siding, trim and other surface materials. This includes painting (including color selection), staining or oiling the exterior walls and trim which are part of the dwellings and which are directly exposed to the weather. The **Association** shall also be responsible for maintenance, repair and replacement of the weatherproof envelope, including building paper, window framing and flashing or other flashing beneath painted surfaces, or such ancillary components as are visible from the outside including such items as metal flashing and vents.

The **Association's** responsibility shall not include such components as framing of the walls, slabs, foundations, crawl spaces or changes and additions not a part of the original construction. It shall not include such features as: patios, patio decks, atrium floors, pocket deck floors, door frames, and hardware incident thereto, screens and window glass or other fixtures thereto.



The **Association** is not responsible for the cost to repair defects in the original design and/or construction. The **Association's** responsibility is maintenance and ultimate replacement where the work necessary is due to normal wear and tear. The **Association** may levy any such cost as a Reimbursement **Assessment** and perform repairs in conjunction with work that is the **Association's** responsibility.

**5.2(a)(2)** The **Owner** shall be responsible for the maintenance, repair and replacement of windows, sliding glass doors, skylights, exterior light fixtures, outdoor electrical outlets, and other similar components. Replacement windows, window screens, sliding glass doors and screen doors must be approved in advance by the **Association** and/or must conform to **Association** standards.

**5.2(a)(3)** The **Association** shall have no responsibility to pay for or reimburse any **Owner** for painting, staining or other exterior work which the **Owner** requests or undertakes at any time different from the **Association's** overall maintenance plan or schedule. This applies even if such work has received **Association** approval.

**5.2(b) Doors.**

**5.2(b)(1) Exterior and Garage Doors.** The **Association** shall be responsible for painting, staining or oiling all exterior and garage doors. The **Owner** shall be responsible for all other aspects of maintenance, repair and replacement of the garage door for his or her residence. Replacement doors must be approved in advance by the **Association** and/or must conform to **Association** standards.

**5.2(b)(2) Garage Door Hardware.** The **Owner** shall be responsible for the maintenance, repair and replacement of all garage door hardware, including any electric garage door opening device installed within the **Owner's** garage space.

**5.2(c) Roofing.**

**5.2(c)(1)** The **Association** shall be responsible for the maintenance, repair and replacement of roofing materials, including shingles, tiles and sheet metal flashing and caps, as well as plywood, beams, rafters and ventilation. It is understood that the **Association** may maintain and repair any existing roofing materials, however, any replacement will be only with materials approved under the building code at the time of the work.

**5.2(c)(2)** The **Association** shall maintain, repair and replace gutters and downspouts (including periodic cleaning).

**5.2(c)(3)** Each **Lot Owner** shall be responsible for roof components below the rafters, including ceilings, gypsum board or other material, including interior finish and fixtures of such **Owner's** building or home.

**5.2(d) Fireplaces, Flues and Caps.**

**5.2(d)(1)** The **Association** shall be responsible for the painting of those chimney flue and cap components that are outside of the building itself.

**5.2(d)(2)** The **Owner** shall be responsible for all other fireplace components and the cleaning of the chimney flue as necessary.

**5.2(e) Patios, Atria, Walkways, Driveways and Decks.**

**5.2(e)(1) Patios.** The **Owner** shall be responsible for the maintenance, repair and replacement of all patio components including slabs and landscaping. This applies to all patio slabs serving any particular residence regardless of location.

**5.2(e)(2) Walkways and Driveways.** The **Owner** shall be responsible for all aspects of maintenance, repair and replacement of front walkways and driveways, including divider strips and expansion joints.

**5.2(e)(3) Decks.** The **Owner** shall be responsible for all aspects of maintenance, repair and replacement of decks and deck-related components.

**5.2(e)(4) Pocket Decks.** The **Association** shall be responsible for all aspects of maintenance, repair and replacement for the roofing cap, sidewalls and railings of the pocket decks. Nothing shall be placed on the railing of the pocket decks. The **Owner** shall be responsible for all aspects of maintenance, repair and replacement of the flooring of the pocket decks, and shall maintain the waterproof integrity of the flooring so that no water penetrates to building components below.

**5.2(f) Fences.**

**5.2(f)(1)** The **Owner** shall be responsible for all aspects of maintenance, repair and replacement of fences.

**5.2(f)(2)** Adjacent **Owners** shall be equally responsible for the maintenance, repair and replacement of fences, exterior privacy walls, railings or other shared components. In the event of a dispute between **Owners** arising out of the shared usage, maintenance, repair or replacement, the matter shall be addressed as provided for in Article XI, Section 11.8, entitled "Arbitration."

**5.2(g) Matters Affecting Contiguous Residences.** While many of the residences at Hills Ranch are townhouse-style homes, from a structural and fire separation standpoint, and in some instances, pest control, the contiguous residences act as one building. Some maintenance, repair and/or replacement (not addressed in Article IX), therefore, may require a coordinated effort by all **Owners** in the building. Examples of matters affecting contiguous residences may include wood destroying pests and organisms, seismic upgrades and/or other

deficiencies or damage that may similarly affect or compromise the entire building. If both **Owners** within the building agree and all work considered is consistent with the **Association's** architectural control provisions, the **Owners** may undertake, at their own expense, whatever work they deem appropriate. If both **Owners** do not agree on the need for the maintenance, repair, replacement, upgrade and/or reconstruction of some component that may affect the entire building, then the following provisions apply:

**5.2(g)(1)** Reasonable access for inspection and/or testing shall be provided.

**5.2(g)(2)** In the event of a dispute arising out of this subsection and among affected **Owners**, the matter shall be submitted to binding arbitration, and the arbitrator shall have jurisdiction over all **Owners** in the building. Further, the arbitrator may require that maintenance, repair, replacement and/or reconstruction be performed and allocate the cost equitably among the **Owners**. In the event that the **Owners** cannot agree on an arbitrator, one shall be identified by the Presiding Judge of the Mendocino County Superior Court. All related costs and fees of arbitration shall be borne by the affected **Owners** as allocated by the arbitrator.

**5.2(h) Service and Utility Lines.**

**5.2(h)(1)** The **Owner** (or appropriate utility company) shall be responsible for the maintenance, repair and replacement of all service, sewer and utility lines serving only the **Owner's** residence and **Lot**, and not otherwise the responsibility of a utility company or district. If **Owner** responsibility is uncertain, the **Association** may undertake repairs and seek appropriate reimbursement after the work yields additional information regarding responsibility.

**5.2(h)(2)** The **Association** shall control the maintenance, repair and replacement of service sewer and utility lines serving more than one **Lot** or benefitting the **Common Area**, and not otherwise the responsibility of a utility company or district. The **Association** may levy a Reimbursement **Assessment** on the **Owner(s)** benefitted by the work.

**5.2(h)(3)** No telephone, cable television or other wiring shall be routed along the building exterior unless prior approval has been obtained from the **Association**.

**5.2(i) Landscaping.**

**5.2(i)(1)** The **Association** shall be responsible for all landscaping located on **Common Area**, including the **Meadow** and **Riparian Vegetation Easements**. In order to provide suitable screening of portions of the **Project** from view from State Highway 1, no tree shall be removed or severely pruned within that portion of the **Common Area** lying on the westerly side of the knoll where Ocean Vista Court and Lots 38 and 48 are situated. However, any dead or diseased tree shall be removed and immediately replaced with a tree of similar kind so as to minimize, at all times, the visual impact of the portion of the **Project** intended to be screened from view.

**5.2(i)(2)** Each **Owner** shall maintain his or her landscape easement in a neat and attractive condition consistent with the Hills Ranch community. For purposes of this section 5.2(i)(2) only, references to **Lots** shall include these landscaping easements.

**5.2(i)(3)** The **Board** may adopt guidelines, rules, and procedures regulating the placement and type of trees, shrubbery and other vegetation permitted within **Owner's Lots** and addressing problems related to trees (including roots and branches) and other vegetation that extend across **Lot** lines or other areas of responsibility.

**5.2(j) Insect Infestation and Wood Destroying Pests & Organisms.**

**5.2(j)(1)** The **Owner** shall be responsible to abate any nuisance caused by the presence of insects or infestations on the **Owner's Lot**.

**5.2(j)(2)** Each **Owner** is responsible for the repair and maintenance of that **Owner's** residence and **Lot** as may be occasioned by the presence of wood-destroying organisms or pests. This includes such problems as termites and decay (also known as dryrot). Stacks of firewood shall have sufficient clearance from structures so as not to foster spreading of insects to the building or fence.

**5.2(j)(3)** At the discretion of the **Board**, the **Association** may assume responsibility to coordinate and cause repair and maintenance where such work must be performed on more than one **Lot**. If the **Association** exercises the right to such control, it may include reasonable notice of the need to temporarily vacate the residence and/or as otherwise provided in Civil Code section 1364.

**5.2(j)(4)** The **Association** may cause the temporary, summary removal of any occupant of a residence for such periods and at such times as may be necessary for prompt, effective treatment of wood-destroying pests or organisms.

**5.2(j)(5)** The costs of temporary relocation during the repair and maintenance shall be borne by the **Owner** of the separate interest affected. The cost of alleviating the pest problem and any reconstruction shall be the responsibility of those **Owners** affected. In the event the **Association** advances costs for such maintenance and/or repair or enforcement of this section, it may seek reimbursement in the same manner as collection of delinquent **Assessments**.

**5.2(k) Hazardous Materials.** If the **Association** learns of the presence of any material or substance in the **Common Area** or **Lot** which is deemed by any governmental agency to be actually or potentially hazardous, the **Board** may, at its discretion, make written findings as to the circumstances and the need to take certain action and establish and implement appropriate policy and actions as are in the best interests of the **Association**. This shall include the power to take corrective measures similar to those set forth in Section 5.2(j) above.

**Section 5.3. Maintenance of Easements:** The Association shall maintain, repair and replace the roadways, their surfaces and all underground utility systems situated within the two easements shown on the Map, respectively, as "Hills Ranch Road" (which provides vehicular and pedestrian access to the Project from Little Lake Road) and "Fire Access Road 20' Wide" (which provides emergency access to the Project from Little Lake Road). Maintenance, repair and replacement shall be performed so as to keep the easements and **Improvements** in a condition comparable to or better than their original condition. The Association shall also maintain, repair and replace the sanitary sewer line which runs under Grindle Road from the southern Project boundary to Little Lake Road.

**Section 5.4. Enforcement.**

**5.4(a) Common Area.** If the need for maintenance, repair or replacement of any **Common Area** (or component for which the Association is responsible) is caused by an **Owner**, predecessor **Owner**, or the **Owner's** family, guests, tenants, invitees, lessees, or pets, then the Association may, upon determination of responsibility by Association, levy a Reimbursement **Assessment** against the **Owner** and/or the **Owner's Lot**.

**5.4(b) Lot and Dwelling.** If the Board reasonably finds a Lot or dwelling requires maintenance, repair or replacement of any component or condition for which the **Owner** is responsible, the Board may direct the **Owner** to perform the work and if the **Owner** fails or refuses to do so within a reasonable period of time, the Association may utilize the provisions of Article XIII entitled *Enforcement of Governing Documents*, and cause the work to be performed and levy a Reimbursement **Assessment**. The Association may also utilize the provisions of Section 12.11(c) entitled "Association Options for Abating Continuing Nuisances."

**5.4(c) Entry for Repairs.** The Board, its agents or its contractors may enter onto any Lot or access the exterior of any residence or roof when necessary in connection with any maintenance, repair, landscaping, construction or easement for which the Association is responsible. Such entry shall be made with as little inconvenience to the residents as is practical, and any damage caused thereby shall be repaired by the Association. Whenever possible, at least twenty-four (24) hours notice will be given to the resident.

**5.4(d) Continuing Nuisance.** Failure of an **Owner** to perform any maintenance, repair or replacement determined by the Board to be the **Owner's** responsibility and necessary shall be deemed a continuing nuisance.

**5.4(e) Other Options.** These enforcement options shall be in addition to those provided for in Article XIII.

**ARTICLE VI**  
**USE RESTRICTIONS**

The Project shall be occupied and used as follows:

**Section 6.1. Use of Lots.** No Lot shall be occupied and used except for residential purposes by the Owners, their family members, their tenants and social guests.

**Section 6.2. Use of Common Area.** Use of the Common Area is subject to Association rules and restrictions adopted by the Board. Use of the Common Area is further subject to the following:

**6.2(a)** No Owner shall permit anything to be done or kept in the Common Area which will result in the decrease in coverage or cancellation of insurance on any Lot or Common Area, or which would be in violation of any law.

**6.2(b)** There shall be no obstruction of the Common Area. Nothing shall be stored in the Common Area without the prior consent of the Board, in accordance with guidelines adopted by the Board or in designated storage areas.

**6.2(c)** Nothing shall be done to or in the Common Area which has an adverse effect on its enjoyment, use, value, condition or appearance. Owners shall be liable for their own acts, as well as jointly for the acts of family members, tenants, guests and invitees. Any damage or destruction to the Common Area or other areas the Association maintains may result in a Reimbursement Assessment being levied against the Owner, his or her tenant or lessee and his or her Lot.

**6.2(d)** Nothing shall be altered or constructed or removed from the Common Area, except with the written consent of the Board.

**6.2(e)** There shall be no violation of the rules and regulations relating to the use of the Common Area or Lots.

**6.2(f)** In order to properly maintain and repair the Common Area and other components which are the Association's responsibility, it is important that the Board have notice of any problems. Owners are encouraged to report to the Association any problem observed in the condition of the Common Area or other area of Association responsibility, particularly adjacent to their respective Lots.

**6.2(g)** Use of those portions of the Common Area subject to the Meadow Easement and the Riparian Vegetation Easement are subject to the restrictions set forth in the respective easements and are further subject to the Environmental Mitigative Standards.

**Section 6.3. 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:

**6.3(a)** One (1) sign of reasonable dimensions may be placed on a Lot advertising the Lot for sale or rent;

**6.3(b)** Appropriate signs may be displayed by the **Association** to identify the **Project**;

**6.3(c)** Other signs, posters and notices approved by the **Board** may be posted in locations designated by the **Board**; and

**6.3(d)** Signs required by legal proceedings may be displayed.

**Section 6.4. Animals.** An **Owner** may keep two (2) dogs, cats or other customarily uncaged household pets within his or her **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 specifically have the right to prohibit the maintenance of any pet which, after notice and hearing, is found to be a nuisance to other **Owners**. **Owners** are responsible to promptly clean up after their pets and properly dispose of the waste.

**Section 6.5. Nuisance.** No noxious or offensive activity shall be carried on in any **Lot** or in the **Common Area**, nor shall anything be done therein which may be or become an annoyance or nuisance to the other residents.

**Section 6.6. Vehicles.**

**6.6(a) Rules.** In order to promote traffic safety and enhance the appearance and atmosphere of Hills Ranch, **Owners** shall park, store or keep vehicles in accordance with rules and regulations adopted by the **Association**, which may be amended from time to time. These rules may include provisions such as parking, vehicle types, auto alarms, etc.

**6.6(b) Vehicle Type Restrictions.** No Person shall park, store or keep any large commercial type vehicle (dump truck, flatbed, oil or gas truck, etc.), any recreational vehicle (camper unit, motor home, trailer, boat trailer, mobile home, golf cart or other similar vehicle), boats or any vehicle other than a private passenger vehicle on the **Common Area**. Camper trucks and sport utility vehicles up to and including three-quarter (3/4) ton, when used for everyday-type transportation (and not used for commercial purposes), are permitted.

**6.6(c) Other Limitations.**

**6.6(c)(1)** Parking is permitted in designated areas only. Residents are encouraged to park vehicles inside of garages and in other designated parking areas within the **Project**.

**6.6(c)(2)** Guest parking spaces shall not be used for vehicle storage. Vehicles parked continuously for a period of seventy-two (72) hours or longer without **Board** approval may be tagged and subject to towing at the **Owner's** expense.

**6.6(c)(3)** No part of the **Common Area** shall be used for repair, construction or reconstruction of any vehicle, boat or any other item or thing except in an emergency.

**6.6(c)(4)** No vehicle which emits extraordinary levels of exhaust pollution or noise, as determined by the **Board**, shall be operated within the **Project**.

**6.6(d) Towing.** The **Association** may cause any vehicle parked on **Common Area** in violation of the **Governing Documents** to be towed, subject to the provisions of California Vehicle Code section 22658.2, as amended from time to time.

**Section 6.7. Dishes and Antennae.** The **Board** may adopt reasonable guidelines and rules regulating the installation of antennae and satellite or other receiving dishes. Any such provisions must conform to applicable law.

**Section 6.8. Garages.** No area of any residential structure which is intended to be used primarily for the parking of passenger vehicles shall be converted to use as a living area. Garages may only be used for parking of vehicles and other use and/or storage which will not interfere with parking of vehicles. Garage doors shall remain closed, except when the garage is in active use.

**Section 6.9. Restriction on Businesses.** No trade or business shall be conducted on or from any **Lot**, except for professional, administrative work or artistic endeavors, provided there is no external evidence thereof and it is conducted in accordance with a policy adopted by the **Board**. In no event shall a business be conducted which will (a) have a measurable negative impact on neighbors, (b) increase vehicle or foot traffic within the **Project** or to the **Lot**, (c) cause any damage to the **Common Area**, (d) adversely affect or increase the cost of **Association** insurance, or (e) interfere with the primary use of the **Lot** as a residence.

**Section 6.10. No Vacation Rentals.** In order to preserve the residential nature of the neighborhood, time share arrangements, weekend rentals and event rentals are prohibited. The minimum duration for a rental is 90 days. For additional rental provisions, see Article VII.

**Section 6.11. Trash Disposal.** All garbage, trash and accumulated waste material shall be placed in appropriate covered trash containers and hidden from public view. No individual trash containers or receptacles shall be permitted unless garbage pickup service is billed directly to individual **Lots**. In that event, the containers may be placed on **Common Area** or where visible only on the day of the week that pick-up is to occur.

**Section 6.12. Invitees.** Each **Owner** shall be responsible for compliance with the provisions of the **Governing Documents** by his or her invitees. An **Owner** shall promptly pay any Reimbursement **Assessment** levied and/or any fine or penalty imposed against such **Owner** for violations committed by his or her invitee.

**Section 6.13. Window Coverings.** All drapes, window shades or other window coverings installed in the windows of a residence which are visible from the exterior of the residence shall comply with the Rules, if applicable. Any drapes or other window covering installed in compliance with the Architectural Rules may remain for the useful life thereof. All window coverings shall be in place or installed within ninety (90) days after close of escrow for the **Lot**.



**Section 6.14. 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.

**Section 6.15. Machinery and Equipment.** No machinery or equipment of any kind shall be maintained or operated upon any Lot except as is customary and necessary in connection with approved construction without the approval of the **Board**. This restriction does not include common household power tools.

**Section 6.16. Illegal Acts.** Any illegal act shall also constitute a breach of the **Governing Documents** and may, at the option of the **Association**, be enforced as such.

## **ARTICLE VII SALE OR LEASE OF LOTS**

**Section 7.1. Rental or Lease of Lots.** It is the intent of this section to protect, enhance and maintain the residential atmosphere which exists within the **Project** and to avoid occupancy of residences for short periods of time or by an unreasonable number of individuals. Accordingly, an **Owner** shall be entitled to rent, lease, or permit use of his or her Lot if:

**7.1(a)** There is a written rental or lease agreement specifying that (i) the tenant shall be subject to all provisions of the Project Documents, (ii) a failure to comply with any provision of the **Governing Documents** shall constitute a breach of the agreement; and (3) all tenants are subject to disciplinary action or other actions by the **Association** to enforce the **Governing Documents**;

**7.1(b)** The initial period of the rental or lease is not less than ninety (90) days.

**7.1(c)** The **Owner** provides any tenant or lessee with current copies of all the **Governing Documents**. The **Owner** shall also provide copies of any subsequent changes or additions. The **Association** may require evidence that the tenant or lessee has received copies of all **Governing Documents**. If such evidence is requested and is not timely provided, the **Association** may unilaterally provide such copies and charge the **Owner** a Reimbursement **Assessment**. Additionally, **Owners** who rent or lease their **Lots** shall post a summary of the **Association's** rules in a easily visible place in the residence for tenant reference. Copies of this summary can be obtained from the **Board**.

**7.1(d)** The **Owner** and the tenant or lessee shall be jointly and severally liable at all times for compliance by the tenant, lessee or other residents with the **Governing Documents** during the tenant's or lessee's occupancy and use of the Lot;

**7.1(e)** The **Owner** shall be responsible for any damage caused by the tenant, lessee or guest to **Association** property;

7.1(f) The **Owner** shall notify the **Association** of the name and day and evening telephone numbers for each tenant or lessee within ten (10) days of the change in occupancy. The **Association** may charge a reasonable move-in fee to administer the new tenant/lessee paperwork.

**Section 7.2. Sale of Lots - Obligations of Owners.** Owners shall be subject to the following:

7.2(a) **Owner's Duty to Notify Association of Contract Purchasers.** Each **Owner** shall notify the **Association** of the names of any contract purchaser of the **Owner's Lot**.

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

7.2(c) **Documents and Information Relating to Sale.** Prior to the transfer of title to a **Lot**, the selling **Owner** shall provide the prospective purchaser with a copy of the **Governing Documents** and such other documents and information as are required by California Civil Code Section 1368.

**Section 7.3. Termination and Commencement of Obligations.** Even if an annual **Assessment** has been levied or a special **Assessment** is payable in installments, when Ownership changes occur:

7.3(a) the transferor-**Owner** shall be personally liable for the pro rata share of **Assessments** which are due and payable up to the time of transfer, and

7.3(b) the receiving-**Owner** shall be personally liable for the pro rata share of all annual and other **Assessments** which are due and payable after acquisition of the Ownership interest.

In the event payment of an annual or other **Assessment** has been accelerated under CC&R Section 4.3(c), upon change in title, the personal liability of both parties shall nonetheless be prorated, as if the acceleration did not occur. Therefore, neither shall be personally liable for amounts due and payable during a time when no Ownership interest is held. This section addresses personal liability only. A perfected lien, and the **Association's** right to lien, survives a voluntary conveyance of a **Lot**.

**Section 7.4. Notice of Sale Pending (re Water Company).** In addition to notifying the Water Company, when an **Owner** selling his or her **Lot** opens an escrow on final sale (or otherwise intends to transfer ownership of the **Lot**), he or she shall so notify the **Association**. Within ten days of close of escrow or final transfer of ownership, the purchaser or other **Person** acquiring an ownership interest to a **Lot** shall notify the **Association** and provide (a) the name(s) of all **Persons** with an ownership interest as listed on the recorded title transfer documents, (b) a

mailing address for the **Owner(s)**, (c) day and evening telephone numbers, and (d) the effective date of acquisition of each ownership interest.

**Section 7.5 Acceptance of Lot Conditions.** When acquiring a **Lot**, the new **Owner(s)** accept responsibility for conditions created by the predecessor, which may include creation of defective conditions or failure to perform proper maintenance, repair or replacement of components in and around the **Lot** and adjoining or adjacent **Common Area**. It is important that prospective purchasers examine the condition of **Lots** and **Common Area** in and around the **Lot**.

## **ARTICLE VIII INSURANCE**

**Section 8.1. Types of Insurance.** The **Association** shall procure and maintain the following types of insurance:

**8.1(a) Fire and Hazard Insurance.** Fire and hazard insurance with extended coverage for the full replacement value of **Improvements** in the **Common Area** and **Improvements** on the **Lots**. The **Association** may also insure any property, whether real or personal, owned by the **Association**, against loss or damage, with the **Association** as owner and beneficiary for such insurance.

**8.1(b) Additional Endorsements.** To the extent not included in the basic policy coverage, the **Association** may procure the following additional coverage: demolition, retaining walls, fences and appurtenant structures, foundations, building code mandated upgrades, inflation guard coverage, "agreed amount" endorsement (to eliminate a co-insurance problem), replacement cost endorsement, and primary coverage endorsement.

**8.1(c) Liability Insurance.** A comprehensive public liability policy insuring the **Association**, its agents, and the **Owners** against liability incident to the ownership or use of the **Common Area** or any other **Association**-owned or maintained real or personal property. The amount of general liability insurance that the **Association** shall carry at all times shall not be less than the minimum amounts required by California Civil Code Section 1365.7 and California Civil Code Section 1365.9 or successor statutes.

**8.1(d) Fidelity Bonds.** At the discretion of the **Board**, fidelity bonds or insurance covering **Officers**, **Directors**, and employees who have access to any **Association** funds.

**8.1(e) Director and Officer Liability Insurance.** Director and Officer liability insurance shall be maintained in an amount which is no less than the minimum amounts required by California Civil Code Section 1365.7.

**8.1(f) Other Insurance.** Worker's Compensation insurance to the extent necessary to comply with applicable laws, or any greater amount as the **Board** deems necessary, and any other insurance deemed necessary or appropriate by the **Board**.

**Section 8.2. Coverage Not Available.** If any insurance policy or endorsement required by Section 1 is not available, or is economically unfeasible, then the **Association** shall obtain alternate insurance which provides, as nearly as possible, such coverage.

**Section 8.3. Additional Insurance by Owner:** The **Association** is not obligated to procure liability insurance for any individual **Owner** or resident. Every **Owner** and resident is encouraged to insure his or her personal property against loss, as well as upgrades, fixtures and other improvements that may not be covered by the policy procured by the **Association**. Additionally, every **Owner** and resident is encouraged to carry Comprehensive Personal Liability Insurance. Insurance procured by the **Association** does not cover many perils and liabilities individual **Owners** and residents may incur. In addition, any **Improvements** made by an **Owner** within his or her **Lot** may be separately insured by the **Owner**, but the insurance is to be limited to the type and nature of coverage which does not conflict with the **Association's** master policy. All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to the **Association** and its Officers, Directors, **Owners** and occupants of the residences, and **Mortgagees**. All **Owners** are deemed to have waived subrogation rights as to the **Association** or other **Owners**, whether or not their policies so provide.

**Section 8.4. Adjustment of Losses.** The **Board** is appointed attorney-in-fact by each **Owner** to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 8.1. The **Board** is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

**Section 8.5. Earthquake Insurance.**

**8.5(a)** The **Association** may, but shall not be required to, obtain earthquake insurance. The **Association**, Directors and/or manager shall not incur any liability for the failure to obtain or maintain earthquake insurance or an earthquake reserve account. The **Board** may periodically submit to the **Owners** the question of whether or not to obtain earthquake insurance, which may be submitted in the form of a vote to increase **Assessments** to cover such cost.

**8.5(b)** After consultation with the **Association's** certified public accountant and/or counsel, at its discretion and/or in conjunction with a vote of the **Owners**, the **Board** may establish and maintain an earthquake reserve fund which shall be accounted for in the same manner as other reserve accounts. Such funds may be in conjunction with or in lieu of earthquake insurance. They may also be used for upgrading structural components.

**8.5(c)** The cost of the deductible(s) or other funding shortfall due to an earthquake loss shall be borne equally by all **Owners** and/or paid from any earthquake fund.

**Section 8.6. Association Insurance Deductible.** The **Board** has discretion to determine the size of the deductible and allocation of responsibility to pay the deductible for any insurance claim.. In the event a deductible policy has not been adopted by the **Board**, the **Owner** suffering the loss shall be responsible for payment of the deductible on fire or other losses. Responsibility

for earthquake deductibles in addressed in Section 8.5(c) above. In the event the **Association** advances the cost of a deductible for which the **Owner** is responsible, such amount may be levied against the **Owner** as a Reimbursement **Assessment**.

**Section 8.7. Owner May Be Required To Insure.** An **Owner** may be required to procure such insurance if all of the following factors apply: (a) there are two losses arising from damage to **Improvements** on the **Owner's Lot** and/or migrating to a neighbor's **Lot**, (b) claims are made for such damage on the **Association** or a neighbor's insurance, (c) said claims are made during a twenty-four month period in which the Ownership of the **Lot** has not changed, and (d) the cause of the damage has originated on the **Lot**.

## **ARTICLE IX** **DAMAGE AND DESTRUCTION**

**Section 9.1. Destruction of Common Area.** If any portion of the **Common Area** is damaged or destroyed by fire or other casualty all insurance proceeds shall be paid into an insurance trust fund, to rebuild or repair such **Common Area** facilities. The **Board** shall thereupon contract to repair or rebuild the damaged portions of the **Common Area**, in substantial accordance with the original design therefor and the funds held in the insurance trust fund shall be used for this purpose. If the insurance proceeds are insufficient to pay all of the costs of repairing and rebuilding, the **Board** shall levy a special **Assessment** on all **Owners**, in proportion to the interest of each **Owner** in the **Common Area**, to make up any deficiency.

**Section 9.2. Destruction of a Lot.** Subject to the decision of the **Board of Directors** of the **Association**, and to the provisions of this Article, each **Owner** shall have the obligation to cause the reconstruction of the residence and other improvements on his or her **Lot** damaged or destroyed by fire or other casualty substantially to their appearance and condition immediately prior to the casualty loss, or as otherwise approved by the **Board**. To the extent that there are insurance proceeds available, the **Association** may administer the reconstruction of any residence. If the **Association** opts to administer the reconstruction, the **Owner** shall fully cooperate. In the alternative, and to the extent that there are insurance proceeds available, the **Association** may delegate responsibility for rebuilding and restoring the residence to the particular **Lot** owner. If there are no insurance proceeds or there is a significant shortfall in repair funds, the **Owner** shall have responsibility to make up the shortfall. Any construction or reconstruction by an **Owner** must still comply with the provisions of Article XI.

**Section 9.3. Owner's Failure to Proceed; Special Assessment.** Should the **Owner(s)** fail to commence or complete reconstruction as required under Section 2 above, the **Board** may levy a special **Assessment** against the owner(s) of the **Lot(s)** upon which the casualty has occurred equal to the difference between the actual cost of repairing or rebuilding and the amount of any available insurance proceeds, which said sum shall be secured by the lien provided in Article IV above. The **Board of Directors** may advance the amount of the special **Assessment** from **Association** general funds, reserves, or borrowing if the **Board** determines that the residence(s), as so rebuilt and restored, will furnish adequate security for the repayment of said advances by

operation of the **Assessment** lien. The **Board of Directors**, as agent for the **Owner(s)**, shall thereupon contract for the repair or reconstruction of the residence(s), paying the cost of such work from the amounts so advanced and from insurance proceeds, if any.

**Section 9.4. 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 as described in Section 9.4(b) above. The **Association** shall represent the interests of all **Owners**.

## **ARTICLE X** **RIGHTS OF MORTGAGEES**

**Section 10.1. Conflict.** Notwithstanding any contrary provision contained elsewhere in the Governing Documents, the provisions of this Article shall control with respect to the rights and obligations of Institutional **Mortgagees** specified herein.

**Section 10.2. Liability for Unpaid Assessments.** Any Institutional **Mortgagee** who obtains title to a **Lot** pursuant to the remedies provided in the First **Mortgage** (except upon a voluntary conveyance to the Institutional **Mortgagee**) or by foreclosure of the First **Mortgage** shall take the property free of any claims for unpaid **Assessments** or charges against the **Lot** which accrue prior to the acquisition of title to the **Lot** by the Institutional **Mortgagee**.

**Section 10.3. Payment of Taxes and Insurance.** Institutional **Mortgagees** may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any **Common Area** or **Improvements** thereon and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse on the policy for such **Common Area**. Institutional **Mortgagees** making such payments shall be owed immediate reimbursement for such expenditures from the **Association** and, on demand, the **Association** shall execute an agreement in favor of all Institutional **Mortgagees** reflecting entitlement to reimbursement.

**Section 10.4. Termination of Contracts and Agreements.** Any agreement for professional management of the **Project** shall be reviewed annually by the **Board**. Any such agreement shall provide that the agreement may be terminated by either party without cause and without payment of a termination fee upon not more than ninety (90) days written notice.

**Section 10.5. Notices to Eligible Holders.** An Eligible Holder is entitled to timely written notice of:

**10.5(a)** Any condemnation loss or casualty loss which affects either a material portion of the **Project** or the **Lot** on which the Eligible Holder holds a First **Mortgage**;

**10.5(b)** Any delinquency in the payment of **Assessments** or charges owed by the **Owner** of a **Lot** which is subject to a **First Mortgage** held by the Eligible Holder if the delinquency is not cured within sixty (60) days after its due date;

**10.5(c)** Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the **Association**;

**10.5(d)** Any proposal to take any action specified in this Article or in ; Article XIII; or

**10.5(e)** Any default by an **Owner-mortgagor** of a **Lot** in the performance of his or her obligations under this **Declaration** or the **Bylaws** which is not cured within sixty (60) days.

**Section 10.6. Reserve Fund.** The **Association** shall maintain as reserve funds the Reserve Account to pay for maintenance, repair and periodic replacement of **Common Area Improvements** which the **Association** is obligated to maintain. This reserve fund shall be funded by Regular **Assessments** of **Owners** which are payable in installments, as specified in Article IV, and as necessary by **Special Assessments**; provided, however, that this provision shall not be deemed to limit the power of the **Association** to levy any other type of **Assessment** or charge authorized by this **Declaration**.

**Section 10.7. Inspection of Books and Records.** Upon request, any **Owner** or **First Mortgagee** shall be entitled to inspect the books, records and financial statements of the **Association**, the **Governing Documents** and any amendments thereto during normal business hours or under other reasonable circumstances.

**Section 10.8. Financial Statements.** The **Association**, at its expense, shall prepare a financial statement for the immediately preceding fiscal year and furnish the same within one hundred twenty (120) days after written request from any **Institutional Mortgagee**.

**Section 10.9. Voting Rights of Mortgagees.** For purposes of this Section, a **Mortgagee** shall be entitled to one (1) vote for each **First Mortgage** owned.

**10.9(a)** Unless sixty-seven (67%) of the **Institutional Mortgagees** or sixty-seven percent (67%) of the **Owners** have given their prior written approval, the **Association** shall not be entitled to:

**10.9(a)(i)** By act or omission to abandon, partition, subdivide, encumber, sell or transfer any property **Improvements** owned, directly or indirectly, by the **Association** for the benefit of the **Lots** and the **Owners**. (The granting of easements for public utilities or for other purposes consistent with the intended use of the **Project** by the **Association** and **Owners** shall not be deemed a transfer within the meaning of this Subsection);

**10.9(b)(ii)** By act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to architectural design or exterior appearance of **Lots**, the

maintenance of **Party Walls** or party driveways, or the upkeep of lawns, plantings or other landscaping in the **Project**;

**10.9(c)(iii)** Fail to maintain fire and extended coverage insurance on insurable portions of the **Common Area** on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value based current replacement cost;

**10.9(d)(iv)** Use hazard insurance proceeds for losses to any property or **Improvements** owned by the **Association** other than for the repair, replacement or reconstruction of the **Project** and **Improvements**;

**10.9(b)** Any election to terminate the legal status of the **Project** as a Planned Development Project shall require:

**10.9(b)(i)** The approval of fifty-one percent (51%) of the Eligible Holders, if the election to terminate the legal status is a result of substantial destruction or a substantial taking in condemnation of the property within the **Project**; or

**10.9(b)(ii)** The approval of sixty-seven percent (67%) of the total voting power of the **Association** and sixty-seven percent (67%) of the Eligible Holders.

**10.9(c)** The vote or written consent of sixty-seven percent (67%) of the total voting power of the **Association** and fifty-one percent (51%) of the Eligible Holders shall be required to assume self-management of the **Project**, if professional management of the **Project** has been required by an Eligible Holder at any time.

**Section 10.10. Mortgage Protection.** A breach of any of the conditions contained in this **Declaration** shall not defeat or render invalid the lien of any **First Mortgage** made in good faith and for value as to any **Lot** in the **Project**; provided however, that the conditions contained in this **Declaration** shall be binding upon and effective against any **Owner** of a **Lot** if the **Lot** is acquired by foreclosure, trustee's sale or otherwise.

**Section 10.11. Lender Cooperation.** For any lender acquiring a security interest in a **Lot** subsequent to the recording of these **CC&Rs**, this provision shall apply. If the **Association** seeks approval of some action regarding a specific **Lot** and has so notified the lender at the address identified in the chain of title, and fails to get a timely response (within 14 days), the lender will be presumed to have approved the proposed action by the **Board**. Any related lender fees shall not be chargeable to the **Association**.

## **ARTICLE XI** **PARTY WALLS**

**Section 11.1. Interests of Owners.** The **Owners** collectively and individually have a vested interest in the continued existence of the system of **Party Walls**. Each **Party Wall** or portion thereof shall be owned by the owner of the **Lot** on which such wall or portion thereof is located,



subject to the rights of the other **Owners** set forth herein. In order to alert each **Owner** to his or her responsibilities to **Owners** of adjoining houses, and to assure neighboring **Owners** of their respective **Party Wall** rights and privileges, the following conditions and covenants are hereby applicable.

**Section 11.2. General Rules.** Each of the adjoining **Owners** shall assume the burdens and obligations provided herein, and the **Lots** of such **Owners** shall be subject to an easement for such portion of a **Party Wall** as is located thereon and shall be entitled to the rights and benefits of the **Party Wall**, as set forth in this **Declaration**. In the event a **Party Wall** issue is not addressed in this **Declaration**, the provisions of Civil Code Section 841 may provide additional authority.

**Section 11.3. Maintenance and Decoration.** Where a portion of the neighbor's **Party Wall** is visible as an exterior property line wall, the **Association** will maintain the exterior wall in the same manner as others for which it is responsible. Each **Owner** shall maintain in good state of repair that portion of any **Party Wall** which is a part of the residential dwelling structure located upon the **Lot** of such **Owner** and shall do nothing, without the written approval of the adjoining **Owner** and the Architectural Committee, which may alter, modify, damage, impair or tend to alter, damage or impair, the structural integrity of any **Party Wall**. Responsibility for any damage or extraordinary maintenance caused by an **Owner** alteration shall be that of such **Owner** (and his or her successors). Except as required for authorized construction or repairs, no nails, screws, bolts or other objects more than three (3) inches in length shall be driven into any **Party Wall**, nor shall any structure or vegetation be erected or maintained within four (4) feet of any **Party Wall** which may impede or interfere with any necessary maintenance, repairs or restorations of the **Party Wall**.

**Section 11.4. Damage to Party Walls.** In the event that any neighboring **Party Wall** is damaged or destroyed by the adjoining **Owner** (or otherwise from that side of the wall), then that **Owner** is responsible to promptly restore the **Party Wall**. If the damage to the **Party Wall** is the result of ordinary wear and deterioration, the **Owner** of each adjoining wall shall be equally responsible to restore the wall and, unless otherwise agreed to, share the control and cost of such work.

**Section 11.5. Easement for Repair of Party Walls.** If access by one **Owner** to another's side of the **Party Wall** is necessary, the **Owner** permitting access shall permit reasonable access.

**Section 11.6. Alterations.** No additions, alterations, repairs or restorations to any **Party Wall** shall be performed until the plans and specifications showing the nature, kind, shape, height, materials, location and approximate cost of the same shall have been approved in writing by the Architectural Committee and by any **Owner** having a direct interest in the **Party Wall**.

**Section 11.7. Right to Contribution Runs With Land.** The right of any **Owner** to contribution from other neighbor **Owners** under this Article shall be appurtenant to the land and shall pass to the **Owner's** successors in title.

**Section 11.8. Arbitration.** In the event of any dispute arising between **Owners** and concerning a **Party Wall**, and/or **Lot** line, such dispute shall be resolved by binding arbitration. In the event the **Owners** cannot otherwise agree, each party shall choose one arbitrator, and such arbitrators shall together choose one additional neutral arbitrator, and the decision of a majority of the arbitrators shall be final and binding upon the **Owners** affected by the dispute. Such a decision may be the basis of a judgment under the laws of the State of California pertaining to judgments obtained upon arbitration awards.

## **ARTICLE XII** **ARCHITECTURAL REVIEW**

**Section 12.1. Architectural Approval.** All new construction, all major landscaping and all modifications to existing structures **require architectural approval** prior to initiation. This requirement for prior approval includes modifications to building interiors which affect the structural integrity, building exteriors, decks, fences, patios or other structures on the **Lots** and/or the landscaping easement. No building, fence, wall or other structure shall be erected or maintained, nor shall any exterior addition to or change or alteration be made in the appearance of any structure or landscaping located upon any **Lot**, without prior written approval of the **Association**. The **Association** may require plans and specifications showing the nature, kind, color, shape, height, materials and location of the change as to harmony of external design and location in relation to surrounding structures and topography and that any proposed alterations are in compliance with the **Environmental Mitigative Standards**. Additionally, any proposal to change a **Lot** designation from a duplex to a single residence shall also require **Association** approval. The Committee shall approve, disapprove or request additional information on all submissions within forty-five (45) days of submission.

**Section 12.2. Architectural Committee.** The Architectural Committee, if any, shall be composed of not less than three (3) nor more than five (5) **Owners** appointed by the **Board**. If a decision on an application has been rendered by the Architectural Committee, there shall be a right of appeal to the **Board**. The determination of the **Board** shall be final. Members of the Architectural Committee shall not receive any compensation for services rendered. All Architectural Committee members shall be entitled to reimbursement for reasonable expenses incurred by them in connection with the performance of any Architectural Committee functions. If there is no committee, the **Board** shall function in this role.

**Section 12.3. Architectural Guidelines.** Subject to **Board** review and approval, the Architectural Committee or the **Board** may vote to adopt guidelines to be used to address architectural alterations. The **Board** or Architectural Committee may require submission of additional plans and specifications or other information prior to approved or disapproving the application or alteration.

**Section 12.4. Deemed Approval.** In the event that the Architectural Committee fails to act upon any application for approval, the applicant may deliver a written demand for action to the Chairperson of the Committee and to the President of the **Association**. The demand shall recite the date upon which the documents were submitted and shall demand that the **Association** either

approve or disapprove the application. If the **Association** fails to approve or disapprove the application within fifteen (15) days of the date of service of the demand, approval shall be deemed granted. Nevertheless, no such "deemed approval" shall limit the right any other **Owner** may have under this **Declaration** or otherwise with respect to the proposed alteration.

**Section 12.5. Proceeding with Work.** Upon approval of the Committee, the **Owner** shall diligently proceed with the commencement and completion of all work so approved. Work must be commenced within one (1) year from the date of the approval. If the **Owner** fails to comply with the provisions of this Section, the approval given shall be deemed revoked unless the **Board** extends the time for commencement. Any request for an extension shall be in writing. No extension shall be granted unless the **Board** finds that there has been no change in the circumstances under which the original approval was granted.

**Section 12.6. Failure to Complete Work.** Completion of the work approved must occur in the eighteen (18) month period following the commencement of the work unless the **Board** determines that completion is impossible or would result in great hardship to the **Owner** due to strikes, fires, national emergencies, natural calamities or other supervening forces beyond the control of the **Owner** or his or her agents. If the **Owner** fails to complete the work within the eighteen (18) month period, the **Board** shall proceed in accordance with the provisions of Section 12.11.

**Section 12.7. Non-Waiver.** Approval of any application or alteration shall not be deemed a waiver of any right to deny approval of any similar application or alteration.

**Section 12.8. Liability.** The **Board**, Directors and/or the Architectural Committee shall not be liable to the **Association** or any **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, or (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications.

**Section 12.9. Improvements Generally.**

**12.9(a)** No residence shall exceed two (2) stories in height above the ground.

**12.9(b)** The square footage area of a residence on a Lot shall not be less than twelve hundred (1200) square feet, exclusive of basements, attics, patios, decks, porches, balconies and garages.

**12.9(c)** At least a two (2) car garage must be constructed on the Lot.

**12.9(d)** All fences, patios, decks and all setback lines for residences must comply with the recorded subdivision requirements.

**12.9(e)** Solar equipment, if any, must be fully integrated into the design of the residence and other **Improvements**.

**12.9(f)** Exterior lighting shall be carefully directed within the **Owner's Lot** so as not to allow excessive light intrusion into adjoining **Lots** or toward any off-site location.

**12.9(g)** The **Owner** is solely responsible for obtaining all permits required by County ordinance and all necessary approval of the County, the Mendocino Historical Review Board and any state agency having jurisdiction over the **Project**.

**Section 12.10. Construction of Patios/Decks.** Each **Owner** may construct a patio and/or deck adjacent to his or her residence without the approval of the **Board** and without complying with the provisions of this Article XII if all of the following requirements are complied with:

**12.10(a)** All patios and/or decks must be situated behind the residence; no side or front patios or decks are permitted.

**12.10(b)** No patio or deck shall extend further than fifteen (15) feet from the rear wall of the adjacent residence and the patio or deck may encroach onto **Common Area** in order to obtain the fifteen (15) foot length except as prohibited in Sections 12.10(d) and (e) below.

**12.10(c)** No patio or deck shall be wider than the width of the residence.

**12.10(d)** Patios and/or decks on **Lots 5, 23, and 24** shall not encroach on the **Meadow Easement** and if it is necessary to construct a patio or deck of less than fifteen (15) feet to avoid encroachment upon the **Meadow Easement**, patios and/or decks for those **Lots** shall be less than fifteen (15) feet.

**12.10(e)** Patios and/or decks on **Lots 9, 10, and 47** shall not encroach on the **Riparian Vegetation Easement** and if it is necessary to construct a patio or deck of less than fifteen (15) feet to avoid encroachment upon the **Riparian Vegetation Easement**, patios and/or decks for those **Lots** shall be less than fifteen (15) feet.

**12.10(f)** No **Owner** shall construct a patio or deck which is closer than five (5) feet to the boundary of any other patio or deck at any point.

**12.10(g)** The patio or deck may be on grade or may be elevated as long as the patio or deck does not have an elevation higher than the ground floor of the adjacent residence.

**12.10(h)** A fence which appears to visually conform with the design of other fences in the **Project** may be constructed to enclose the patio or deck which shall not be higher than six (6) feet above the finished floor of the patio or deck.

**12.10(i)** All provisions of the **Environmental Mitigative Standards** must be satisfied.

**12.10(j)** Following the completion of the deck and/or patio, the Architectural Review Committee will inspect for compliance with the provisions of this Section 12.10. Variances will be reported to the **Board**. The **Board** may proceed under the provisions set forth in Article XIII.

**Section 12.11. Architectural Enforcement.**

**12.11(a) Notice of Noncompliance.** If the Board has determined that an Owner is not in compliance with the architectural guidelines, then the Board may send notice of such noncompliance to the Owner. The notice of noncompliance shall include a specific description of the architectural violation, as well as a proposed remedy and/or course of action. For purposes of this section, noncompliance includes, but is not limited to, failure to obtain Association approval, failure to follow the approved plan, failure to comply with architectural guidelines, and/or failure to properly maintain Improvements.

**12.11(b) Hearing and Determination.** Prior to taking any disciplinary action against an Owner for an architectural violation, the Association shall provide the Owner with due process pursuant to Article XIII, Section 13.4. If the Board finds that there is no valid reason for the continuing noncompliance, the violation shall be deemed a continuing nuisance, and the Board may require the Owner to remedy or remove the unapproved architectural alteration.

**12.11(c) Association Options for Abating Continuing Nuisances.** If the Owner does not comply with the Board's ruling within any period specified or within any extension of such period as the Board, in its discretion, may grant, the Board may utilize the general enforcement provisions of this Declaration, including removal of the noncomplying Improvement or remedying the noncompliance. The costs of any such action(s) shall be assessed against the Owner as a Reimbursement Assessment.

**Section 12.12. Architectural Agreement.** The Association shall have the right to condition its approval on the execution and recordation of an Architectural Agreement entered into between the Association and an Owner. Such an Agreement may memorialize the conditions under which an architectural variance or alteration was approved, and the rights and responsibilities of the Association, the Owner, and future Owners of the Lot. The Association shall provide the Owner with a copy of any such recorded Agreement.

**ARTICLE XIII  
ENFORCEMENT  
OF GOVERNING DOCUMENTS**

**Section 13.1. Violation.** A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. Any activity or condition which constitutes a public or private nuisance shall also be deemed a violation. If the detrimental effect of a violation continues for additional days, discipline imposed by the Association may include one component for the violation and, according to the Association's discretion, a per diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Association shall take reasonable and prompt action to mitigate, repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Area at the cost of the responsible party.

**Section 13.2. Jurisdiction.** The Association shall have jurisdiction over any Person on the Project or with rights in the Project and any real and/or personal property on the Project. This jurisdictional authority shall be subject to the terms, conditions and safeguards provided in the Governing Documents. The Member shall be liable for compliance by tenants, lessees, other residents, guests or invitees (including the guests or invitees of tenants or lessees).

**Section 13.3. Enforcement Options.** In the event of a breach or violation of any of the Governing Documents by any Person, the Board, for and on behalf of all other Owners, may enforce compliance with the Governing Documents through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including, but not limited to, the following:

**13.3(a) Suspension of Rights.** The Board may suspend voting rights.

**13.3(b) Fines.** The Association may implement schedules of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as illegally parked vehicles). If such a fine policy and schedule is adopted by the Association, the Association shall distribute it to each Owner, by personal delivery or first-class mail. The Board may levy a reasonable fine in accordance with the Association's fine policy and schedule. A fine, while enforceable by lien and judicial foreclosure, shall not be the subject of non-judicial foreclosure. In imposing any fine, the Association, in its sole discretion, may choose to suspend some or all of the fine for a period of time pending compliance with a directive of the Association.

**13.3(c) Alternative Dispute Resolution (ADR).** In the event of a dispute between Owners (or residents), prior to filing legal action the parties shall comply with the mandatory ADR provisions of Civil Code section 1354 or such other form of ADR as may be agreed upon.

**13.3(d) Legal Action.** Preserving status quo in the Hills Ranch neighborhood is an important goal of this Declaration. This includes the preservation of aesthetics and the quiet enjoyment of each residence. With the exception of nonpayment of any Assessment, the recovery of dollar damages for any violation of the Governing Documents is an insufficient remedy. Enforcement of the Governing Documents against any Owner or resident may be undertaken by appropriate legal proceedings instituted by any Owner, the Association, or both. Legal proceedings may include the following:

**13.3(d)(1)** an action for mandatory injunction (a court order or judgment which requires someone to do something);

**13.3(d)(2)** an action for prohibitory injunction (in which the court prohibits specified behavior);

**13.3(d)(3)** an action for declaratory relief (such as interpretation of any provision of the Governing Documents); and/or

**13.3(d)(4)** A claim for damages, including prospective costs and costs actually incurred in obtaining compliance.

No action shall be filed unless or until there is compliance with the Alternative Dispute Resolution provisions of Civil Code section 1354.

**13.3(e) Self Help.** The Association shall have the right to enter any Lot to gain compliance with the **Governing Documents**, including but not limited to the following:

**13.3(e)(1) Maintenance, Repair and Replacement.** If the Association reasonably finds a Lot requires maintenance, repair or replacement of any component or condition for which the Owner is responsible, the Board may direct the Owner to perform the work and if the Owner fails or refuses to do so, the Association may, after notice to the Owner, utilize these provisions, and cause the work to be performed. The Association may collect the cost by adding it to the Assessment for that Lot and collecting it in the same manner as a Reimbursement Assessment.

**13.3(e)(2) Removal of Nuisance.** The Association shall have authority to enter a Lot to cause the removal of a nuisance from the Project. This power does not relieve the Association of its duty to comply with the due process and notice requirements of the **Governing Documents** unless there is immediate peril to persons or property.

**13.3(f) Imposition of Reimbursement Assessment.** The Association may levy a Reimbursement Assessment as provided for in Section 4.1(c) of this Declaration.

**13.3(g) Referral to Governmental Agency.** The Association, in its sole discretion, may refer any enforcement action to the appropriate governmental agency with jurisdiction, such as the police department, fire department, health department or other proper agency.

**13.3(h) Notices to Mortgagees.** If any Owner is in default under any provisions of the **Governing Documents**, the Association may notify the Owner's Mortgagee of record of such default.

**Section 13.4. Implementation.** Prior to taking disciplinary action against an Owner, the Association must provide the Owner with due process as set forth in this Section 13.4.

**13.4(a) Notices.** Notices and requests must be in writing. Notices from the Association shall include at a minimum, the date and time for the meeting, a brief description of the action or inaction constituting the alleged violation and a reference to the relevant **Governing Document** provision or other authority, and a statement that the Owner has a right to attend and may address the Board at a Board meeting or separate hearing.

**13.4(b) Meeting re: Discipline.** The Association will notify an Owner in writing, either by personal delivery or first class mail, at least ten (10) days prior to any meeting at which the

**Board** is considering or imposing discipline (including the levying of fines) upon an **Owner**. The **Owner** may request that the issue be considered in Executive Session.

**13.4(c) Findings of Fact and Determination.** If the **Board** imposes discipline on an **Owner**, the **Association** will provide a notice of the disciplinary action by either personal delivery or first class mail to the **Owner** within fifteen (15) days following the action.

**13.4(d) Right to Appeal.** If any sanction is imposed by a hearing body other than the **Board**, there shall be a right to appeal to the **Board**. The **Board** may adopt procedures for appeals which generally comport with the provisions of Section 12.4. The determination of the **Board** shall be final.

**13.4(e) Owner Standing.** Any **Owner** shall also have such rights of enforcement as exist by virtue of Civil Code section 1354 or otherwise by law.

**Section 13.5. Miscellaneous.**

**13.5(a) Cumulative Remedies.** The respective rights and remedies provided by this **Declaration** or by law shall be cumulative. The exercise of any right(s) or remedy(ies) shall not affect the exercise, at the same or at different times, of any other rights or remedies for the same or any different default or breach or for the same or any different failure of any **Owner** or others to perform or observe any provision of this **Declaration**.

**13.5(b) Non-Waiver.** The failure of any **Owner**, the **Board**, any Committee, or the **Association** or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this **Declaration** shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the **Association** or the **Board**, or any of its officers or agents.

**13.5(c) Rules re: Disciplinary Proceedings.** The **Association** shall be entitled to adopt rules and/or policies that further the efficient conducting of disciplinary proceedings. Such rules and/or policies shall form a part of the **Governing Documents**.

**13.5(d) Noncompliance with Procedure.** Failure by the **Association** to technically comply with these procedures, or any rules or policies adopted, shall not be fatal to the process so long as there is no significant prejudice to the **Person** who has been charged with a violation or made an application. Appearance at a hearing shall constitute a waiver of any defect in notice.

**13.5(e) Fees and Costs of Enforcement.** In the event legal fees are incurred in the enforcement of the **Governing Documents**, the prevailing party shall recover reasonable attorneys fees, costs and other charges incurred.



## **ARTICLE XIV GENERAL PROVISIONS**

**Section 14.1. Severability of Provisions.** Should any provision in this Declaration be void or become invalid or unenforceable in law or in equity by judgment or court order, the remaining provisions shall be and remain in full force and effect.

**Section 14.2. Construction of Provisions.** The provisions of this Declaration shall be liberally construed to effect its purpose of a uniform plan for the development and operation of a planned development project.

**Section 14.3. Term of Declaration.** The provisions of this Declaration shall continue and be effective until January 1, 2013, after which date this Declaration shall be automatically extended for successive periods of ten (10) years, until it is terminated by the Owners in accordance with the law. This Declaration may be amended as provided below.

**Section 14.4. Amendment.** This Declaration may be amended by an instrument in writing reflecting approval of Owners holding sixty-seven percent (67%) of the total votes. (Based on 54 Lots, this is 37 votes.) Said amendment shall be effective upon recordation in the Office of the County Recorder of the County of Mendocino. Notice of approval shall be given to all Owners but, at the Board's discretion, need not include the full document previously submitted and voted upon.

**Section 14.5. Gender, Number and Captions.** As used herein, the singular shall include the plural and masculine pronouns shall include feminine pronouns, where appropriate. The title and captions of each paragraph hereof are not a part thereof and shall not affect the construction or interpretation of any part hereof.

**Section 14.6. Conflicts.** In the case of any conflict among the Governing Documents, the sequence of priority shall be this Declaration, the Bylaws, the Articles, then rules, policies and guidelines.

**Section 14.7. Notices.** Notices and requests must be in writing. General notices and requests may be given by any method reasonably calculated to give actual notice (see Section 13.4(a) as to disciplinary action). If the notice or request is given by mail, it shall be sent by first-class and/or certified mail. If the Association uses the mail, it may send such notice to the last address of the Person shown in the records of the Association.

**Section 14.8. Member Responsibility.** Each Owner shall be liable to the Association for any damage to the Common Areas or areas which the Association must maintain, repair or replace caused by the conduct (including negligence or willful misconduct) of the Owner or his or her family, guests, invitees or lessees, and each Owner shall protect, defend, hold harmless and indemnify the Association from any third party claim arising out of such conduct.

**Section 14.9. Indemnification by Association of Directors and Officers.** The **Association** shall, to the fullest extent permitted by law, protect, defend and indemnify its past and present Directors, Officers and Committee members from potential liability for their activity while acting in good faith and engaged in **Association** business. Such protection may include that provided for in (a) the **Association's** insurance, including the liability insurance in the case of damage to person or property, and/or (b) the Corporations Code, specifically section 7237. In the event that any claim of indemnification is made to the **Association** by such individual, the **Association** shall, in a timely way, tender the claim to its broker and/or insurance carriers. To the extent that the individual seeking indemnification has exposure to any uninsured loss, the **Association** shall also submit the matter to its counsel for a legal opinion as to **Association** obligations.

**Section 14.10. Advancement of Expenses.** To the fullest extent permitted by law, the **Association** shall, consistent with Corporations Code section 7237(f), advance all costs of defense of an accused Officer, Director or Committee member, if such costs of defense are not being provided by insurance.

**Section 14.11. Limitations on Personal Liability of Individual Directors/Officers.**

**14.11(a)** No action shall be brought against an individual Director or Officer unless expressly permitted by the provisions of Civil Code section 1365.7.

**14.11(b)** No suit or action against a Director or Officer or other volunteer of the **Association** personally shall be sustainable in any court unless commenced within twelve (12) months of the date claimant knew or should have known of alleged misconduct and/or the inception of damage or injury.

**Section 14.12. Variances.** The **Board** may, upon unanimous approval of all five (5) Directors, allow reasonable variances and adjustments of this **Declaration** in order to overcome difficulties and prevent unnecessary hardships in the application of these provisions. However, such variances shall only be granted which conform to the intent and purposes of this **Declaration**. Further, in every instance such variance or adjustment will not be materially detrimental or injurious to other property or **Improvements** within the **Project**. The **Board** may, in its sole discretion, impose limitations on any variance granted, including terms, conditions and duration. Where notice of a request for a variance has been given to **Owners** potentially affected and an **Owner** fails to object (according to the terms of the notice), that **Owner** shall be barred from later contesting the decision of the **Association**. A written record must be kept by the **Owner** and any successor of all such requests, proceedings and approvals. If no such record is available, there shall be a presumption that this section does not apply to any issue or dispute.

**Section 14.13. Davis-Stirling Common Interest Development Act.** Given that the statutory law applicable to homeowner associations is frequently amended by the legislature, and given the **Association's** desire to keep the provisions of the **Declaration** consistent with applicable statutory law, the **Association** may find it useful to update the mandatory requirements of Davis-Stirling that are included in this **Declaration** (including any Exhibits). After consultation with counsel, and by unanimous vote of the **Directors**, the **Association** may periodically update the provisions of this **Declaration**, including any Exhibits, to reflect changes in the Davis-Stirling Common Interest

Development Act which would otherwise be in conflict with and would pre-empt these provisions. Any such updated provisions shall be (1) recorded in the Official Records of Mendocino County and cross-reference these CC&Rs and (2) distributed to all **Owners**.

**CERTIFICATE OF AMENDMENT**

The **Association** desired to make substantial changes to the CC&Rs pursuant to the amendment provisions of Civil Code section 1355, and on \_\_\_\_\_, 2003 the **Owners** voted and approved the language of said changes.

This Amended Declaration of Covenants, Conditions and Restrictions incorporates the amendments, together with preexisting language and supersedes the Former Declaration.

The undersigned declare, under penalty of perjury, under the laws of the State of California, that the matters set forth in this Amendment are true and correct of their own knowledge. Executed at \_\_\_\_\_, California on \_\_\_\_\_, 2003.

\_\_\_\_\_  
President:

\_\_\_\_\_  
Secretary:

C:\My Documents\Gov Docs\Hills Ranch\CCR.wpd

***ATTACH NOTARY CERTIFICATE(S)***

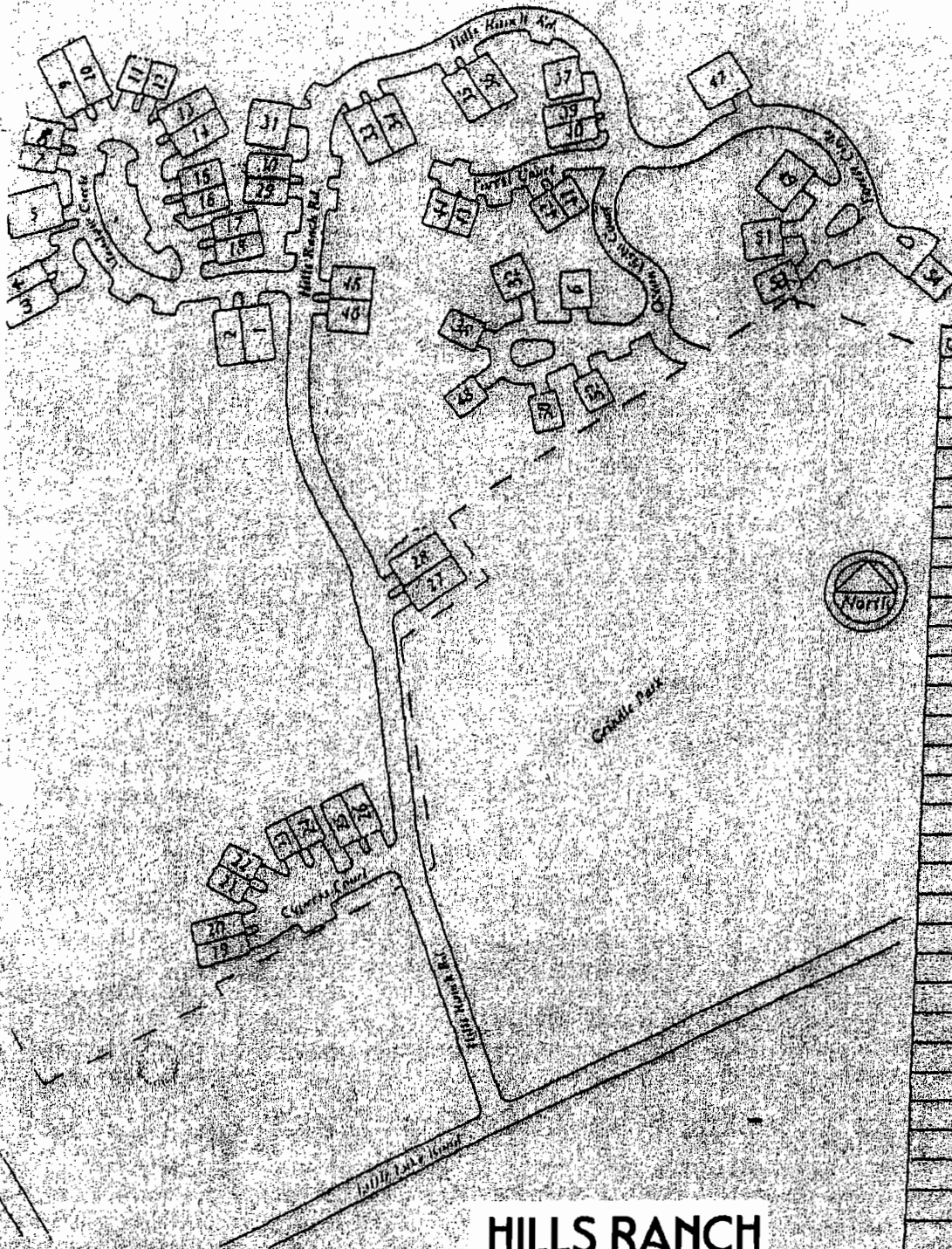
*Glenn H. Youngling, PLC  
1108 Irwin St., San Rafael, California 94901  
(415) 454-1090*

CC&Rs

Hills Ranch Owners' Association

**EXHIBIT A**

# EXHIBIT A



## HILLS RANCH OWNERS' ASSOCIATION

THIS MAP PROVIDED FOR REFERENCE ONLY.  
NOT AS PART OF ANY LEGAL DESCRIPTION.

Unit #	Street Address
1	44807 Meadow Circle
2	44813 Meadow Circle
3	44825 Meadow Circle
4	44841 Meadow Circle
5	44847 Meadow Circle
6	
7	44859 Meadow Circle
8	44865 Meadow Circle
9	44871 Meadow Circle
10	44877 Meadow Circle
11	44883 Meadow Circle
12	44889 Meadow Circle
13	44895 Meadow Circle
14	44901 Meadow Circle
15	44907 Meadow Circle
16	44913 Meadow Circle
17	44919 Meadow Circle
18	44925 Meadow Circle
19	44868 Cypress Court
20	44862 Cypress Court
25	44814 Cypress Court
26	44808 Cypress Court
27	11089 Hills Ranch Road
28	11087 Hills Ranch Road
29	11016 Hills Ranch Road
30	11022 Hills Ranch Road
31	11034 Hills Ranch Road
33	11045 Hills Ranch Road
34	11051 Hills Ranch Road
39	11059 Hills Ranch Road
40	11099 Hills Ranch Road
41	44715 Forrest Court
42	44721 Forrest Court
43	44739 Forrest Court
44	44745 Forrest Court
45	10989 Hills Ranch Road
46	10983 Hills Ranch Road
48	44044 Ocean Vista Court

CC&Rs

Hills Ranch Owners' Association

**EXHIBIT B**

### ENVIRONMENTAL MITIGATIVE STANDARDS

All work performed within the Project must satisfy the following requirements in addition to all other requirements imposed by the Declaration or by law.

1. Artificial screening shall be done with tree bosques or wind fencing.
2. Existing drainage channels within the Riparian Vegetation Easement shall be retained in their current natural state.
3. All grading within the Project shall be performed only in the dry season.
4. Structures to be located on slopes of fifteen percent (15%) shall be designed to minimize grading.
5. Any soil that is disturbed shall be reseeded with native grasses to minimize erosion by rains.
6. Landscaping shall be minimal and must consist of species indigenous to the site or the Mendocino Coast.
7. All buildings must be set back at least fifty (50) feet from all drainage channels.
8. In sloped areas if engineering and geology so dictate, post and beam construction must be used.
9. Slaughterhouse Gulch Creek and its tributaries shall be preserved from development for a minimum width of fifty (50) feet on either side.
10. Access across any streams in the Project shall be limited to one and shall be sized appropriately for use by vehicular or pedestrian traffic.
11. All building exteriors shall consist of earth tone colors to blend with the natural landscaping on the site and to reduce glare.
12. Placement of water storage tanks shall not be in visually prominent areas. Tank colors shall blend with the surroundings and the area around the tank shall be landscaped.

CC&Rs

Hills Ranch Owners' Association

**EXHIBIT C**



Recorded at the Request of

And When Recorded Return to:  
Coast Associates  
P.O. Box 1348  
Mendocino, CA 95460

52779

RECORDED BY REQUEST OF  
REDWOOD EMPIRE TITLE COMPAN  
BOOK 1288 PAGE 69  
Dec 31 10 50 AM '80  
OFFICIAL RECORDS  
MENDOCINO COUNTY, CALIF.  
*Clara Richardson*  
CLERK  
CORRECTED

GRANT OF OPEN SPACE EASEMENT FOR  
MEADOW PROTECTION ZONE

WHEREAS, COAST ASSOCIATES, a limited partnership, (hereinafter "grantor"), is the owner of that certain real property located in the County of Mendocino, State of California, legally described on Exhibit "A" attached hereto and incorporated herein (hereinafter referred to as "the property"); and

WHEREAS, pursuant to the Coastal Act of 1976 (Public Resources Code Section 30000 et. seq.) the North Coast Region California Coastal Commission (hereinafter "grantee") has permit jurisdiction over development of the property; and

WHEREAS, grantor has previously applied to and received from the grantee approval of an application for a permit to construct a residential development on the property, said permit application being No. NCR 78-C-329; and

WHEREAS, grantor has also applied to grantee for and received an amendment to said permit which enabled it to proceed with limited road construction on the property before satisfaction of all conditions imposed in connection with the original permit; and

WHEREAS, the approval of the permit application and the granting of the amendment to the permit require, among their conditions, granting and recordation of an open space easement for protection of the Meadow zone located on the property as specified in Exhibit "C" to the original permit (a copy of which is attached hereto marked Exhibit "B" and incorporated herein); and

WHEREAS, the subject property is located within the Coastal Zone as defined in California Coastal Act of 1976, Public Resources Code Section 30000 et. seq. (hereinafter referred to as "the Act"); and

WHEREAS, the Act requires that any development within the Coastal Zone must be consistent with the policies of the Act

set forth in Chapter 3 of Division 20 of the Public Resources Code;  
and

WHEREAS, Section 30240 of the Act provides:

"Environmentally sensitive habitat areas shall be protected against any significant disruption of habitat values, and only uses dependent on such resources shall be allowed within such areas."; and

WHEREAS, the Commission has found that this project, as conditioned, will provide protection of environmentally sensitive habitat areas, thus satisfying the requirements of Section 30240;  
and

WHEREAS, grantor desires to obtain the benefits resulting from the granting of the permit to carry out the above-described development on the subject property, which development could not have been approved by the Commission but for the provision of the Meadow Protection Zone; and

WHEREAS, the Commission wishes to obtain the public benefits acquiring from the protection of Meadow Protection Zone;  
and

WHEREAS, grantor wishes to, by this instrument, comply with this permit condition:

NOW, THEREFORE, in consideration of the granting of the permit and amendment to owner by grantee and in order to comply with the condition of the permit and the amendment thereto, specified above, grantor hereby conveys to the grantee an open space easement in gross over that certain portion of the property designated and delineated as the "meadow protection zone" on Exhibit "C" of the Permit No. NCR 78-C-329 which easement consists of covenants on the part of grantor as follows:

1. There shall be no structures placed or erected within this area;

2. Grantor shall not plant nor permit to be planted, any vegetation within this area except as may be associated with the terms and conditions of permit No. NCR78-C-329;

3. The general topography and landscape of this area shall be maintained in its present condition and no alterations shall be made except as may be associated with the terms and conditions of permit No. NCR 78-C-329;

4. Permitted uses in this area shall be limited to placement and maintenance of water lines and accessory uses for water wells, access thereto for upkeep and maintenance and pedestrian and bicycle trails.

This grant of easement and restriction on use shall run with the land in perpetuity and be binding upon and inure to the benefit of the parties hereto and their heirs, successors in interest assigns, except that if the permit shall expire before commencement of construction of any of the improvements authorized by it, this easement grant shall become void, unenforceable and of no further effect.

Grantor may use the area covered by this easement in any way not inconsistent with the conditions and restrictions herein imposed and shall otherwise be subject to the laws of the County of Mendocino and State of California regulating the use of the specified land.

Grantor hereby authorizes the grantee and its duly authorized agents to enter onto the area subject to this easement at any time reasonably acceptable to grantor to assure that the restrictions set forth in this offer are being observed.

When in the judgment of grantee a breach of the provisions set forth in this offer have occurred, grantee may seek any appropriate remedy for said breach including injunctive relief to force a termination of breaching activity or to force the restoration of all damage done by any such activity.

The restrictions set forth in this grant may be modified by agreement of grantor and grantee or their successors in interest. Such modification shall not be effective without obtaining a Coastal permit amendment or a Coastal permit if required by the Coastal Act.

This offer and dedication of open space easement, as specified in Section 422 of the Revenue and Taxation Code if accepted in accordance with Section 51070 of the Government Code, shall be deemed to be an enforceable restriction within the meaning of Article XXVIII of the Constitution of the State of California.

This grant dedication shall be accepted by grantee through a duly authorized representative and recorded in the office of the Mendocino County Recorder, free of all liens except tax liens.

Dated: *Oct. 1, 1980*

COAST ASSOCIATES, a limited partnership

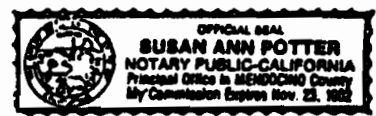
By *Walter L. Kamb*  
Grantor  
Walter L. Kamb, partner

STATE OF CALIFORNIA )  
                          ) ss.  
COUNTY OF MENDOCINO )

On *October 1*, 1980, before me, the undersigned, a Notary Public in and for said State, personally appeared WALTER L. KAMB, known to me to be the general partner of COAST ASSOCIATES, a limited partnership, that he executed the within instrument, and acknowledged to me that such partnership executed the same.

WITNESS my hand and official seal.

(Seal)



*Susan Ann Potter*  
Notary Public in and for said State

CERTIFICATION AND ACCEPTANCE BY  
NORTH COAST REGION, CALIFORNIA COASTAL COMMISSION

This is to certify that the grant of open space easement made by the foregoing instrument dated *October 1*, 1980, to the People of the State of California is hereby acknowledged and accepted by the undersigned officer on behalf of the North Coast Regional Commission pursuant to authority conferred by the North Coast Regional Commission when it granted Permit No. NCR 78-C-329 on April 11, 1979, and the amendment thereto on June 12, 1980, and the North Regional Commission consents to recordation thereof by its duly authorized officer.

CALIFORNIA COASTAL COMMISSION  
NORTH COAST REGION

*Richard G. Rayburn*

RICHARD G. RAYBURN, AUTHORIZED OFFICER  
EXECUTIVE DIRECTOR

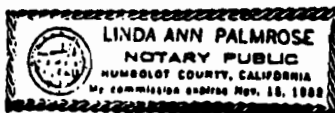
Dated: December 29, 1980

STATE OF CALIFORNIA )  
COUNTY OF *Humboldt* ) ss.

On *December 29*, 1980, before the undersigned, a Notary Public in and for said State, personally appeared *Richard G. Rayburn*, known to me to be the *Executive Director* of the North Coast Regional Commission, California Coastal Commission and known to me to be the person who executed the within instrument on behalf of said North Coast Regional Commission California Coastal Commission, State of California, and acknowledged to me that executed the same as the free act indeed of said State of California.

WITNESS, my hand and official seal.

(Seal)



*Linda Ann Palmrose*  
Notary Public in and for said State

EXHIBIT "A"

PARCEL ONE.

All that portion of the following described property lying Easterly of the Easterly line that certain property granted to the State of California in the deed recorded 11-2-1961 in Book 580 Official Records, Page 512, Mendocino County Records.

Commencing at a fir tree, 4 feet in diameter, said tree being the corner common to Sections 19, 20, 29 and 30, Township 17 North, Range 17 West, Mount Diablo Meridian; thence along the Section line between Sections 19 and 20, North 0° 26' West 320.00 feet; thence South 89° 51' 30" West 962.94 feet; thence South 0° 26' East 525.69 feet to the true point of beginning of the land hereinafter described. Said point of beginning being the most Northerly corner of Grindle Park, also the most Northerly corner of Lot 15, Block 4 of Hills Tract. Thence from said point of beginning South 56° 13' 30" West 550.49 feet; thence South 34° 58' 30" East 100.70 feet; thence South 54° 48' West 144.53 feet; thence South 01° East 315.97 feet; thence South 61° 45' West 343.70 feet; thence South 33° 09' East 20.00 feet; thence South 62° 49' West 265.98 feet; thence South 55° 19' West 125.35 feet; thence South 59° 18' West 260.50 feet; thence North 34° 53' West 24.40 feet to Point "A", hereinafter referred to, thence South 53° 59' 1/2" West 146.50 feet to the center line of a 20 foot lane; thence along said center line South 34° 41' East 52.05 feet; thence South 53° 01' West 227.00 feet; thence North 34° 41' West 66.0 feet; thence South 77° 17' West 176.75 feet to the Easterly line of the State Highway; thence along said Easterly line North 12° 43' West 382.80 feet; thence North 89° 30' East 204.00 feet; thence North 0° 22' West 222.40 feet; thence South 86° 58' West 249.00 feet to Easterly line of aforesaid State Highway; thence along said Easterly line the following courses and distances, to-wit: North 12° 43' West 1171.91 feet; North 35° East 55.40 feet; North 10° 10' East 24.85 feet; North 30° 20' East 50.00 feet; North 33° 24' East 50.00 feet; North 39° 03' East 200.66 feet; North 40° 44' East 167.00 feet; thence leaving said Easterly line South 76° 38' East 576. feet; thence North 89° 51' 30" East 1349.10 feet; thence South 0° 26' East 525.69 feet to the point of beginning and being a portion of "Hills Tract" as recorded in Book 2 of Maps and Surveys at page 68, Mendocino County Records.

119-090-23  
119-090-x29

PARCEL TWO

Beginning at the Southeasterly corner of that certain parcel of land conveyed to Jean Law Grant by deed dated January 13, 1951 and recorded January 23, 1951 in Book 282 at Page 451 Mendocino County Records, said point being the most Northerly corner of Grindle Park; thence North 0° 26' West 525.69 feet to the Southerly line of that certain parcel of Land Conveyed to William Edward Law by deed recorded January 23, 1951 in Book 282 at Page 433, Mendocino County Records; thence along said Southerly line North 89° 51' 1/2" East 466.63 feet, more or less, the Northwest corner of the lands of Frank J. Mendosa; thence along the West line of said Mendosa South 0° 26' East 730.84 feet to the Southwest corner thereof; thence North 56° 49' West 157.05 feet to the Northeast corner of the lands, now or formerly, of Grace J. Byrnes; thence along the Northerly line of said Byrnes 358.71 feet, more or less, to the point of beginning, and being a portion of the "Hills Tract" as recorded in Book 2 of Maps and Surveys at Page 68, Mendocino County Records.

119-090-x29

CC&Rs

Hills Ranch Owners' Association

**EXHIBIT D**

Recorded at the Request of

And When Recorded Return to:

Coast Associates  
P.O. Box 1348  
Mendocino, CA 95460

52779

**GRANT OF OPEN SPACE EASEMENT FOR  
RIPARIAN VEGETATION PROTECTION ZONE**

RECORDED AT REQUEST OF  
REDWOOD EMPIRE TITLE COMPANY

BOOK 1288 PAGE 46  
DEC 31 10 50 AM '60

OFFICIAL RECORDS  
MENDOCINO COUNTY, CALIF.

*David R. [Signature]*  
CLERK

CC [Signature]

WHEREAS, COAST ASSOCIATES, a limited partnership, (hereinafter "grantor"), is the owner of that certain real property located in the County of Mendocino, State of California, legally described on Exhibit "A" attached hereto and incorporated herein (hereinafter referred to as "the property"); and

WHEREAS, pursuant to the Coastal Act of 1976 (Public Resources Code Section 30000 et. seq.) the North Coast Region California Coastal Commission (hereinafter "grantee") has permit jurisdiction over development of the property; and

WHEREAS, grantor has previously applied to and received from the grantee approval of an application for a permit to construct a residential development on the property, said permit application being No. NCR 78-C-329; and

WHEREAS, grantor has also applied to grantee for and received an amendment to said permit which enabled it to proceed with limited road construction on the property before satisfaction of all conditions imposed in connection with the original permit; and

WHEREAS, the approval of the permit application and the granting of the amendment to the permit require, among their conditions, granting and recordation of an open space easement for protection of the riparian vegetation zone located on the property as specified in Exhibit "C" to the original permit (a copy of which is attached hereto marked Exhibit "B" and incorporated herein); and

WHEREAS, the subject property is located within the Coastal Zone as defined in California Coastal Act of 1976, Public Resources Code Section 30000 et. seq. (hereinafter referred to as "the Act"); and

WHEREAS, the Act requires that any development within the Coastal Zone must be consistent with the policies of the Act



set forth in Chapter 3 of Division 20 of the Public Resources Code;  
and

WHEREAS, Section 30240 of the Act provides:

"Environmentally sensitive habitat areas shall be protected against any significant disruption of habitat values, and only uses dependent on such resources shall be allowed within such areas."; and

WHEREAS, the Commission has found that this project, as conditioned, will provide protection of environmentally sensitive habitat areas, thus satisfying the requirements of Section 30240;  
and

WHEREAS, grantor desires to obtain the benefits resulting from the granting of the permit to carry out the above-described development on the subject property, which development could not have been approved by the Commission but for the provision of the Riparian Vegetation Protection Zone; and

WHEREAS, the Commission wishes to obtain the public benefits acquiring from the protection of Riparian Vegetation Protection Zone; and

WHEREAS, grantor wishes to, by this instrument, comply with this permit condition:

NOW, THEREFORE, in consideration of the granting of the permit and amendment to owner by grantee and in order to comply with the condition of the permit and the amendment thereto, specified above, grantor hereby conveys to the grantee an open space easement in gross over that certain portion of the property designated and delineated as the "riparian vegetation protection zone" on Exhibit "C" of the permit No. NCR 78-C-329, which easement consists of a covenant on the part of grantor that there shall be no disturbance of or removal of riparian vegetation in the area specified on the property, nor any structures erected within the boundaries therein specified except as necessary for the placement and maintenance of water lines and pumps as may be used for water appropriation from Slaughterhouse Creek utilizing methods that meet the approval of the California Department of Fish and Game and grantee and further excepting the removal of vegetation as may be required for thinning and elimination of diseased growth but in no circumstances allowing

major vegetative removal which would degrade the riparian vegetation protection zone specified in Exhibit "C" to permit No. NCR 78-C-329.

This grant of easement and restriction on use shall run with the land in perpetuity and be binding upon and inure to the benefit of the parties hereto and their heirs, successors in interest assigns, except that if the permit shall expire before commencement of construction of any of the improvements authorized by it, this easement grant shall become void, unenforceable and of no further effect.

Grantor may use the area covered by this easement in any way not inconsistent with the conditions and restrictions herein imposed and shall otherwise be subject to the laws of the County of Mendocino and State of California regulating the use of the specific land.

Grantor hereby authorizes the grantee and its duly authorized agents to enter onto the area subject to this easement at any time reasonably acceptable to grantor to assure that the restrictions set forth in this offer are being observed.

When in the judgment of grantee a breach of the provisions set forth in this offer have occurred, grantee may seek any appropriate remedy for said breach including injunctive relief to force a termination of breaching activity or to force the restoration of all damage done by any such activity.

The restrictions set forth in this grant may be modified by agreement of grantor and grantee or their successors in interest. Such modification shall not be effective without obtaining a Coastal permit amendment or a Coastal permit if required by the Coastal Act.

This offer and dedication of open space easement, as specified in Section 422 of the Revenue and Taxation Code if accepted in accordance with Section 51070 of the Government Code, shall be deemed to be an enforceable restriction within the meaning of Article XXVIII of the Constitution of the State of California.

This grant dedication shall be accepted by grantee through a duly authorized representative and recorded in the office of the

Mendocino County Recorder, free of all liens except tax liens.

Dated: October 1, 1980

COAST ASSOCIATES, a limited partnership

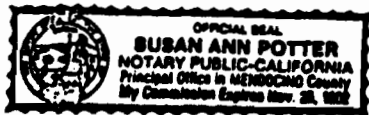
By Walter L. Kamb  
Grantor  
Walter L. Kamb, partner

STATE OF CALIFORNIA )  
                          ) ss.  
COUNTY OF MENDOCINO )

On October 1, 1980, before me, the undersigned, a Notary Public in and for said State, personally appeared WALTER L. KAMB, known to me to be the general partner of COAST ASSOCIATES, a limited partnership, that he executed the within instrument, and acknowledged to me that such partnership executed the same.

WITNESS my hand and official seal.

(Seal)



Susan Ann Potter  
Notary Public in and for said State

CERTIFICATION AND ACCEPTANCE BY  
NORTH COAST REGION, CALIFORNIA COASTAL COMMISSION

This is to certify that the grant of open space easement made by the foregoing instrument dated *October 1*, 1980, to the People of the State of California is hereby acknowledged and accepted by the undersigned officer on behalf of the North Coast Regional Commission pursuant to authority conferred by the North Coast Regional Commission when it granted Permit No. NCR 78-C-329 on April 11, 1979, and the amendment thereto on June 12, 1980, and the North Regional Commission consents to recordation thereof by its duly authorized officer.

CALIFORNIA COASTAL COMMISSION,  
NORTH COAST REGION

*R. G. Rayburn*

December 29, 1980

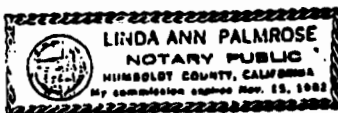
RICHARD G. RAYBURN - AUTHORIZED OFFICER -  
EXECUTIVE DIRECTOR

STATE OF CALIFORNIA )  
COUNTY OF *Humboldt* ) ss.

On *December 29*, 1980, before the undersigned, a Notary Public in and for said State, personally appeared *Richard G. Rayburn*, known to me to be the *Executive Director* of the North Coast Regional Commission, California Coastal Commission and known to me to be the person who executed the within instrument on behalf of said North Coast Regional Commission California Coastal Commission, State of California, and acknowledged to me that executed the same as the free act indeed of said State of California.

WITNESS, my hand and official seal.

(Seal)



*Linda Ann Palmrose*  
Notary Public in and for said State

EXHIBIT "A"

PARCEL ONE.

All that portion of the following described property lying Easterly of the Easterly line that certain property granted to the State of California in the deed recorded 11-2-1961 in Book 580 Official Records, Page 512, Mendocino County Records.

Commencing at a fir tree, 4 feet in diameter, said tree being the corner common to Sects 19, 20, 29 and 30, Township 17 North, Range 17 West, Mount Diablo Meridian; thence along the Section line between Sections 19 and 20, North 0° 26' West 320.00 feet; thence South 89° 51' 30" West 962.94 feet; thence South 0° 26' East 525.69 feet to the true point of beginning of the land hereinafter described. Said point of beginning being the most Northerly corner of Grindle Park, also the most Northerly corner of Lot 15, Block 4 of Hills Tract. Thence from said point of beginning South 56° 13' 30" West 550.49 feet; thence South 34° 58' 30" East 100.70 feet; thence South 54° 48' West 144.53 feet; thence South 01° East 315.97 feet; thence South 61° 45' West 343.70 feet; thence South 33° 09' East 20.00 feet; thence South 62° 49' West 265.98 feet; thence South 55° 19' West 125.35 feet; thence South 59° 18' West 260.50 feet; thence North 34° 53' West 24.40 feet to Point "A", hereinafter referred to, thence South 53° 59 1/2' West 146.50 feet to the center line of a 20 foot lane; thence along said center line South 34° 41' East 52.05 feet; thence South 53° 01' West 227.00 feet; thence North 34° 41' West 66.0 feet; thence South 77° 17' West 176.75 feet to the Easterly line of the State Highway; thence along said Easterly line North 12° 43' West 382.80 feet; thence North 89° 38' East 204.00 feet; thence North 0° 22' West 222.40 feet; thence South 86° 58' West 249.00 feet to Easterly line of aforesaid State Highway; thence along said Easterly line the following courses and distances, North 12° 43' West 1171.91 feet; North 35° East 55.40 feet, North 10° 10' East 24.85 feet; West 30° 20' East 50.00 feet; North 33° 24' East 50.00 feet; North 39° 03' East 200.00 feet; North 40° 44' East 167.00 feet; thence leaving said Easterly line South 76° 31' East 570. feet; thence North 89° 51' 30" East 1349.10 feet; thence South 0° 26' East 525.69 feet to the point of beginning and being a portion of "Hills Tract" as recorded in Book 2 of Maps and Surveys at page 68, Mendocino County Records.

119-080-23  
119-090-x29

PARCEL TWO

Beginning at the Southeasterly corner of that certain parcel of land conveyed to Jean Law Grant by deed dated January 13, 1951 and recorded January 23, 1951 in Book 282 at Page 45; Mendocino County Records, said point being the most Northerly corner of Grindle Park; thence North 0° 26' West 525.69 feet to the Southerly line of that certain parcel of Land Conveyed to William Edward Law by deed recorded January 23, 1951 in Book 282 at Page 433, Mendocino County Records; thence along said Southerly line North 89° 51 1/2' East 468.63 feet, more or less, the Northwest corner of the lands of Frank J. Mendosa; thence along the West line of said Mendosa South 0° 26' East 730.84 feet to the Southwest corner thereof; thence North 56° 49' West 157.05 feet to the Northeast corner of the lands, now or formerly, of Grace J. Byrnes; thence along the Northerly line of said Byrnes 358.71 feet, more or less, to the point of beginning, and being a portion of the "Hills Tract" as recorded in Book 2 of Maps and Surveys at Page 68, Mendocino County Records.

119-090-x29

CONSENT OF DECLARANT'S SPOUSE

I, CAROLE V. SIDLOW, spouse of the Declarant named in the herein Declaration of Covenants, Conditions and Restrictions, hereby joins in the execution of same and consents to it's recordation.

Dated: 10/7/85

Carole V. Sidlow  
Carole V. Sidlow



STATE OF CALIFORNIA }  
COUNTY OF San Diego (ca) } ss.  
On this the 7th day of October 19 85, before me the undersigned, a Notary Public in and for said County and State, personally appeared Carole V. Sidlow

\_\_\_\_\_ personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged that she executed the same.

Frederick Eastman  
Signature of Notary

FOR NOTARY SEAL OR STAMP

Staple  
CAL-375 (Rev. 8-82) Ack. Individual  
Staple

SUBORDINATION AND CONSENT OF BENEFICIARY

HOME FEDERAL SAVINGS AND LOAN ASSOCIATION, a corporation, joins in the execution of this document for the purpose of subordinating the lien of their Deed of Trust recorded February 23, 1984, in Book 1444 Official Records, Page 266, #2632, Mendocino County Records, to the aforesaid Declaration of Covenants, Conditions and Restrictions, and consents to the recordation of the same.

Dated: 3-1-85

HOME FEDERAL SAVINGS AND LOAN ASSOCIATION

By Rose A. Yuhas  
Rose A. Yuhas - Loan Officer

By Alan G. Rye  
Alan G. Rye - Vice President

STATE OF CALIFORNIA

ss.

COUNTY OF Santa Clara

On this the 1st day of March 19 85 before me, the undersigned Notary Public, in and for said County and State personally appeared Alan G. Rye

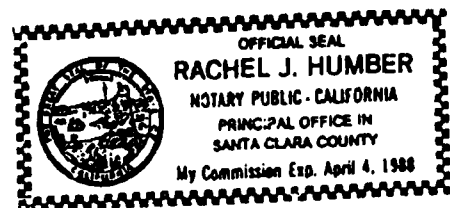
proved to me on the basis of satisfactory evidence to be the Vice President, and Rose A. Yuhas

proved to me on the basis of satisfactory evidence to be Loan Officer Secretary of the corporation that executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

Signature Rachel J. Humber  
Rachel J. Humber



FOR NOTARY SEAL OR STAMP



Cal-374 Ack Corporation (Rev 6-82)  
Staple

SUBORDINATION AND CONSENT OF BENEFICIARY

WRATHER LAND CORPORATION, a Nevada corporation,  
a corporation, joins in the execution of this document for the purpose  
of subordinating the lien of their Deed of Trust recorded June 5,  
19 85 in Book 1509 of Official Records, Page 8, Mendocino County  
Records, to the aforesaid Declaration of Covenants, Conditions and  
Restrictions, and consents to the recordation of the same.

Dated: JUNE 28, 1985

WRATHER LAND CORPORATION,  
a Nevada corporation

By Roy M. Rawls, Vice President  
Roy M. Rawls, Vice President

By \_\_\_\_\_

*(Seal Affixed)*

ACKNOWLEDGEMENT — Corp. - Pres. & Secy.  
Cal-371 (Rev. 6-82)  
Staple

Staple  
STATE OF CALIFORNIA,  
COUNTY OF Los Angeles | s.s.  
On this the 28<sup>th</sup> day of JUNE, 19 85  
before me, the undersigned, a Notary Public in and for said County and State,  
personally appeared Roy M. Rawls  
proved to me on the basis of satisfactory evidence  
to be the VICE President, and \_\_\_\_\_  
proved to me on the basis of satisfactory evidence  
to be the \_\_\_\_\_ Secretary of the corporation that executed the within  
instrument, on behalf of the corporation therein named, and acknowledged to me  
that such corporation executed the within instrument pursuant to its by-laws or a  
resolution of its board of directors.

Diane Hinton  
(Notary signature line)  
DIANE HINTON  
("His name (notary's) shall be typed or legibly printed")  
(Sec. 8205 - Government Code 1959)



FOR NOTARY SEAL OR STAMP

OFFICIAL SEAL  
DIANE HINTON  
NOTARY PUBLIC - CALIFORNIA  
Principal Office in  
LOS ANGELES COUNTY  
My Commission Expires Oct. 21, 1985



CC&Rs

Hills Ranch Owners' Association

**EXHIBIT E**

**EXHIBIT E TO CC&Rs  
OF HILLS RANCH OWNERS' ASSOCIATION**

**As Adopted \_\_\_\_\_, 2003**

(Note: This Exhibit may be periodically superseded  
by later exhibits reflecting changes in the law)

This exhibit to the Declaration of Covenants, Conditions and Restrictions of Hills Ranch Owners' Association, is hereby incorporated by cross-reference into the Declaration (as authorized by Section 14.13).

The following language is substantially as provided for in Civil Code sections 1365 and 1365.5.

**Section 1. Financial Records and Reporting.** The Association shall prepare and distribute to all its members the following documents:

(a) A pro forma operating budget, which shall include all of the following:

(1) The estimated revenue and expenses on an accrual basis.

(2) A summary of the association's reserves based upon the most recent review or study conducted pursuant to Section 1365.5, which shall be printed in bold type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component.

(B) As of the end of the fiscal year for which the study is prepared:

(i) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.

(ii) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components.

(C) The percentage that the amount determined for purposes of clause (ii) of subparagraph (B) is of the amount determined for purposes of clause (i) of subparagraph (B).

(3) A statement as to whether the board of directors of the association has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor.

(4) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the association is obligated to maintain.

The summary of the association's reserves disclosed pursuant to paragraph (2) shall not be admissible in evidence to show improper financial management of an association, provided that

other relevant and competent evidence of the financial condition of the association is not made inadmissible by this provision.

A copy of the operating budget shall be annually distributed not less than 45 days nor more than 60 days prior to the beginning of the association's fiscal year.

(b) A review of the financial statement of the association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income to the association exceeds seventy-five thousand dollars (\$75,000). A copy of the review of the financial statement shall be distributed within 120 days after the close of each fiscal year.

(c) In lieu of the distribution of the pro forma operating budget required by subdivision (a), the board of directors may elect to distribute a summary of the pro forma operating budget to all its members with a written notice that the pro forma operating budget is available at the business office of the association or at another suitable location within the boundaries of the development and that copies will be provided upon request and at the expense of the association. If any member requests that a copy of the pro forma operating budget required by subdivision (a) be mailed to the member, the association shall provide the copy to the member by first-class United States mail at the expense of the association and delivered within five days. The written notice that is distributed to each of the association members shall be in at least 10-point bold type on the front page of the summary of the budget.

(d) A statement describing the association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its members shall be annually delivered to the members during the 60-day period immediately preceding the beginning of the association's fiscal year.

(e) A summary of the association's insurance consistent with Civil Code Section 1365(e).

## **Section 2. Operating and Reserve Accounts.**

(a) The board of directors of the association shall do all of the following:

(1) Review a current reconciliation of the association's operating accounts on at least a quarterly basis.

(2) Review a current reconciliation of the association's reserve accounts on at least a quarterly basis.

(3) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.

(4) Review the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.

(5) Review an income and expense statement for the association's operating and reserve accounts on at least a quarterly basis.

(b) The signatures of at least two persons, who shall be members of the association's board of directors, or one officer who is not a member of the board of directors, shall be required for the withdrawal of moneys from the association's reserve accounts.

(c)

(1) The board of directors shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

(2) However, the board may authorize the temporary transfer of money from a reserve fund to the association's general operating fund to meet short-term cash-flow requirements or other expenses, provided the board has made a written finding, recorded in the board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the common interest development, temporarily delay the restoration. The board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this section. This special assessment is subject to the limitation imposed by Section 1366. The board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

(d) When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the association shall notify the members of the association of that decision in the next available mailing to all members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of those expenses. Unless the governing documents impose more stringent standards, the association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by members of the association at the association's office.

(e) At least once every three years the board of directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the association is obligated to repair, replace, restore or maintain as part of a study of the reserve account requirements of the common interest development if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the association which excludes the association's reserve account for that period. The board shall review this study annually and shall consider and implement necessary adjustments to the board's analysis of the reserve account requirements as a result of that review.

The study required by this subdivision shall at minimum include:

(1) Identification of the major components which the association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than 30 years.

(2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1) during and at the end of their useful life.

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

(f) As used in this section, "reserve accounts" means moneys that the association's board of directors has identified for use to defray the future repair or replacement of, or additions to, those major components which the association is obligated to maintain.

(g) As used in this section, "reserve account requirements" means the estimated funds which the association's board of directors has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.